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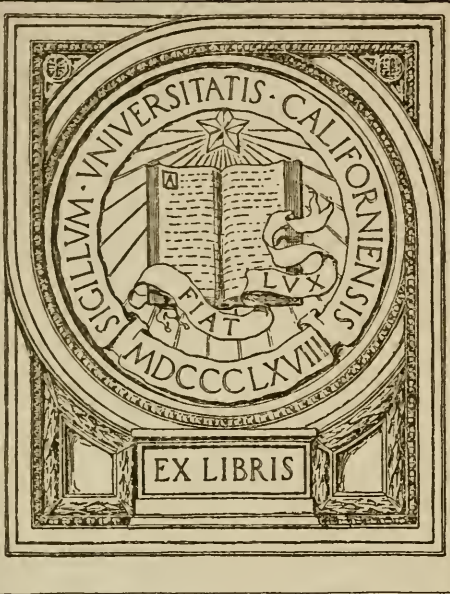
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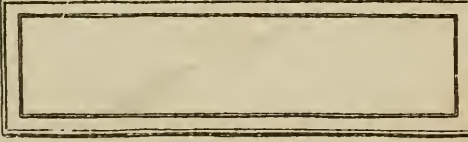


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# INDIAN RAILWAY SERIES

Compiled and Edited By

UNIV. OF  
CALIFORNIA

**FAREDUN K. DADACHANJI**

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NO. 1

## INDIAN RAILWAY POLICY

B

**SIR GUILDFORD L. MOLESWORTH**

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*“ The reversal of Lord Lawrence’s railway policy of State construction and management has been disadvantageous, and the continuance of such reversal is, ‘ in the interests of the people of India generally,’ to be strongly deprecated. ”-SIR GUILDFORD.*  
( page 16 of this pamphlet )

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STATE MANAGEMENT AT PRESENT MEANS A  
MANAGEMENT MORE RESPONSIVE TO PUBLIC  
OPINION THAN COMPANY MANAGEMENT  
CAN EVER BE

Year after year, the Government is becoming more and more national, year after year our voice is becoming more and more potent; therefore within a measurable distance of time State management will mean management of railways by the people and through the representatives of the people. That is what State management will ultimately imply. But perhaps it may be said that I am looking far ahead. Let me confine my vision nearer home. At present State management means a management more responsive to public opinion than Company management can ever be. State management means a management which pays greater attention to the requirements of the people than to the requirements of £. s. d. "—*The Hon'ble Mr. SURENDRANATH Banerjea " The Gazette of India ", April 3, 1915. p. 355.*

IMPOSSIBILITY OF GOVERNMENT CONTROL OVER  
RAILWAY COMPANIES

" But how about the law ? How about the blessed thing called regulation ? How about government supervision of corporations ?

That is the very thing I want most to tell you about. Come now, you that think you can deal with this problem by regulation. Come and have a good look at this exhibit. It will not give you cheer but it ought to furnish unlimited instruction.

Law ? There was nothing but law; and constitutions; and provisions; and orders; and amendments; and fresh statutes; and then more law; all aimed and shaped to regulate, restrict and control this monster. and the monster never gave a hoot for all of them. Every step of its progress had been marked by the violation of some law or some article of the holy constitution, and it strode calmly and cheerfully over all, never minding in the least. "

—*C. E. Russell. Stories of the Great Railroads, 1914. p. 229.*

# INDIAN RAILWAY SERIES

Compiled and Edited By

**FAREDUN K. DADACHANJI**, B.A., LL.B.,

Solicitor, Bombay High Court.

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With a Foreword By

**MR. J. K. MEHTA**, M.A.,

Secretary, Indian Merchants' Chamber, Bombay.

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NO. 1

## INDIAN RAILWAY POLICY

BY

**SIR GULDFORD L. MOLESWORTH**, K.C.I.E.,

Consulting Engineer for State Railways  
to the Government of India.

## PRESIDENT WILSON'S MESSAGE TO CONGRESS

" I am sure that I am speaking the mind of all thoughtful Americans when I say that it is our duty as the representatives of the nation to do everything that is necessary to do to secure the complete mobilization of the whole resources of America by as rapid and effective a means as can be found. Transportation supplies all the arteries of mobilization. Unless it be under a single and unified direction, the whole process of the nation's action is embarrassed.

x

x

x

" It had become unmistakably plain that only under government administration can the entire equipment of the several systems of transportation be fully and unreservedly thrown into a common service without injurious discrimination against particular properties. Only under government administration can an absolutely unrestricted and unembarrassed common use be made of all tracks, terminals, terminal facilities and equipment of every kind. Only under that authority can new terminals be constructed and developed without regard to the requirements or limitations of particular roads. But under government administration all these things will be possible, not instantly, but as fast as practical difficulties, which cannot be merely conjured away, give way before the new management"—*President's Address to Congress on Federal Control of Railroads, January 4, 1918. The Annals, March, 1918. p. 275.*

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COMPANY MANAGEMENT MEANS ANTI-SOCIAL  
SERVICE

" Our circulatory system is owned by eighteen hundred quarreling, competing transportation agencies, each of which is in conflict with the others; and all of which are in conflict with the producers and consumers. Transportation is run for profit. It should be the agency of service. And the great profits of the railroads are from anti-social service."—*Fredric C. Howe, Special U. S. Commissioner to investigate Municipal Ownership in Great Britain. The Annals, March 1918.*

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## MR. MONTAGUE ON THE NECESSITY OF MAKING INDIA SELF-SUPPORTING IN THE MATTER OF RAILWAY EQUIPMENT AND MATERIALS.

“ How much more India could do for us and for herself now had her industries only been developed in the past ! When India set out to make things, railway engines, trucks, and even rails, she found herself requiring machinery from oversea, which it was impossible to get on the necessary scale, and also skilled workers, who were now so scarce all over the world. That state of things must end. One of the first duties of the Government of India must be to start and steadily promote a policy which would enable India more and more to supply her needs by her own efforts out of her almost immeasurable resources. ”—*Mr. Montague before the Cambridge Liberal Association on 27-7-18.*

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## ANTI-NATIONAL FREIGHT POLICY OF COMPANY MANAGEMENT OF RAILWAYS IN GREAT BRITAIN

“ Unrestricted private enterprise, the unrestricted control of railways by greedy speculators, has given to Great Britain the most costly and perhaps the least efficient railway system in the world with monstrosly high freights. The British railways have been run not for the benefit of the country, but for that of company promoters, railway directors, stock-speculators and shareholders, while national production has been hampered and restricted by the exorbitant freight rates and the anti-national freight policy pursued by the railways. ”—*From an article in the “ Nineteenth Century and After ” of May 1918 by J. Ellis Barker.*

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## NO ROOM TO-DAY FOR THE EXPENSIVE DIVISION OF AUTHORITY INVOLVED IN COMPANY MANAGEMENT OF STATE-OWNED RAILWAYS

“ For our own part we believe that the true line of development of Indian railway policy is the gradual assumption by the State of the duty of working all its lines. There is no room to-day for the expensive division of authority which is involved in company management. ”—*“ The Times of India ” (1915).*



The Indian Railway Series

is dedicated to

SIR GUILDFORD L. MOLESWORTH, K.C.I.E.,

as a token of gratitude

for his most able and authentic exposure of the shady transaction by which Lord Ripon reversed Lord Lawrence's railway policy of State construction and management, and by such reversal sacrificed India to alien railway companies, under the pretext of encouraging 'private enterprise',

and

for his most masterly and authentic exposure of the hollowness of the arguments now advanced by the champions of the vested interests to perpetuate this glaring injustice to India.

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## BREAK-DOWN OF COMPANY MANAGEMENT AT THE MOMENT OF SUPREME TEST

“ At the moment of supreme test, when the public interest demanded the highest efficiency in our transportation system, private operation broke down and the government had to come to the rescue. Precisely the same thing occurred in Great Britain. This did not happen in the other great civilized countries engaged in the present war, because they had already taken over the operation of most of their railroad systems many years ago. It is a noteworthy fact that not one of these other nations found it advisable to go back to private operation when the crisis came. The only nations which found it necessary to make a change in their methods of dealing with their railroads were those which substituted Government operation for private operation. ”—*Clifford Thorne, Chairman of the Board of R. R. Commissioners, Ia.*—“*The Annals*”, March, 1918.

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## UNDENIABLE NEGLECT OF THE QUESTION OF TRANS- PORT AS AFFECTING THE PUBLIC WELFARE

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### A RESULT OF THE TREMENDOUS INFLUENCE OF RAILWAY COMPANIES

“ The sub-committee appointed by the Commercial Committee of the House of Commons to consider the question of transport reform have quite recently issued a report and express the opinion that ‘ the question of transport as affecting the public welfare has been undeniably neglected owing to the opposition of vested interests and the lack of initiative and apathy of governments and government departments.’ ”—*From an article by J. H. Balfour-Browne in the “ Nineteenth Century & After ” of July 1918.*

## FOREWORD

By **Mr. J. K. MEHTA** M. A.,

*Secretary, Indian Merchants' Chamber and Bureau, Bombay.*

*Bombay, 13th July 1920.*

*The question of State versus Company management is a hardy annual and has been discussed year after year since a long time past. On its right solution depends to a large extent the happiness and comfort of millions of our countrymen who have to travel third class and also the development and progress of Indian trade and industry. The problem in this country is not one of nationalisation of Railways, for, excepting a few lines practically all the Railways are nationalised. What adds to the injury however is that notwithstanding such a nationalisation of Railways they are given over for management to British Companies with the result that all the worst evils of Company management are glaringly manifested in this country.*

*It is argued that all the departments of the State like Education, Commerce and Industries, Home etc., are already State managed departments and yet public complaints and grievances are not the less on that account. This is true, but taking over the management of Railways by the State will at least ensure that questions regarding Railways will be brought forward before the public eye for public criticism and will receive attention which they do not at present. Mr. Dadachanji has in this little brochure dealt exhaustively with all such questions and I would not go into details here myself. Mr.*

*Dadachanji is very well-known as a keen and zealous student of this question and has contributed not a little to the great task of educating public opinion with regard to it. This brochure is intended to form but the forerunner of a series of brochures and monographs on different Railway questions. Such a series will supply a much needed want in this country where such literature is unfortunately very scarce. I hope that the enterprise will meet with deserved success and will prove a helpful factor at a time when agitation with regard to Railway questions is necessary in view of the fact that a Railway Committee is going shortly to be appointed to investigate Railway questions.*

J. K. MEHTA.

13-7-1920.

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## COMPILER'S INTRODUCTION

The railway system of a country forms the most vital and fundamental element in the whole economic structure. Upon the railways more than upon any other single institution or system depends the whole fabric of modern industrial and economic life. And upon that of course the general welfare of the people. It is therefore of the utmost importance to have in India a railway system as efficient as it is possible to have.

State ownership and management of railways has, we believe, fully and completely demonstrated itself to be infinitely superior to any other system of management. Of the principal 78 nations 70, or all but 8, - own and manage more or less their railways. 10 nations own and manage all of their railroads publicly. 15 nations own and manage 95 per cent or more of their railway mileage; 19 own and manage seven-eighths or more of their total mileage; 27 own and manage over four-fifths; and 60 own and manage more than one-half of their total railway mileage.\*

With the solitary exception of Holland,† India is the only unfortunate country where the State-owned railways are handed over for management to commercial companies whose one and only aim is to make immediate, maximum profit by any means, fair or foul, and without the slightest regard to the interests of the country as a whole.

Furthermore, the change from private to public ownership and management is going on rapidly.\* Switzerland completed the nationalization of her railways in 1903. Italy joined the ranks

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\* Shall the Government Own and Operate the Railroads, etc., by the American National Civic Federation. 1915.

† "The only country in which so far as the Government are aware the railways owned by the State are leased to companies is Holland."—Sir Robert Gillan in the March 1917 meeting of the Imperial Legislative Council.

in 1905; Japan and Mexico in 1907; even Greece and Guatemala have taken to this change and China too - all three joining in 1909. England nationalized her railways at the outbreak of the Great war in 1914, and as a result of the experience gained since then had decided\* not to go back to private ownership and management, but the tremendous political influence† of the companies has succeeded in forcing the Government to change its decision. In the United States also the management of the railways was taken over by the Government during the war and would have continued to remain in their hands. But it is now restored to the companies whose political influence is too overwhelming to be resisted by any Government.‡

In short State ownership and management of railways is an accomplished fact the world over. It is no longer a theory or a dream. It has been a reality in the experience of many nations covering a period of at least a quarter of a century and carried on under every form of government and every condition of people.

### RESULTS OF STATE MANAGEMENT IN FOREIGN COUNTRIES

And what have been the results of State ownership and management? The following are a few of them:—

1. The profits derived from the railways are used in the service of the common good, instead of going into the pockets of a few irresponsible capitalists.
2. Passenger and goods service is extended and improved.
3. Sweeping reductions are made in passenger fares and rates for goods.

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\* Reuter, 5th. December, 1918.

† Report of the Sub-Committee appointed by the Commercial Committee of the House of Commons to Consider the Question of Transport Reform.—1918.

‡ *New Statesman*, 24th April 1920.

4. The conditions of railway labour are improved.
5. Fraud is eliminated; unfair rates and discriminations are unknown. All are treated alike.
6. The enormous wastes of manifold ownership and multiplied managements are stopped.
7. The ceaseless flow of rural population to the murky congestion of towns is arrested and a healthy exodus from the crowded slums to the green fields and cultivated gardens of distant suburbs is established and stimulated.
8. In spite of heavy indebtedness incurred in the process of nationalization, the State-owned and State-managed railways have been a financial success.
9. The railways are taken out of politics.

We propose to publish in a special pamphlet a fairly good number of select opinions of eminent personages and popular journals on the unqualified success of State management in actual practice in all the countries where it has been tried. We would therefore be content to quote here only one or two of them.

## EXAMPLES OF THE UNQUALIFIED SUCCESS OF STATE MANAGEMENT IN ACTUAL PRACTICE

The most glowing tribute to the great economy and efficiency of State management of railways is the one paid by the present Prime Minister of England in the year 1908, when he was occupying the post of President of the Board of Trade.

Mr. Lloyd George said that he did not agree with his Hon. friend who spoke last that this was only part of the socialistic programme of nationalising everything. His Hon. friend knew that this was one of the very few countries in the world in which railways were not nationalised. Who were the men who had nationalised railways? The man who nationalised the railways in Germany hated and fought socialism. Prince Bismarck was not a member of the labour party. Prince Bismarck considered the question purely from the point of view of the development of the interests of Germany,

The thirty years' experience of Germany had proved his plan a colossal success and a great financial success. Then, 40 per cent of the revenues of Prussia were paid out of State railways, and the main part of the revenues of Saxony came from the State railways.....In Germany the railways had been used as an instrument for the development of German industry and for fighting against foreign industry; and a very formidable weapon it was—much more formidable, in his judgement than tariffs.

He was much surprised to hear the Hon. member for Dulwich challenge the case with regard to preference to foreigners. Several cases had come within his knowledge while he had been at the Board of Trade, in which there was no doubt that preference was given to the foreign producer over the home producer, through railway rates.. He thought that in that matter agriculturists had a real grievance.

The German and Belgian railways were used in the interest of the industries of those countries. He had taken the trouble to make enquiries into the working of the State railways in the industrial districts of Germany and he must say that he had been amazed at the results of that enquiry which he intended to place in full in a Paper before the House. There was general agreement that the State railway administration, in spite of alleged defects, which he could not say were altogether favourable from a labour point of view, was far superior to the old system of private ownership and administration. Several merchants and traders spoke of the advantages they witnessed from, and of the value of the co-ordination of the railways in Prussia, and said that the uniform administration could not be too highly appreciated, or the services rendered by the Minister for Railways in establishing through rates and special rates for special industries and in his readiness to meet the wishes of traders and manufacturers...There were three investigators who carried out their investigations separately and they were all agreed that in Germany the trader was perfectly satisfied; that he would no more go back to private ownership of railways than we would go back to private ownership of the Post Office in this country. The German system was used as a very powerful machine for the purpose of helping and developing German industry.\*

The State management of the Italian railways also came in for favourable comment from Mr. Lloyd George in the course of the above debate. He said that the Hon. gentleman had referred to the *Italian railways*, which he said were a bad example with regard to nationalisation. But since they were nationalised they had improved. They could not have got worse. That was actually impossible. There was only room for improvement at the time when those railways were nationalised, and they had improved. At the present moment they were engaged in considerable operations which would improve them still more. When they were private railways they were hopeless. Now, with State credit behind them they were able to find capital and they were really undertaking great works of improvement. The difficulty was that an inflated price had to be paid for them, and therefore, they did not start under fair conditions; but they were improving nevertheless, and they would improve still more within the next few years.

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\* Parliamentary Debates, Commons, 4th. Ser. Vol. 183 Date of speech 11th, February 1908.



Though the State was all too suddenly called upon to take over and manage the railways of England immediately on the outbreak of the Great War, its management has received this high praise from the British War Cabinet\* :—

“ In a period of strain and difficulty the railways of the country and those responsible for their management and operation have risen to every call upon them. Whilst filling all the huge requirements of the war they have, in the frequency of passenger trains, their comfort and rapidity, and in the regularity and quickness in the carriage of goods, provided for the civil population a service probably superior to that of any other country, allied, neutral or enemy.

“ Throughout the year the far-sighted policy of Mr. Asquith's government of 1914 in taking over the railways has further justified itself. It has enabled a concentration of effort, equipment and material without which it would hardly have been possible to meet the complex and growing demands. ”

Speaking of the State management of the railways in Belgium, Sir H. Barron in an official report to the British Government expressed the opinion that :—

“ It is certain that if managed solely as a commercial enterprise, the Belgian State railways would not have proved such a stimulus of national prosperity.”†

Even President Hadley of Yale University who is opposed in theory to State management is forced to admit the success of State management of the Belgian railways. He says : ‡

“ In judging of the railroad policy of Belgium by its results, all must unite in admitting that they are in many respects extraordinarily good. ”

Other equally convincing evidence is contained in a Parliamentary Return on Foreign and Colonial State Railways.§ The Paper says :

“ The financial results of the purchase of the Swiss railways are described as satisfactory. Till the present time the revenue has been sufficient (1) to cover working expenses, (2) to pay interests on the purchase money, and (3) to pay for sinking fund on the debt incurred in the purchase of the railways.

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\* Report to Parliament for the year 1917.

† “ State Purchase of Railways ”. By C. Waring. P. 22

‡ “ Railwayroad Transportation ”, p. 216.

§ 1908.

Apart from the financial question, the purchase of the railways is regarded as an unqualified success. Both passenger and goods rates have been reduced, and the railway service has improved, besides which the sinking fund contributions have until now been paid without recourse to the finances of the State."

Speaking of the exorbitant passenger fares charged by the companies in England Mr. Gladstone† said :

" It is no sound reason that because this country is rich it should pay railway companies more than necessary, or that cheap travelling should not be provided for the public. But there is no likelihood that the great experiment of the greatest possible cheapness to the public will be tried under the present system. "

Contrast this hopelessness of a most urgent and essential reform in the United Kingdom under the greedy company management with the certainty of the same reform having been accomplished in Austria and Hungary at the initiative of their enlightened State managements themselves

Speaking of the revolutionary character of the reductions in the passenger rates under what is known as " the Zone system " in Hungary a Foreign Office Report‡ says :

" There was therefore in the first twelve months after the introduction of the Zone tariff, an increase in the number of passengers carried amounting to 7,771,867 or 136·7 per cent. over the number in the preceding twelve months.....The above figures sufficiently prove the financial success of the scheme. "

Taking the figures for the four years from the introduction of the Zone system in Hungary, Mr. Clement Edwards\* has proved that there was

" A 600 per cent increase in four years (in the number of passengers in Hungary) as compared with 11 per cent. increase in the United Kingdom during the same period."

We read in Consul Faber's report† to Lord Salisbury :

" Our much-vaunted ' parliamentary ' sinks into insignificance in the face of

† Hansard, June 1844.

‡ Com. No. 11, 1891.

\* Railway Nationalization.

† C. 6205-114, 1891.

such achievements as those of M. de Baross. When it is considered that you can travel from one end of the country to the other, not by a slow 'parliamentary', but first-class and by express, at the rate of a penny and one-third a mile, and third-class at one-half that price, and that even these low rates are further reduced by 15 or 20 per cent. by means of circular tickets; when it is further considered that this has been achieved without a decrease in the receipts, without the necessity of large investments for rolling-stock, and that the large increase of passengers has been carried without loss to the State, it is needless to affirm that M. de Baross has every reason to feel proud of the result....M. de Baross has thus offered to his countrymen the stimulus of cheapness for travelling purposes in an unprecedented degree, in order by this means to overcome their aversion, and this has been effected, as it appears, with unparalleled success, such as is likely to induce other countries to follow suit, which they can the more readily do after having profited by the experience gained by Hungary, in what was to her a leap in the dark. Cheapness, such as is offered by excursion trains in England, will not bear comparison with the scheme of M. de Baross."

Austria introduced the system in 1890, that is one year after Hungary, where also it proved quite a great success, both as regards the increase in the number of passengers and the earnings.

Still more proof of the superiority of State management over company management is forthcoming, this time from the United States. Hugh Reid, Private Secretary to the Assistant Secretary of Labour†, United States Government, says:—

"We began 1918 with the railroad systems of the country broken down, unable to operate, and small prospect of their being made operative. We began it with strikes and labor disturbances in sight. We began it with the prospect of defeat to ourselves and our associated belligerents, because of the failure of our transportation facilities. We begin this year, on the other hand, with our transportation facilities well ahead of our possibilities for production. We begin with an operative equipment unsurpassed in the world. We begin it with industrial peace and harmonious labor relations everywhere in our railway systems. We begin it with a victory behind us which is in itself a triumph of transportation, for, in the language of Mr. McManamy, the Navy may have put them across, but the Railroad Administration put them aboard."

As compared with the old system, public operation has proved its efficiency. As to the ability of a federal agency to put the roads upon a sound financial basis we have no demonstration, but the economies of centralised control are rich with promise. Certain it is that private enterprise has failed. We have seen, as Mr. David J. Lewis has pointed out, the spectacle of 140,000 miles of railways in bankruptcy proceedings, and \$ 8,000,000,000 of capitalization with them. The student of economics will conclude that, whatever the Railroad Administration may do, it cannot do much worse than that."

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† in the *Public* of Feb., 1919.

The State management of railways in Australia is thus spoken of in the Australian Year Book.\*

"The railways of Australia represent the assets for the National debts of each Colony, and to-day would probably realize, if they were to be disposed of, fully the amount of the National indebtedness. *It is, however, improbable that the people concerned will ever allow these great possessions to pass into private hands, believing that they should be retained to open up and develop the resources of the Colonies and aid in the material progress of Australia.*"

The same authority still further declares that

"the adverse criticism (as to the overweighting of Australia with railway debt) has not, however, up to the present had a shadow of justification. Let it be remembered that the money borrowed has not been sunk in undertakings which will give no return, but has been expended in works which are reproductive, yielding a direct return on the capital, and representing a greater value than what they originally cost; for instance, the New South Wales lines, costing about 33½ millions, are estimated to be worth more than 40 millions sterling. Further, the money has been spent in developing large resources, which add to the wealth of the Colonies. It is wise to emphasize this point, as it has been overlooked to a large extent! In Europe the National debts of the various countries have been incurred principally through the expenses of prolonged wars, and the money has gone beyond recovery; but in these Colonies the expenditure is represented by public works, which are more valuable than the entire National debt, and pay a direct return, in some cases equal to the interest due upon the capital invested."

State management of railways has proved its superiority over company management in Japan also. From a Report§ by the Department of the Imperial Government Railways of Japan we glean the following instructive and interesting facts :

The provision of railway facilities has given a stimulus to the rise of industries in districts which had hitherto been handicapped by lack of transport service.

The number of accidents to trains and trucks has substantially decreased.

Efficiency of operation has been increased by simplified operation of trains, unrestricted flow of cars, and standardization of motive power and rolling stock, all of which are primarily an outcome of the consolidation under unified control.

The consolidation has naturally facilitated the introduction of through trains, the simplification of train service, and the remodelling of train schedules, with a view to the reduction of time of stops *en route*. In short, the passenger and goods service have been improved all round.

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\* for 1893.

§ Railway Nationalization in Japan: Ten Years' Progress under State Management 1907-08 to 1916-17.

Heavy reductions have been effected in passenger fares and freight rates.

A steady decrease has been effected since 1911 in the cost per units of work represented by train-mileage and engine-mileage. This improvement represents an advantage of the consolidation, which has enabled the Railway Management to specialize the functions of the railway workshops located in different parts of the system, minimize the amount of spare parts kept in reserve at the different workshops and facilitate repair work by apportioning it to the capacity of each workshop. Then thanks to the innovations effected by the unification, the time required for repairs in shops has been reduced from 33 days to 19 days for passenger cars and from 30 days to 8 days for goods waggons.

The passenger and goods service has been improved all round.

Substantial saving was effected in the first three years after nationalization in the salaries and wages bill by weeding out the supernumerary or incompetent.

The new order introduced by the consolidation, with its enlarged field of activity, has enabled the Railway Management to hold, train, and promote the most capable of the staff, and to develop a distinct class, unequalled for intelligence, industry and efficiency, coupled with the highest devotion to discipline and a superlative degree of loyalty to the Management. This has been rendered possible by the specially keen interest taken by the Railway Management in improving labour conditions, be it in the matter of promotion, hours of labour, remuneration, or relief and labour insurance.

The great economy and efficiency resulting from the consolidation under unified control is reflected in the successful financial results in the face of heavy expense constantly incurred for improving the service to the public.

So very encouraging is the experience of State ownership and management of railways in foreign countries, that India can no longer delay its adoption. India can profit by the experience of others and carry out the policy with greater success than any other nation.

### UNQUALIFIED SUCCESS OF STATE MANAGEMENT IN ACTUAL PRACTICE IN INDIA

But foreign experience is not our only guide. Long before many of the European nations the Government of India had deliberately adopted the policy of State ownership and management of railways.

It was begun in 1369 as a result of the exposure of the manifold evils of company ownership and management by Lord Lawrence, the then Viceroy of India. Twelve years' experience of this policy amply justified Lord Lawrence's anticipation that the direct agency of the State would be more economical and efficient than that of companies, until political influence in the interest of "private enterprise" was brought to bear on the

Home Government and Lord Ripon came to India pledged to the reversal of the policy of State ownership and management.

When the Secretary of State's mandate ordering a reversal of Lord Lawrence's policy was received in India, strong protests emanated from highly-placed English officers of the Government of India. The Accountant-General characterized the despatch of the Secretary of State as an attempt to make the most of a bad case, containing an amount of special pleading that might take in anyone not well posted up in the history of Indian railways. When these minutes were submitted to Lord Ripon, he noted upon them: " This may be allowed to drop quietly. " India was thus sacrificed to political exigencies !

### **THE STORY OF SACRIFICING INDIA TO ALIEN CAPITALISTS**

The story of this sacrifice was revealed for the first time by Sir Guildford Molesworth, Consulting Engineer to the Government of India for railways, in a speech which he delivered before the East India Association in June 1916.

Following on the lecture a lengthy correspondence appeared in the Trade Supplement of the London " Times " from persons directly or indirectly interested in the perpetuation of company management of railways in India. In this correspondence an attempt was made to discredit the authenticated statements of Sir Guildford. Once more Sir Guildford came out on behalf of India, and in a letter published in the " Asiatic Review " of April 1917, he mercilessly exposed the misrepresentations and distortions of facts contained in the correspondence

### **COMPANY MANAGEMENT FUNDAMENTALLY HOSTILE TO AND INCONSISTENT WITH PUBLIC WELFARE**

Company management of railways is fundamentally hostile to and inconsistent with public welfare. It has been tried long ( much longer than it really deserved ) everywhere throughout the world in every possible condition, and found unsatisfactory. Private management of a nation's high-ways of commerce is thus found to be wrong in theory and

conflicting with public interests at every point in practice. The system that stands condemned as " a swindle " in countries, which are self-governing and where the companies are not alien, where the profits made from the railways remain in the countries and the orders for railway materials and equipment are not given to aliens, is, in the peculiar political circumstances of India, " the most colossal and impudent swindle in human history. "

### **EVILS WHICH COMPANY MANAGEMENT IN INDIA IS GUILTY OF**

Company management of railways in India has been found guilty of numerous evils. The following are a few of them:—

1. Zulum on Indian Third Class Passengers.
2. Injury to Indian Trade and Industries.
3. Ever-increasing annual drain of several crores of rupees from India.
4. Indians are almost entirely excluded from the well-paid posts on the railways.
5. Not much attempt has been made to manufacture railway equipment and materials imported to the extent of several crores of rupees per annum.
6. Indian railway servants are scandalously underpaid and shockingly overworked.
7. Contempt for Indian Public Opinion.
8. Preferential rates and treatment of European and Anglo-Indian merchants, and manufacturers.
9. Creation of slums in towns.
10. Abuse of their immense influence by the companies to shield them from punishment for violations of law.
11. Killing of waterways competition.
12. High passenger fares and goods rates.
13. Enormous wastes of multiplied managements.

In one word, company management of railways is retarding

the social, economic, industrial and political progress of India. It is an ingenious and powerful engine for the exploitation of India by the alien capitalists and its disastrous consequences require to be thoroughly exposed.

### SALVATION OF INDIA LIES IN COMPLETE STATE MANAGEMENT

The salvation of India lies in *complete State* management of railways and in that alone.

India does not prefer either a European or an Indian Board of management, as suggested by the Government of India, to State management. Whether the Boards of management of the railway companies are located in India or England is quite immaterial. It is the "aim" of the company managements which really matters. The aim of company managements is the immediate making of the largest possible profit for a few individuals regardless of the harm that may thereby be done to the interests of the country as a whole. The transfer of the Boards of management from England to India will not make the slightest change in this aim. The aim will remain the same whether the Boards are located in India or England or any other country of Europe or Asia, America or Africa. The suggestion by the Government of India for the transfer of the Boards from England to India is intended, perhaps, to mislead the Indian people. What the Indian nation needs most and needs immediately is genuine and complete State management and not any counterfeit. What India should aim at is the abolition of Company management in any form and under any name. The Indian leaders and the Indian press must not forget for a moment that company management is fundamentally hostile to and inconsistent with public welfare. They must critically examine every suggestion emanating from the Government of India and the Anglo-Indian press and must firmly and vigourously oppose every suggestion intended to perpetuate the injurious system of company management. There should be no compromise with Government on this all-important question.



## COMPANY MANAGEMENT HOSTILE TO INDIAN INTERESTS EVEN IF THEIR BOARDS OF MANAGEMENT CONSISTED OF INDIANS ALONE

Company management of railways is fundamentally hostile to and inconsistent with public welfare. Even if it were possible to abolish the alien companies and replace them by Indian companies only, and all the Boards of management were composed of Indians only, the interests of India as a whole will still be sacrificed to those of a handful of individuals. For illustration, the Boards of management of the railway companies in England consist of Englishmen, and yet company management there is denounced as a swindle. Similarly, the Boards of management of the American railway companies consist of Americans and yet company management in America is condemned as a huge fraud on the American nation. The Boards of management of the German railway companies were composed of Germans, and yet the interests of the German nation as a whole were subordinated to those of the few individuals interested in the companies. And the Government had ultimately to take over the management of the railways as the only remedy. This remark also applies to the railways of Japan.

In short, whether the Indian railway companies are alien or purely Indian; whether the Boards of management of the alien companies are located in Europe or America, Asia or Africa; whether the Boards of management are composed of all aliens or an admixture of aliens and Indians or of Indians exclusively; the guiding principle of their management will be "the greatest good of only a few individuals (the shareholders) at the expense of the whole nation."

## DIFFERENCE OF AIM BETWEEN STATE AND COMPANY MANAGEMENTS

In any discussion of State versus Company management of railways the most vital point is the *difference of aim*. Studying the railway systems of civilized lands and collating the facts with reference to the great question of State or com-

pany management, it is clear that the two differ fundamentally in the primary purpose they strive to attain, the purpose to which they give their chief solicitude and effort. The primary purpose of company management is *the benefit of the few* who control the railway; while the primary purpose of State management is *the benefit of the public*—the good of the community. Company management aims at the private profit of a few individuals and nothing else; State management aims at the service of the people, and if there is any profit, it goes into the public treasury and not into the pockets of a few shareholders. A high purpose transforms a man, and the same is true of an institution, which is in fact but the tangible representation or visible embodiment of the great purposes that control the men who manage it.\*

### EXAMPLES OF DIFFERENCE OF AIM FROM FOREIGN COUNTRIES

In regard to this difference of aim which is essential and inherent in the very natures of company and State managements, a passage from a speech of Prince Bismarck on April 26, 1876, in the Prussian Parliament, advocating the consolidation of railways under State ownership and management will prove instructive and interesting. He was comparing the railways in Germany which were public property and managed by the State with the systems that were still private.

“The State railways,” said Bismarck, “serve chiefly the public interests of traffic, of commerce, of the circulation and transport of commodities and passengers; besides, as a secondary consideration, they aid the public treasury. And in all events they promote only public interests.”

Notice how distinctly he places in the background the question of making profits in the case of State management.

As regards private railways, Bismarck said:—

“It is the misfortune of private railways that a privilege granted by the State, and a privilege that could not be made use of without the help of the State—we may say a ‘monopoly’ granted by the Government—should be legally exploited in behalf of private interests and private pockets.”

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\*The Railways, the Trusts, and the People. By Prof. Frank Parsons.

Bismarck, one of the greatest minds, and one of the greatest statesmen who ever lived, stated in his speech as clearly as possible the vital difference between company and State managements.

Let us now turn to the argument\* submitted by the Cabinet to the Prussian Parliament in 1879, along with Bills for the nationalization of the railways, which is probably the most important document in railway history. It represents the best thought of Bismarck and his Cabinet and all they have gathered from the Chambers of Commerce and hundreds of books, pamphlets and addresses that had been issued on the subject during years of earnest discussion. A few quotations will give the reader some idea of the weight and thoroughness of this famous document.

The Cabinet said:—

“ The inconveniences caused by the private management of railroads in consequence of the existence of a number of different enterprises of doubtful solidity and restricted working capacity; the abuse of their privileged position by their managers; the oft-recurring resistance to reforms of public utility; the complication and for the most part arbitrary differences among the various administrative and working arrangements; the intricacy of the tariffs; the quarreling and extravagant expenditure accompanying the bitter competition existing among such a number of corporations, have altogether caused the widespread injury to the public welfare that is inseparable from an extended private management of railroads.

“ The attempts to bring about reforms by laws have shown the futility of hoping for a satisfactory improvement through legal measures, without trenching materially on established rights and interests.”

“ State ownership is necessary,” argued the Cabinet, “ to attain unity and economy under conditions in harmony with the public welfare and to secure direct attention to public interests which do not permanently find sufficient furtherance and protection where the railroads are in the hands of private corporations whose object is gain... The inadequacy of private management and state supervision becomes daily more obvious.”

The Cabinet dwelt at length upon the advantages of unity, the waste of having fifty separate railway managements, etc. Large savings in official salaries would result from unity of management. The army of employees in the tariff and accounting offices could also be reduced one-half. “ The reasonable utilization of cars ” was interfered with “ by the multiplicity of owners, and the working capacity of the rolling-stock greatly reduced in consequence,” one-third of the travel being made with empty cars. The waste in haulage by circuitous transportation was also shown; “ Freight is carried over roads exceeding in length by 100 per cent the shortest routes.”

“ But,” said the Cabinet, “ the union of the railroads in the hands of one private

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\* From an article on “ Railway Experience of Germany ” in the *Arena* of Feb, 1907, by Prof. Frank Parsons.

enterprise would be absolutely inadmissible. Although the disadvantages and dangers of an unsystematic division and wasteful competition would thus be avoided, to place the complete monopoly of all means of transport in the hands of one enormous profit-seeking corporation would be antagonistic to every public interest concerned, as will be apparent to all. Already in those countries where private railroad management is the rule, and where the technically and economically justified process of absorption by the powerful corporations of the smaller and less important railroads prevails, their course hitherto, the dangerous influence which these corporations have acquired over the whole public existence, the reckless pursuit of the profits of their monopoly and chartered rights within the districts they serve, and the impotency of government supervision compared with their far-reaching, well-organized power, controlling all interests, together cause the gravest apprehensions for the welfare of the country, and even for its political independence."

"Only the union of complete ownership and unrestricted management in the hands of the State can fully secure the fulfillment of the task devolving on the government with regard to the direction of railroad matters."

The Cabinet's argument for the nationalization of the railways was concentrated on two great points. First "direct attention by the government to public interests, which do not permanently find sufficient furtherance and protection where the railroads are in the hands of private corporations whose object is gain" and second, the benefits, economies, etc. that would result from a consolidation of the systems under a single general management. There again we see that fundamental distinction clearly drawn and emphasized as one of the two vital reasons for putting the railways under State ownership and management.

Long before the arguments of Bismarck and the Cabinet, the German Handlungstag, representing the United Chambers of Commerce, had petitioned the Government for sweeping railway reforms in the interests of commerce and industry, and this is what they said:—

"There exist in Germany at one and the same time Empire railways, State railways, private railways under State administration, independent railways and railways let on lease, with about fifty different administrations and a number of different unions. This diverse system is the true cause of the constantly increasing inefficiency of our railway system.

"The character of the railways, as trade undertakings based on monopoly, was contrary to the idea of their institution for the public good, and had the actual effect of making the railway administrations the absolute masters of the public.

"Competition did not protect the public against monopolist oppression, and that Railway Companies generally and easily resolved themselves into a coalition of those interested in the monopoly."

Their conclusion was that :—

“ A comprehensive reform could only be hoped for when all the railways of Germany were managed as one system, and subject to the condition that this administration like the past, should offer that guarantee which no written law would ever succeed in infusing into private railways. It was only the State which could afford such a guarantee, and for this reason the transfer of the whole railway system to the State was necessary. Therefore they recommended the establishment of an Imperial Railway Office. ”

Another good illustration of the difference of aim between State and company managements of railways is afforded by the arguments advanced by the Swiss Federal Council in advocacy of State ownership and management of railways. They are as follows:—\*

“The reduction of fixed charges by the substitution of the credit of the government for that of the private companies.

The application of net profits to the amortization of capital until the entire railway system should be towed clear of debt, thus eventually making possible a great reduction of rates.

The abolition of discrimination of all kinds, and the establishment of uniform and just rates.

The more effective representation of the interests of shippers and of the travelling public as opposed to the interests of stock-holders in railway management.

The elimination of foreign influence from the management of Swiss railways.”

The “ difference of aim ” between State management and company management is also given special prominence in the Manifesto of the Railway Nationalization League of England which, among other things, says:—†

“ The monopoly of the chief means of transit is too important to be allowed to remain with private companies, who naturally prefer personal to public interests and who practically charge their own fares and rates.

“ State railways would give cheapest possible fares and rates; the unemployed would find work from easy, cheap access to all parts; many slum-dwellers would remove to the country where agriculture would revive; improved health and surroundings would give a higher moral and physical nature; there would then be less workhouses and prisons, less taxation, less poverty, less vice. ”

Lamartine, the eminent French Statesman, in opposing the proposal to grant a number of valuable franchises to railway companies in France, says:—†

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\* From an article on “First Decade of the Swiss Federal Railways” by A. N. Holcumba in the *Quarterly Journal of Economics*, February 1912.

† 1897

† French Chamber of Deputies, May 10, 1838.

“ Great God ! What will be our condition when according to your imprudent system, you shall have constituted into a unified interest with industrial and financial corporations the innumerable stock-holders of the five or six billions of securities which the organization of our railroads will place in the hands of these companies ?

“ You, the partisans of the liberty and enfranchisement of the masses, you, who have overthrown feudalism and its tolls, its rights of the past and its boundaries, you are about to allow the railroads to fetter the people and divide up the country among a new feudality, a moneyed aristocracy. Never a government, never a nation has constituted outside of itself a more oppressive money power, a more menacing and encroaching political power than you are going to create in delivering up your soil, your administration, and five or six billions of securities to your private railroad companies.”

The reasons which the Japanese Cabinet advanced for State ownership and management of railways are : †

“ In order that economic life should flourish, it is necessary that the railroads, which are the means of carrying on commerce on land, should be under the control and management of the state. To divide up the network of railroads between various lines is prejudicial to the general welfare; for different managements increase charges, make the traffic heavier for long distance, give rise to uneconomic transactions (such as the running of empty cars), and lead finally, to great difficulties and additional expense, which would result in increases in the rates. ”

As for the aim of State management of railways in New Zealand, we have the following authentic statement of the Honble Sir J. G. Ward, Minister for Railways :\*

“ The policy of the Government has been throughout to regard the railways as adjuncts to the settlement of the country, and to look upon the earning of a large profit as of minor importance compared with the incalculable benefit that accrues to the State by giving the settlers a convenient and cheap means of transporting the produce of their farms to the market, and any surpluses which have accrued after the payment of the minimum of 3 per cent. on the capital cost of the lines have been returned to the users of the railways in cheapened freights and increased facilities. The wisdom of the policy adopted is manifested in the results of the past ten years' working of the railways and the prosperity of the colony, and has enabled valuable concessions to be made to the general community by reductions in fares and freights during that time. ”

*The American says:—*‡

“ So it is that our railroads with a monopoly are prone to hold up rates even higher than it is profitable to hold them, really charge more than the traffic will bear. And thus is trade hindered,

† “ Nationalization of Railways in Japan ”. By Toshihura Wattarari.

\* For the year ended the 31st March 1905.

‡ November 5, 1898.

is the accumulation of wealth, the growth of the nation held in check in a way that it would not be if the railroads were owned and operated by the Government."

The aim of company management for immediate, maximum profit is so intense and so overpowering as to blind the managers completely to every other consideration, even when the country is at War. This may appear too sweeping a statement. But it is a historical fact. Here is one recent instance. The *Independent*, one of the very few American papers that have not sold their conscience for the gold of the railway companies, says :†

" Among many surprising things neither political nor military that the war has revealed, one of the most startling has been the exposure of the all-around weakness, inadequacy and ineffectiveness of the old individualistic organization of big business. Just why was it necessary for the Governments of Great Britain and the United States to take over the means of transportation and communication ? To say that it was because these Governments had to give precedence to military operations and had to make sure that all elements of disloyalty were eliminated from them is not to give an adequate answer to the question. The undisputed fact is that the old individualistic managements either could not or would not deliver the goods that these Governments demanded. Their organizations were found to be full of waste, friction, official and personal extravagance. Operations were not properly correlated and social needs were remorselessly subordinated to dividends. Factitious business was multiplied while substantial interests too often were sacrificed. "

The following is, perhaps, the most concise and lucid exposition of the noble aim of State management of railways:—

On the day when the Philippine railroads became actually the property of the State, the Hon'ble President of the Philippine Senate, Don Manuel L. Quezon, told the newspapermen:—§

" it is too early to say whether the purchase is a good financial investment; but if it is not, then it is the price of the liberty of the Philippines. "

## EXAMPLES OF DIFFERENCE OF AIM BETWEEN STATE AND COMPANY MANagements IN INDIA

We shall now give our readers a brief *resume* of the evidence of some authorities from which it will be seen that in India also the " difference of aim " between State and company managements

† August 31, 1918.

§ *Philippine Review*, Nov. 1917.

is the chief argument on which they base their recommendations for State management.

Major Conway-Gordon, R. E., Deputy Accountant-General and Under-Secretary to the Government of India in the Public Works Department, says:—\*

“ The disadvantages of having the Indian railways worked by commercial companies are :

First, that the object of a private company will naturally be to develop a dividend; that as long as the maximum dividend be secured the company will be indifferent as to whether that dividend is derived from a small traffic at high rates, or a large traffic at low rates; Secondly that it may often be the true interest of a company, as a dividend-seeking concern, to charge such high rates as may be sufficient to contract the export trade in some particular article of produce, or such rates for carriage of coal as may tend to strangle the industries in other provinces; Thirdly, that the desire to secure a good dividend on all occasions naturally tends to make the servants of private companies very cautious in trying experiments towards reducing rates and fares; Fourthly, that every rupee taken out of the country by an English company, in excess of the normal rate of interest on the State debt, constitutes practically a direct tax on transit which must, of course, have its effect on checking the export and import trade, and on the general development of the country; Fifthly, that where a company is given a fixed guarantee of interest, as long as the net profits of the line are not in excess of the guaranteed rate of interest, there is no incentive towards economical working. These are all disadvantages. ”

“ I think India has practically suffered from these disadvantages, on the second and last counts, certainly. ”

“ If you ask me this point directly, I may say that all monopolies like railways are better in the hands of the public; that is to say, in the hands of the Government, than in the hands of commercial companies. ”

Mr. Donald Graham, who was for many years in business as a merchant in India, and also in extensive business in Liverpool and Manchester, says:—†

“ The object of the railways is to develop the country, and that object the State recognises, and would keep in view, whereas a private company would naturally be bound to its share-holders, and rather look for good dividends, and therefore I think there would be a clashing of interests, under which the country would suffer. ”

Sir James Caird, the English member of the Indian Famine Commission says: §

“ They ( the Government of India ) have no interest to consider but that of India. ....By keeping the railways in their own hands there would be no adverse interests to contend with, and no dual control. ”

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\* Report of the Select Committee on East India Railway Communications 1884.

† Ibid. para 2719.

§ Ibid. para 393



Mr. F. S. Chapman, who had long experience as an Indian Civil Servant, and was a Director of three Indian railway companies made the following remarkable confession:—\*

“ The Government Director is disposed, and very naturally disposed, to impress upon us the advisability of having very low rates, and we, looking at it from a commercial point of view, are not perhaps quite so ready to accept his views upon that point.”

Major General J. S. Trevor, C. S. I., R. E, formerly Director-General of Railways in India, and subsequently a Director in England of several railway companies, says:—†

“ My experience does not bear it out altogether that the interest of the company is to obtain the greatest amount of traffic possible, and to give facilities for the carrying of the traffic.”

Sir T. L. Secombe, K. C. S. I., C. B., Assistant Under Secretary of State for India, says:—†

“ I am unable to see why a railway should not be as well worked by Government officers assuming they are sufficiently paid, as by directors of a company, who frequently represent little other than their own interests. I noticed from the replies of Mr. Danvers that after the first appointment of railway directors, they appear to nominate their successors, and a question being put whether, as in the case of the London and South Eastern Railway Company in this country recently, there was any canvassing among the share-holders for seats at the Board, his answer was ‘no’, and he admitted that practically there was none of that independence which exists among the shareholders of English railways.”

Mr. S. C. Ghose says:—§

“ While the conditions under which the English companies started railways in India are materially altered, the management of *company worked State Railways* is still more or less on the same lines on which they were first introduced, in as much as they are still run mainly in their own interests, irrespective of the interests of the country and of the railway system in India as a whole; in a few words, although these lines belong to the State they are worked, in times of peace, as if the ownership was that of companies. In any case, the interest of each Railway Company is considered paramount and all other interests secondary.”

\* Ibid para 784

† Ibid. para 1598.

‡ Report from the Select Committee on East India Public Works 1879, para 544.

§ Notes for the Information of the Committee to Enquire into Railway Management in India, 1919.

Mr. Ghose again says:—||

“Further, in many cases, there is a great divergence of interest, *viz.*, between those of the Government and of the railway companies. The Government, on the one hand, in addition to making the railways pay a reasonable return, are concerned to see that the property, of which they are the owners, is kept in good condition and repair *and that all fresh capital put into the line is profitably and economically spent*, the companies, on the other hand, are concerned merely in making the most of the railways, as a dividend-earning investment, during the period of their tenure.”

Mr. Mc. Marran of the Bengal Chamber of Commerce says:—\*

“The management (of railway companies) is under a constant temptation, to which the necessity of retaining custom is the only check, to collect as much from the trade as possible and to give as little back as possible in the way of conveniences and appliances. If a company's contract, for example, provides that on a given date, Government may determine the contract, paying the shareholders 25 times the average yearly profits of the Company during the preceding 5 years, it is practically certain that every consideration will be rendered subservient to profit-making, so that should Government decide to take over the railways, the share-holders may receive the maximum price for their stock. We have in this one of the real forms of economic drain. State ownership and management would retain this premium for India.”

Still more damnatory of the selfish and narrow aim of company management as opposed to the popular and broad-minded aim of State management are these words of Sir Earnest Cable:—‡

“The present system by which railways here are governed by Boards of Directors thousands of miles away, and in the interests of shareholders who are primarily concerned with their dividends only, is not conducive to the rapid, peaceful and orderly development of our commerce.”

Mr. E. Allan Ironside writing in a Home journal says:—§

“In this country (India) the railways, as a whole, are State property and leased to private companies, thus combining the worst features of State and private ownership, *viz.*, the inelasticity of State methods and finance, combined with the legitimate but selfish profit-seeking of the private owner. In a country like India it appears to me that State-owned and State-worked railways are the proper thing; for, remembering that Indian produce relies on cheapness more than on quality, it is of paramount importance that transport should be as cheap as possible, even if necessary at the expense of speed.”

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||Notes for the information of the Committee to Enquire *Ibid* Railway Management 1919.

\* 1908.

‡ *Ibid.*

§ *Commerce* (Calcutta) June 26, 1919.

G. N. MacGeorge, Consulting Engineer for State Railways to the Government of India, says : \*

“ Whoever holds the railways must of necessity hold a virtual monopoly, and it is distinctly better, perhaps everywhere, but certainly in India, that such a monopoly should be in the hands of the State than in those of private persons. The State, moreover, has it in its power to bestow on the public, to a far greater degree than private companies could do, the maximum advantages which the railways afford by means of the lowest tariffs. ”

Colonel G. F. O. Boughey, who was for many years connected with the State Railways in India, at first in the construction of one State railway and afterwards as the Manager of more than one line says:—†

“ The great interest of the State in the land and in the welfare of the millions who live on it and by it is one of the strongest arguments in favour of the contention that all the railways which carry much of the produce of the land over great distances, often a thousand miles or more, to the ports for export to Europe should be in the hands of the State. ”

Mr. Horace Bell, Consulting Engineer for State Railways to the Government of India, says:—§

“ No intention could in any way be imputed to it ( the Government of India ) of having encouraged or approved the adoption of high rates as means of increasing profits and obtaining revenue from this source, even upon lines which have had a complete monopoly of traffic. On the contrary, as has been shown in the preceding chapters, persistent endeavours are evident from the very beginning towards inducing the railway administrations to find their account in the carriage of large quantities or numbers at low rates, rather than in small quantities at high rates ; and in recommending or enforcing this policy, the Government has been prepared to forego their own share of profits, in the hope that the indirect benefits to trade and to the people would justify the temporary loss.

At the same time it is by no means to be assumed that rates and fares on Indian railways have yet reached their lowest remunerative level ; indeed, there is good reason for the belief that in the class of goods abovementioned and in the third or lowest class of passenger fares, further reductions are certainly to be expected in the near future, and on sufficiently profitable conditions. The movement in this direction must be necessarily slow, however, and in the case of those railways which have been made over to working companies, their co-partnership with the Government and the responsibility of their agents for showing adequate returns render it necessary to proceed with great caution.”

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\* “ Ways and Works in India ”, introduction.

† *The (London) Times*, December,.....1916.

§ *Railway Policy in India*, 1894. p. 247.

Our readers will kindly pause here and re-read the last paragraph in the above quotation. *It explains the tragedy of the State's impotence to reduce passenger fares and goods rates to the lowest remunerative level, on the railways owned by itself, even when it is convinced of the necessity, the advisability and the practicability of doing so.*

We would bring this brief *resume* to a close with a quotation from the *Times of India*. It says :—\*

“Complaint has been made, and we think it is justified, that the railways are worked too exclusively in the interest of the railways and with insufficient regard for the interests of the country as a whole. This is a policy which cannot be justified when the State is the owner of an enormous preponderance of the capital sunk in the Indian railways.”

The same difference of aim has been the chief point in the campaign for nationalization in every country.

### MR. HORNIMAN'S COMMENDATION OF COMPLETE STATE MANAGEMENT AS INDIA'S GOAL

We repeat what India wants is “complete State management of railways.” It does not prefer either a European or an Indian Board of Management, as suggested by the Government of India, to State management of railways. We repeat the salvation of India lies in “complete State management” of railways and in that alone. In this connection we cannot do better than reproduce the memorable words of Mr. B. G. Horniman, champion of the oppressed third class passengers, uttered from the presidential chair of the First Indian Railway Conference. Mr. Horniman says:—†

“We must make two things our goal. First State ownership and State management of railways ; and second the creation of a portfolio in the Government of India for a Minister of Communications responsible to the elected legislature and assisted by a Railway Board on which popular representatives shall be in a majority over the permanent officials. Only in this way shall we remedy the present evils, remove the miseries and suffering of the travelling public, secure for our indigenous trade and commerce rightful consideration, redress the balance of inequality in the pay and the conditions of service of Indian employees of the railways and secure for our railway system the stimulus to efficiency which public criticism made effective by public control will alone provide. Let us incarnate in the material body of our railways the soul of public opinion, and having thus provided it with a conscience our troubles will end.”

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\* 1912

† *Bombay Chronicle* dated the 19th November, 1918.

State management carries within it the possibilities of such great and far-reaching benefits to the whole society that all lovers of true reform in every direction can be enlisted in the army of its advocates, by a systematic campaign of publicity.

### ILLUSTRATIONS OF THE PERNICIOUS POLITICAL INFLUENCE OF THE RAILWAY COMPANIES ON THE GOVERNMENT AND THE INJURIES INFLECTED BY IT ON INDIA

Company management of Indian railways is strongly backed up in Parliament, the Council of the Secretary of State for India, the Executive Council of the Governor-General of India, and the Imperial Legislative Council. The European and Anglo-Indian Chambers of Commerce also support company management, because it places Indian industrialists at a great disadvantage as compared with European and Anglo-Indian industrialists. The Railway Board its the best friend of company management possibly because its members have the prospect of well-paid posts on the Home directorates of the railway companies after retirement from Government service. Also such members of the Board as have already retired from Government service and are taken up by the companies on their Home Directorates, have been fighting hard against State management of railways.

Mr. S. C. Ghose says :--\*

“India will have to face a very strong attempt on the part of Indian railway Companies' Boards in London to upset anything that might be done to transfer the Boards to India or to introduce State management of railways generally in India. The working Directors are mostly railwaymen from India who finally go to these Boards for their means of livelihood and engagement on retirement; and it has also been that three successive Presidents of the Indian Railway Board ( Sir Frederick Upcott, Sir T. R. Wynne, Sir Henry Burt ) all went eventually as Chairmen or managing Directors on these Boards in London,

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\* Notes for the Information of the Committee to Enquire into Railway Management in India, 1919.

and the same could be said of the four successive Government Directors in the India Office (*viz.*, Sir Frederick Upcott, Mr. Brereton, Sir T. R. Wynne, Sir Henry Burt). So that it cannot be expected that the transfer of the Boards to India or State management generally would be supported by such men in India or in England ”

The Hon'ble Sir Ibrahim Rahimtoola, says:—†

“ I will frankly confess that I never expect the support of the representatives of the ( European ) Chambers of Commerce for the very lucid reason which the Hon'ble Mr. Marshall Reid gave. He said ‘ it will take time, but we will have our way in the matter of the Muttra-Aligarh Section, as we have always had our way, with Government. ’ Sir, we cannot expect support from contented and self-satisfied people. ”

The Hon'ble Rao Bahadur V. R. Pandit says:—§

“ In spite of all the earnestness which the Government has evinced in the object that the public should be properly served by these railways, the Government have found themselves unable to do much, and times out of number when questions have been addressed to the Government on the subject of certain inconveniences suffered by the public or certain autocratic acts of the Railway Companies, the Government have replied that the action complained of was within their competence and Government could not interfere.”

The Hon. Mr. Vijaraghavachariar says :—\*

“ All that I say is that if the management goes entirely into the hands of the Government, the Government of India will have exclusive diplomatic influence with the Secretary of State. At present the Companies have tremendous influence with him and in England generally. The directors and large share-holders are in both Houses of Parliament, and whether we know it or not, in railways matters between the Secretary of State and the Government of India, the Companies must have and will have the best of it. The entire management by the State will annihilate this incubus of unseen force acting between the Government of India and the Secretary of State in England to the immense prejudice of India. ”

The following brief but significant editorial note of the *Indian*

† The Gazette of India, April 3, 1915.

§ The Gazette of India, March 7, 1914.

\* *Ibid.*

*Engineering* throws a flood of light on one of the many sinister means employed by the Indian railway companies to influence the railway policy of the Government of India for their own private profit at the expense of the Indian nation :—\*

“ The artless way in which Sir William Bisset puts a price on that zeal for good railway management with which he credits himself is really touching. We refer to it further on. The thesis which makes seeking for private profit at India's expense connote advancing the prosperity of this country, may not be quite logical, but it is certainly the view on which, as Secretary to Government, the gallant Colonel acted and he now reaps his reward in the form of handsome emoluments as Chairman of more than one Company whose interests he then promoted.

It has been a matter for complaint for years all over India that the Railway Board never says or does anything for Indians which the companies do not approve. The proceedings of the Imperial and Provincial Legislative Councils bear ample testimony to the decided partiality of the Railway Board to the Companies. Many have been the occasions when the President of the Railway Board in his attempts to defend palpably illegal doings of the companies has covered himself with disgrace by saying things which are absolutely untrue or absurd, unjust or inhuman, unmanly or un-British §

We cannot resist the temptation to give here at least one illustration of this. The writer of the article on “ The Failure of the Railway Board ” says :—‡

“ On occasions of fairs and pilgrimages the overcrowding becomes so intense as to drive the unfortunate inmates to the verge of madness. The bulk of this extra traffic is actually loaded in cattle trucks. Some of the companies use trucks instead of third class carriages throughout the year ! The S. M. Railway is an instance in point.

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\* Jan. 13, 1906.

§ A terse but comprehensive article on the servility of the Railway Board to the companies appeared in the *Hindustan Review* of March 1915, under the heading :— “ Failure of the Railway Board ”.

‡ *Hindustan Review*, March 1915.

Replying to the Hon. Mr. H. S. Dixit in 1907 the Government said 'It is true that owing to shortness of third class stock, covered goods waggons are in daily use on the mixed trains in the vicinity of Poona.' The Board has not only winked at this shockingly indecent and inhumane practice of managing the third class traffic but given it every encouragement. When complaints are made in the Imperial Legislative Council, the President of the Railway Board assumes an air of perfect indifference and cynicism and declares 'there are strong reasons for believing that third class passengers like waggons for travelling.' This reply is unworthy of a high official of the British Government and equally unworthy of an Englishman."

This attack on the Board may at first blush appear rather too strong. But it was not a shade stronger than the exigencies of exposing the abominable practice warranted. Through a lucky irony of fate, it has been vindicated by one of the highest English officials of the Government of India, Lieutenant-Colonel Clemesha, Sanitary Commissioner with the Government of India.

Referring to the overcrowding of ordinary trains and pilgrim specials and the use of goods waggons to carry pilgrims, he says: "the Government of India can hardly be aware of the amount of ill-feeling and ill-will towards themselves that these two conditions engender." Again, while pointing out that "many of the pilgrim crowds are in a cheerful frame of mind and are prepared to put up with a good deal in the way of unpleasantly overcrowded trains for a certain length of time" he emphasizes that "there is no doubt whatever that the use of goods waggons is extremely unpopular and considering the inconvenience which they have to suffer forms a legitimate source of complaint."§

The great harm done to the country by the influence of the Indian railway companies over the Indian Government Railway Board has been the subject of several angry protests even by the *Times of India*.

The *Times* says:—\*

"when Sir Frederick Upcott resigned the chairmanship of the Railway Board in order to assume the chairmanship of the East Indian Railway we protested against the step as being opposed to the public interest. Now it is stated that Sir T.

§ *The Bombay Chronicle*, April 5, 1917.

\* 27th March 1915.



Wynne has joined the Board of the Bengal Nagpur Railway in the capacity of Managing Director. This again is a step which is opposed to the public interest, and which ought to be met by a strong representation to the Government of India.... The Board, individually and collectively, must be above the faintest suspicion of partiality. But human nature being what it is, it is impossible for a member of the Board, and especially for the Chairman who wields considerable powers independently of his colleagues, to preserve that rigorous impartiality if he has a comfortable and remunerative seat on the London Board of a Company in view. His bias will be unconscious; none would suggest that Sir Frederick Upcott leaned toward the East Indian or Sir T. Wynne toward the Bengal Nagpur of set purpose; but it is almost certain to be there; if it is not, people will suspect its existence."

In the course of its comments on the discussion that followed the address of Sir Guildford at the meeting of the East India Association in July 1916, the *Modern Review* observes as follows:—†

"We are, however, sorry to note in this connection that Sir Stephen Finney, C. E., for many years a Manager of State Railways in India and subsequently President of the Railway Board, as Chairman of the meeting expressed the opinion that, with the conditions now prevailing in India, the advancement of direct management by the State would not materially benefit the people while it would add to the burdens of the Government;—the same oft-repeated old argument, which has been as repeatedly and effectively disposed of. But Sir Stephen Finney, who we understand, on his retirement from the service of the Government of India, has joined the directorate of certain company-managed railways cannot now be expected to view things in their proper perspective, and from the right angle of vision."

The following two or three glaring examples of the bare-faced partiality of the Board to the companies will suffice for our purpose.

In pursuance of a Resolution adopted by the Imperial Legislative Council in March 1915, on the motion of the Hon'ble Sir Ibrahim Rahimtoolah, the Railway Board had to perform the unpleasant duty of enquiring into the comparative advantages of State *versus* Company Management of Railways. True to its

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† September 1916.

traditions, it discharged the duty in a perfectly perfunctory and ungraceful manner. The various public bodies, whose opinions were invited were supplied with a Note in which the Board said that it had attempted to bring together the main arguments which had been put forward on the general question. The ostensible reason given by the Board for this Note was the convenience of the bodies consulted, but in view of the notorious partiality of the Board to the companies, one would naturally suspect that the real reason must have been to prejudice the enquiry in favour of company management.

Commenting on this Note, *The Hindu* says:—†

“ We regret to observe that this Note, though it professes to be an impartial statement of the case for and against State and Company Management of Railways in India, is far from being fair to the case of the Indian public that under the present circumstances the State should, as opportunities occur, take over the management of the railways.

“ The Railway Board is anxious to shut out discussion of their Note. They say\* that it is not their intention that the Associations consulted should discuss their summary of arguments, and that they do not ask more than replies to the specific questions set out by them. But we cannot help feeling that these and other extremely one-sided observations of theirs should not go unchallenged by the public.”

The halting and half-hearted manner in which the Board approached the question fraught with so many possibilities and potentialities to the country provoked even Major Hepper, President of the Indian Railway Conference, to say:—

“ It is unfortunate that the question of State versus Company management of railways is referred on narrow grounds by the Railway Board. The question is one of State policy and must be decided on general, political and financial considerations and not upon the everyday experience of those commercially interested.”†

*The Indian Social Reformer* had the following trenchant remarks on the Note of the Railway Board:—§

“ It is well known that the objects of an enquiry can be completely thwarted if those who have to frame the issues are not overanxious to see any change made in the system to which they are accustomed. The Note or the Memorandum which the Railway Board have drawn up for the enlightenment of the public bodies whose opinions have been invited, is an excellent illustration of this truth. There is much ostentation of impartiality, but little of the real thing in the Railway Boards' Note setting forth side by side the arguments for and against State management of railways. Throughout

† 4th July 1916.

\* Railway Board's Letter No. 188 F-16 dated Simla, the 27th. June 1916.

† *The Praja Mitra* dated 23rd October 1916.

§ dated.....December 1916.

this precious Note there is not the slightest indication of the fact that there is no country in the world except India where the system prevails of the State owning railways without managing them."

*The Kaiser-i-Hind* distinctly warns the public bodies against being misled by the Note of the Railway Board. It says:—\*

"We trust they (the public bodies) will realize the significance of their responsibility and show a marked independence in their opinions. Particularly we trust they will disregard the Note accompanying the letter in which a bare-faced attempt is made to dwell on the advantages of Company-managed lines."

When the Railway Board saw that this attempt to misinform and mislead the Indian public bodies into giving their opinions in favour of company management had been detected, exposed, and defeated, it was not disheartened, but made one more attempt, It sent round a fresh circular saying:—†

"A third alternative has been suggested to the Government of India, namely, neither to retain the existing system in tact nor to have recourse to State management, but to have an Indian Company with a Board of Directors in India. The proposed Board, it is suggested, would include, as the Home Boards do at present, a Government Director with a power to veto; for the rest of the Board there would be the commercial community, both European and Indian, in Calcutta and Cawnpore on which to draw."

Fortunately, the Indian public had by this time learnt to suspect the utterances of the Board and was on its guard against being made to walk into the trap. The second attempt therefore proved as great a failure as the first.

Commenting on this so-called suggested third alternative, the *Bombay Chronicle* in the course of its Economic and Financial Review says:—||

"Finding that the control of, and the location of, the Home Boards of Directors in London are unpopular, the Anglo-Indian journals have begun a new move and are urging that the Boards of Directors should contain an Indian element, and should be located in India. The point is that the management has nothing whatever to do with the facts whether the Boards of management are located in India and whether the directors are Indians or Britishers. The merits of the question revolve round the central aspect namely, in the interests of the Indian people, from the national, economic and financial point of view and on broad grounds of public policy, are we to maintain the present system of companies (either as at present constituted or differently consti-

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\* dated 9th July 1916.

† Letter No. 188 F. 16, dated Simla, the 4th-5th April, 1918.

|| July 22, 1918,

tuted with an Indian element and domicile ) managing trunk lines owned by the State, or are we to go in for direct working of these lines by State agency ?”

The Secretary of the Indian Merchants' Chamber and Bureau, Bombay, says:—‡

“ I am desired by my Committee to say that they do not approve of the proposed third alternative, viz., Management by Companies with a Board in India. The proposed alternative will not meet the objections raised in para 3 of my Committee's letter dated the 1st. December, 1916. ”

### URGENT NEED OF A RAGING, TEARING PROPAGANDA

For these reasons the fight against company management of railways is most difficult and well-nigh hopeless.

Nothing but a raging, tearing propaganda all over the country for years will succeed in freeing India from the deadly grip of company management. So constant and so enormous is the harm done to India by company management that no expense to end the management would or could be too great.

Unfortunately, there is very little literature concerning Indian railways and still less on State management of Indian railways. What is worse, the little existing literature is not easily accessible. These drawbacks must be remedied if the evils of Company Management are to be effectively exposed.

We propose to meet this long and keenly felt want by the reprint of important extracts from newspapers and periodicals ; from books and Government reports, etc., in pamphlet form, in English and the principal vernaculars of India and scatter them freely all over the country. The pamphlets will be published in a series called “ The Indian Railway Series.” Our thanks are due to Mr. B. M. Dadachanji for help in compiling and editing them.

As the best and most authentic exposure of the shady transaction by which Lord Ripon sacrificed India to alien capitalists under the pretext of encouraging private enterprise is contained in the address and letter of Sir Guildford referred to above; and as the ablest, most authentic, and up-to-date exposure of the hollowness

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‡ Annual Report for 1917-18.

of the arguments now advanced by the champions of the alien capitalists are contained in the said address and letter; they have been re-printed in this the first number of the Series, thereby giving them the place of honour to which they are justly entitled.

**APPEAL FOR HELP IN THE CAMPAIGN TO DELIVER INDIA  
FROM THE CURSE OF COMPANY MANAGEMENT**

The extent of our campaign against the injurious system of company management will depend on the financial help that we may receive from the Indian public.

The intellectual, social, political, economic and industrial advancement of India is at stake. We cannot, therefore, haggle about the price. Cost what it may in time, energy and money, we must break asunder the chain which company management has rivetted on our liberty in every direction.

Do not hesitate one moment. A rupee sent to-day would prove much more useful than ten to-morrow. Send to-day, aye, this very moment, whatever you can for this great cause.†

Help ! For Humanity's sake help !

Help ! For Justice sake help !

Help ! For your country's sake help !

Help ! *Promptly ! Promptly !! Promptly !!!*

The change from company management to State management of railways will be a change from antagonism, conflict, and corruption to harmony, co-operation, democracy. The change from company management to State management will be a change that would mean a better manhood, a nobler citizenship and a higher life. The change from company management to State management is demanded alike by the axioms of ethics and the fundamental principles on which free institutions, the best civilization and human development are based. Every honest

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† Donations may be addressed as follows :—

FAREDUN K. DADACHANJI,

Solicitor,

65, Esplanade Road, BOMBAY.

Indian must vote for such a change. It is the duty of every sincere well-wisher of India to do his utmost to bring about this change and one of the ways to discharge this duty is to give us whatever financial help he can so that we may be able to fight for the change till it becomes an accomplished fact.

Company management of railways !  
A monstrous and insane doctrine !

COMPANY MANAGEMENT OF THE RAILWAYS ALREADY OWNED  
BY THE NATION !!

A MOST MONSTROUS AND A MOST INSANE DOCTRINE !!

HOW LONG !!! OH LORD !!! HOW LONG !!!

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# INDIAN RAILWAY POLICY

By Sir Guildford L. Molesworth, K C. I. E.

The aim and object of a railway policy should be primarily to develop the industries, produce, trade, and general welfare of the country by the lowest rates of transport practicable. This is especially the case in India, where the distance to the port of shipment is so great. Secondly, the object should be to increase the revenue, and so reduce the direct taxation of the people. Now, the question naturally suggests itself :

“ Is the railway policy of India calculated to attain this object to the *fullest* extent ? ”

The answer to this question must, I think, be in the negative. In explanation of this view, I may quote the words used in a lecture on “ The Silver Question ” delivered by me to the Bombay Chamber of Commerce thirty years ago :

“ I have always been a strong and persistent advocate of the policy of keeping railways in the hands of the State, so as to reduce railway rates to the minimum. I have always held that railways should be regarded as instruments of development, not of creating revenue. When Major ( now Sir Evelyn ) Baring asked my opinion of his scheme of private enterprise, I condemned it on the ground that the true policy of Government was to make railways subservient to the development of the country ; and I pointed out to him that in some cases it might be to the interest of Government to incur a direct loss in railway revenue by low rates of transport, and to recoup that loss indirectly by the increased revenue naturally arising from the improved prosperity of the country ; whilst it was manifestly to the interest of a company to reap the largest amount of direct profit from a railway.

“ We have not merely opened out new fields of produce, but our State Railway policy has led to a large reduction in railway rates, thus cheapening the cost at the port of shipment. The construction of the Rajputana State Railway, passing as it does through the heart of India, and carrying produce at low rates, gave us, to a certain extent, control over the rates of other railways in India, and led to a general reduction. Unfortunately, we have lost this advantage by ceding the railway to a company whose interest it is to make as much direct profit as possible, regardless of the development of the country; but the rates for carrying wheat long distances have been reduced to less than half of what they were in 1873, in some cases making a difference of seven or eight shillings per quarter. The rate of transport of wheat from Delhi to the port of shipment has been reduced, since 1872 by Rs. 5.84, or by an equivalent of eleven shillings and six pence per quarter if the rupee were at par.

“ I consider that the enormous profit of some of the railway companies is a national misfortune; for not only does such profit quit the country, but every rupee thus gained directly militates against our export trade, in placing us at a disadvantage when competing with Russia or America.

“ I am firmly convinced that the stimulus that our export trade has received since 1872 is wholly and solely due to the extension of State Railways, and to the influence of the State Railway policy of low rates.”

Now, the profit of railway companies has increased enormously since that time, and some million pounds sterling are taken annually for the benefit of British speculators, instead of being retained by the State for the purpose of developing the industries, produce, and welfare of the country in which it has been gained.

To understand how this has come to pass, a brief summary of Indian railway history is necessary.

From 1853 to 1870 railways were carried on through the agency of joint-stock companies, under a guarantee from the



Indian Government; but the experience of sixteen years proved that this policy was expensive and unsatisfactory; the divided responsibility and difficulties of dual control were inconsistent with freedom of action; and the interests of the companies were not identical with those of the State.

In 1869 Lord Lawrence, then Viceroy of India, in a very able Minute, formulated a policy of State control and management of railways. He pointed out that under the existing policy the State had to take up all the unprofitable lines for itself, and give all the profitable lines to private speculators, carefully guarding them, however, at the expense of the State, against any possible loss, whether from their own negligence or not; and he wrote:

“ I have no hesitation in saying that had proper economy been enforced in the construction of existing lines of railway, the charge on the Government for guaranteed interest would for several years past have practically ceased, and in most cases the lines would have been paying a dividend in excess of 5 per cent.

“ The history of actual operations of railway companies in India gives illustrations of management as bad and extravagant as anything that the strongest opponent of Government agency could suggest.

“ In no single respect can I see that less efficiency is to be secured under direct Government control than under joint-stock companies, having their Boards in London.

“ My own very decided opinion on this point is that the direct agency of Government would certainly be more economical than that of railway companies.

“ The experience in India, with respect to the growth of capital, is beginning to teach the lesson that has been taught on a gigantic scale in England.....the enormous and ruinous extent to which the capital accounts of some of the English railways have become inflated.....I regard this danger with great concern, both in relation to the prospects of

existing lines, and our hopes of extending them. If the Government is to avoid it, some means must be found for putting an effectual stop to the insidious growth of the capital of old lines."

In 1870 the Government of India deliberately adopted the policy of constructing and working railways by State agency ; and this policy succeeded beyond all expectations, amply justifying Lord Lawrance's anticipations, although operations had been hampered by Home Office interference. But in 1881 Parliamentary influence had been exerted in the interest of " private enterprise "; unfair and misleading comparisons had been made between State and company management, and Lord Ripon came out to India, as Viceroy, pledged to a reversal of the State Railway policy. It was laid down as an axiom that " the State should divest itself of the task of working railways "; and although it was admitted that this policy was by no means good for the State in a financial point of view, it was believed that the " superior fitness of joint stock companies would so improve the income of the railways as to prevent any important loss of the profits reserved for the state."

It was assumed that " it is impossible to combine the necessary rigidity of the Government system with the freedom of action required for the successful management of railways." But this assumption was absolutely opposed to facts. The State Railway Manager had more freedom of action than the company's manager whose freedom was limited by the Consulting Engineer for Guaranteed Railways, by the Government of India, and by the Board of Directors in London ; whereas the State Railway Manager's freedom of action was only limited by the Government of India.

This proposition met with universal condemnation from the officials of the Secretariat of the Government of India and Minutes exposing its fallacies were sent in by the Under-Secretary for Railways, by the Accountant-General, and by myself as Consulting Engineer to the Government of India for State Railways.

The Under-Secretary for Railways asked why the Government should not equally divest itself of the control of Telegraphs, Post Office, and Irrigation. He pointed out that, holding the Rajputana line as a State Railway the Government controlled two-thirds of the districts between Bombay and Northern India, and was thus enabled to enforce a policy of low rates to the port of shipment. He showed that the arguments that had been opposed to State control were based on a condition of things that had long since passed away: that the Rajputana Railway was better managed than many of the companies' railways and that if the Home authorities were as intimately acquainted with the management of companies as the Indian railway officials, the Secretary of State would be less desirous of uprooting one that had proved itself efficient. As Consulting Engineer I wrote the following Minute :

“ In the year 1870 the Government of India, with the full approval of the Home Government, deliberately adopted the policy of constructing and working railways by means of State agency instead of by joint-stock companies. The reasons which induced the Government to adopt this policy are set forth in full detail in Lord Lawrence's able Minute on the subject, dated January 9, 1869; and although this policy has been successful beyond all expectations, yet after ten years a reversal of it has been proposed as it is now assumed that it is impossible to combine the necessary rigidity of the Government system with the freedom of action required for the successful management of railways.

“ I have watched the working of the policy of 1870 most narrowly, as an unbiassed observer, from its commencement; and although there have been individual failures, as might be expected, I can assert without hesitation that there is no ground whatever for such an assumption.

“ Anyone who is acquainted with the working of State Railways must be aware that the officers in charge of State

Railways enjoy as much freedom of action as the officers of the Guaranteed Railways, and that our State Railways have not suffered so much from the *rigidity* of the Government system as from too great *pliability*.

“ There has, as I had previous occasion to remark, been too much *personal* interference in high quarters involving radical changes of policy, and the increasing tendency to adopt party Government, and to alter with each change of politics in England, has been productive of the worst results by destroying the continuity of administrative action.

“ Our State Railways have had to contend with immense difficulties. The very large number of miles which we have had to open in a short period of time has been unprecedented in the history of railways in India. The State Railways have, as it were, outgrown strength, and have, as might have been anticipated, suffered in consequence.

“ There is a very great difficulty in obtaining in India men of the class requisite to work railways. Such a class does not exist in this country and the importation of railway officers and men is very unsatisfactory. The training of railway officials must necessarily be a work of years : the Guaranteed Railways have had few men to spare, and those mostly their “ hard bargains ”. The State Railways have had to struggle through this necessarily difficult stage of existence; and no sooner has the staff of one railway been approaching efficiency, than many of its best officers have had to be taken away, to assist in the working of lines newly opened. Within twelve months nearly 1,000 miles of railway were opened for traffic in different parts of India. Yet, notwithstanding all these drawbacks, the management has rapidly improved, and we had a large number of officers in training for further railway extension, and a very efficient working staff on most of the State Railways, when a change of policy was proposed.

“ I do not argue that the management was perfect, or that

it was likely to be so for many years; but the Guaranteed Railways have, in their earlier days, had to contend with difficulties of the same character though less in degree, and it is notorious that the management of the Guaranteed Railways, in their infancy was anything but satisfactory. The working expenses were very high, and were only reduced gradually, after many years of experience, and cannot even now be said to have attained their utmost limit of economy. Many of the State Railways are yielding a far better return on their capital than the Guaranteed Railways at the same stage of their growth.

“ Most of the comparisons that have been made between Guaranteed and State Railway management have been very unfair and misleading. The Guaranteed Railways, having occupied all the main and best thoroughfares of traffic in India, must, as a rule, have more traffic than the State Railways, and it follows that, the larger the traffic, the more economically it can be worked. They have now been established for many years, and have by degrees become settled in their working; whilst the State Railways have not had time either to settle down or to develop their traffic; and the Government have frequently been forced to open the State Railways in an incomplete condition, when the want of proper conveniences, appliances and rolling stock has been a serious cause of expense and difficulty.

“ One very unfair comparison has frequently been made between Guaranteed and State Railways, which has led the Home Government to view State Railway management with unfavourable eyes. The East Indian Railway, which probably works under conditions more favourable to economy than any other railway in the world has nearly always been taken as the standard for comparison with State Railways :—The character of the traffic of the East Indian Railway is exceptionally favourable to full loads in both directions; its gradients are

good ; its fuel cheap ; its gross earnings per mile of railway six times that of the average of State Railways ; the comparison is therefore utterly untenable in every way ; but if a comparison be made between the Madras Railway ( Guaranteed ) and the Rajputana Railway ( State ), the inferiority of the State Railway vanishes, and yet the conditions affecting the working are, in these two railways, apparently not dissimilar. I subjoin a comparison which I made on a previous occasion :

Comparison, 1878.

	Madras (Guaranteed)	Rajputana (State)
Gauge ... ..	5-6	Metre
Mean age ( years ) ... ..	14 $\frac{3}{4}$	4
Length in miles ... ..	857	419
Gross earnings per mile per week ...	149	137
Gross earnings per train mile ... ..	3.08	2.99
Working expenses per train mile ...	2.34	1.85
Percentage of profit on capital ... ..	1.44	3.99

“ It will be seen by this comparison that, although the Guaranteed Railway has the advantage in length and age, and although the gross receipts and the traffic carried by a train are practically equal in the two cases, yet the Rajputana Railway is infinitely superior as regards its working expenses and returns on the capital.

“ In making this comparison it is not my intention to imply that the management of the Guaranteed Railway is inferior to that of the State Railway. Doubtless there may be conditions connected with the traffic of the Guaranteed Railway which, if explained, would justify the difference; but the comparison has been made to illustrate the serious mistake that has so often been made of accepting bare results and crude statistics, without an intimate acquaintance with all the conditions by which they have been affected.

“The assumption that has been made respecting the efficiency of the agency of Joint Stock Companies, and the inefficiency of that of the State, entirely ignores the past history of railways in India.† Lord Lawrence in his able Minute wrote as follows-January 9, 1869 :

‘The history of the actual operations of Railway Companies in India gives illustrations of management as bad and extravagant as anything that the strongest opponent of Government agency could suggest as likely to result from that system.

‘With reference to the Indian agency, both of engineers and other officers, it may quite safely be said that the Government under a reasonable system could, to say the least of it, secure as great ability with an equal outlay. I have not heard of any useful independent action taken in relation to Indian railways by the London Boards, which would be lost under a well-arranged system of Government management. In no single respect can I see that less efficiency is likely to be secured under direct Government control than under joint-stock companies having their Boards in London.

‘My own very decided opinion on this point is that the direct agency of Government would certainly be more economical than that of Railway Companies, and that there would in almost every respect be advantage to the State financially, and therefore to the community of India at large, if the Government were to determine to carry out railways hereafter through its own engineers with money directly borrowed in the market for the purpose.’

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† “It is not to be disguised that much of the *wasteful expenditure* which has arisen in connection with Indian railways has been duly pointed out, before it was too late to stop it, by the consulting engineers, and that these officers have not on all occasions been supported by the Government in attempts to enforce economy.”—Minute of Lord Lawrence, dated August 16, 1867.

“ What has occurred to cause a reversal of this opinion ? and why has the policy thus deliberately adopted been abandoned ? Simply because there has been a want of that ordinary patience which is necessary in carrying out a policy of such magnitude ; and the sudden reversal of it appears to resemble the impatience of children, who dig up the seeds they have sown in order to ascertain whether they are growing.

“ One point for which probably no credit has been allowed to State management has pressed heavily on State Railways in the crude comparisons that have been instituted. Few can doubt the soundness of the views enunciated by Lord Lawrence in the following words :

‘ The experience in India in respect to the growth of capital is thus beginning to teach the same lesson that has been taught on a gigantic scale in England viz., the urgent necessity for resisting the tendency to incur additional capital outlay without creating clear additional paying power in return ; the enormous and ruinous extent to which the capital accounts of many of the English companies have become inflated has been for some time past the theme of public discussion.

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‘ I regard this danger with great concern, both in relation to the prospect of existing lines and our hopes for extending them.

‘ If the Government is to avoid it, some means must be found for putting an effectual stop to the insidious growth of the capital of old lines.’

“ The principle thus ably enunciated had been adopted by me for some years before my arrival in India, and when Director-General of the Ceylon Railway I practically closed



the capital account with the happiest results, as the railway has since paid more than 12 per cent. per annum on the capital expended.

“ I strongly urged the adoption of the same principle on Indian State Railways, as far as practicable, and, in the infancy of State Railways, this line of action undoubtedly burdened heavily the revenue account, and gave an appearance of excessive working expenses when compared with the Guaranteed Railways, on which this principle was not in force. But, although the principle was admitted in itself to be sound, it was, after some time, discontinued, on account of the hopelessness of having comparisons made except on the crude and ill-digested basis of bare results; and I was accused—and I must admit with some show of justice—of having ruined the State Railways, in the eyes of the Home Government, by urging the adoption of this principle, however sound it might be intrinsically.

“ It has lately been laid down, as a maxim for adoption that Government should, as a rule, divest itself of the task of working railways after they have once been constructed. Such a maxim violates every principle of political economy, and is opposed to the main grounds on which railway construction should be undertaken—viz, for the development of the country. Clearly the proper policy of the State is to develop the resources of the country by the lowest possible rates of carriage, and it might amply repay a Government in some instances to suffer some loss in railway working, provided that by the adoption of some low rates the trade of a district could be stimulated. It is easy to conceive the case of a railway unsuccessful in a commercial point of view, and yet highly remunerative to the State.

“ A company, on the contrary, can only look to the direct returns of a railway as a commercial speculation. It may be argued that low rates are the correct policy of a company. To a

certain extent this is true, but to take an extreme case: supposing that a company by low rates could obtain double the traffic obtainable by higher rates, but the net returns were the same in both cases—clearly it would not be to the interest of a company to undertake all the trouble of a double traffic without additional returns; whilst, in the case of State ownership the indirect gains of the double traffic might and probably would be of the highest importance. Those who have studied the past history of railways in India must be aware of the difficulty which Government has experienced in inducing the railway companies to lower their rates, and must also be cognizant of the manner in which the trade of a district has been paralysed by high rates. The profit made by railway companies must as a rule be considered as taken from the general community and handed over to a select few, but this by no means represents the worst features of the case; for this profit may also be working an incalculable amount of mischief by checking the development of trade and the welfare of the country.

“ There is another evil which I have already pointed out in the absorption of railways by private companies; and that is, the probability that though private enterprise may, at the outset, give a temporary stimulus to railway undertakings, yet it will eventually result in retarding railway progress, especially in those districts where development is most required.

“ A company will naturally object to the extension of their system to branch lines, the remunerative character of which may be doubtful; and it will not repay the State to make such branches because the indirect returns from them as feeders will pass to the owners of the lines they feed; whereas if the line so fed were in the ownership of the State, the indirect as well as the direct returns together might make the branches remunerative at all events to the State, which would benefit by the development of trade.

“ An argument has been advanced, that a refusal on the

part of private enterprise to take up any railway project is "*prima facie evidence that the project is not required.*" It is difficult to conceive a greater fallacy. Such an argument, if carried to its logical sequence, would have put a stop to the construction of roads in India; for roads have not, as a rule, yielded returns sufficient to meet the current expenses of their maintenance, far less have they afforded any return as interest on the capital expended. Yet few would venture to argue that roads are not needed. If roads had been made and worked by private enterprise, they must either have ruined their projectors or the country. I am unable, therefore, to discover the grounds on which it is sought to reverse the policy of 1870. State agency has been tried and has not been found to be wanting. The assumption that the State Railway official has insufficient liberty of action is purely imaginary. The assumed superiority of management by Joint Stock Companies is not grounded on any evidence. The mismanagement of the Ahmedabad transfer station under the officials of a company was so great that it became necessary to take that station out of their hands and make it over to State Railway officials whose management of other transfer stations was all that could be desired; and in many cases when Guaranteed Companies have undertaken the erection of State Railway rolling stock, the cost has been very much in excess of that of similar work executed in the State Railway workshops. And the working of some of the State Railways contrasts very favourably with that of some of the Guaranteed Railways, though apparently under less favourable conditions for economy.

" Taking the results of State agency as a whole, there is every reason to be satisfied with it; although in some individual cases there has no doubt been failure and friction, which, however, when compared with that which was experienced by railway companies in the earlier stage of their existence, is comparatively insignificant.

“ The comparisons that have been instituted between Guaranteed and State Railway management have been untenable and misleading; but the Government has now, in the words of Lord Lawarence, to “ *take up all the unprofitable lines for itself, and give all the profitable lines to private speculators, carefully guarding them, however, at the expense of the State against any possible loss.*”

“ Past experience has shown that, notwithstanding every provision to the contrary, undertakings of this character, should they prove less remunerative than their projectors have anticipated, are almost invariably thrown back on the hands of the Government, which practically takes all the risk with little or no probability of profit. ‘ *Private enterprise,*’ so-called, is, in India, no *enterprise* at all, but is simply a high-flown and seducing phrase, which will, I fear, prove to be an *ignus fatuus* to the Government of this country.”

The Accountant-General, in his Minute, characterized the despatch of the Secretary of State as an attempt to make the most of a bad case, containing an amount of special pleading that might well take in anyone not well posted up in the history of Indian railways.

He asked how it was possible that substitution of private agency could compensate for the heavy fine the scheme would inflict on the revenues of India.

He pointed out the folly of expecting better results from a Board in London than from that of one possessing such practical knowledge and experience as the Director-General of Railways.

He stated that the control of railway companies gave more trouble to the State than the control of State Railways.

He showed that the State had borne the burden of bringing the State Railways to their valuable and efficient condition, and

that it was absurd to invite so-called "private enterprise" to step in and share the profits, taking so much out of the pocket of the Indian ratepayer.

He quoted Sir Henry Durand's Minute on Lord Lawrence's policy:

"We have everything to gain by a positive, not a nominal, control; everything to lose by a feeble sham control."

He said that State Railways had been eminently successful and that State management was more economical than that of companies.

He was convinced that the revenue of the State would have been largely enhanced had the State constructed and worked the railways at the outset.

He estimated the annual loss owing to these lines not having been carried out by State agency at £1,750,009, in addition to which the premium that would have to be paid for purchasing the Guaranteed Railways would be about £27,000,000 §

He urged that with these gigantic losses, practically still withdrawn from India, every endeavour should be made to stop further drain

It was reasonable to suppose that these strong protests, emanating from officers of such high position, might have been the subject of a Select Committee to investigate the question; but when these Minutes were submitted to Lord Ripon, he noted upon them: "This may be allowed to drop quietly.—Ripon." India was sacrificed to political exigencies.

Subsequently the Director-General of Railways made an exhaustive analysis of Indian railways, showing strong evidence in favour of State management. He pointed out that comparisons were valueless, unless made at a similar period of their development; and, taking the eighth year after the opening for traffic, the percentage of working expenses to gross receipts, for the whole

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§ All the old Guaranteed Railways have become State Railways by purchase, but are worked by companies. The premia on the purchase of these lines has varied from 25 to 50 per cent. of the inflated capital.

of the State Railways, had been 57 per cent., as against 64 per cent. for the Guaranteed Railways.

According to the Statistical Abstract for British India (1916), in 1913-14 the net earnings of the several railways in India was £20,436,000, and the net revenue to Government from railways for the same year was £4,789 533, leaving a balance of £15,647,267. But this balance includes interest and redemption of annuities paid by the State for the purchase of the Guaranteed Railways. On the other hand, it must be borne in mind that this purchase has been made on the basis of inflated capital, part of which has been contributed by the State, and the premia paid on such capital has varied from 25 to 50 per cent.

I am of opinion that the reversal of Lord Lawrence's railway policy of State construction and management has been disadvantageous, and the continuance of such reversal is, " in the interests of the people of India generally, " to be strongly deprecated !

Every effort should, in my opinion, be made to bring about a better state of things and while increasing the revenue from railways, decrease the burden of direct taxation, and stimulate the construction of railways under direct State control and management throughout the country.

If the policy which I adopted in Ceylon, of closing the capital account and paying off the debt from revenue by degrees, had been pursued, the State might now have been in the enjoyment of the net earnings of Indian railways.

[ *The Asiatic Review*, Oct. 2, 1916. ]

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## CORRESPONDENCE

# “ A Fair Hearing and no favour ” INDIAN RAILWAY POLICY Supplementary Note

By Sir Guildford L. Molesworth, K C. I. E.

Following on my lecture on Indian Railway Policy, read before the East India Association, on July 17, 1916, a lengthy correspondence on the subject of State and Company management of railways in India has appeared in the Trade Supplements of *The Times* for the months of September, October, November and December, 1916, and January 1917, in which some allusion has been made to my lecture.

The contributors to that correspondence have been Mr. F. H. Brown, Mr. Murray Robertson, Colonel Boughey, R. E., C.I.E., Light Railway Commissioner and formerly Manager of an important Indian State Railway, and Sir Bradford Leslie, K.C.I.E., the eminent engineer who has had large experience as Manager and Chief Engineer of Indian Guaranteed Railway Companies.

Mr. Brown has stated that about nine-tenths of the lines managed by guaranteed Railway Companies—some 19,000 miles in extent—are State property, the capital having been supplied by the State, which has the option of providing further capital. The companies receive a guaranteed interest at a fixed rate, and any surplus profit from excess of revenue over expenditure is divided between the Company and the State. He also says that :

“ Indian opinion, as expressed in the legislature, is avowedly based on the expectation that, with all the railways managed

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\* Reprinted from the *Asiatic Review* of April 1917, by kind permission of the Editor to whom we are obliged.—*Comp.* and *Ed.*

by the State, political influence will have greater effect, with consequent fuller recognition of non-commercial considerations. To quote one of the ablest Indians in a responsible position in the railway world, Mr. S. C. Ghose, 'the demand made by the Indian publicists that the railway rates should be reduced for indigenous industry, even though this may involve loss of money to the railway, and that there should be State management which, for political reasons, will lead to the with-drawal of the spirit of *commercial* management,..... The management will be handicapped in working railways, because they will always have to consider, not so much the interests of the railway as a paying concern, as the interests of the industries.' "

Mr. Brown further says :

" The location of the Boards in London is often criticized, as leading to delay in improvements, and involving the control of the systems by men mostly long past the prime of life, and no longer in touch with changing Indian conditions. It is argued that the transfer of the Boards to India would obviate these drawbacks to Company management. There are obvious and serious difficulties in the way of this change.....,but the the retention of the Boards in London should be accompanied by the grant of much greater powers in matters of detail to the agents in India, who correspond to General Managers on English railways. Too often the control exercised by the Directors is excessive and meticulous."

Mr. Murray Robertson, discussing State Railway management, writes :

" It has in the past meant obstruction, inertia, the lack of enterprise, initiative, and competition, and a truly official disregard of public requirements and convenience.....In India the State has refused many times to build a railway which is not profitable, and it has actually prevented the East Indian Railway from lowering rates....The fact is-and it is too obvious for denial-that the period of usefulness for the location of the Indian Railway Company Directors in London has passed ;



they have no financial powers, and the control of their executives involves loss of time. Their retention here obliges the expenses and objections of dual administration, and has long been of a pensionary nature."

Colonel Boughy writes:

" Mr. Murray Roberson uses some strong language in condemnation of State management in the past. This, however, is not the opinion of all among those who have been concerned with Indian railway policy more directly than in merely writing about it, or even of all the Chambers of Commerce in India. . . . Though all lines, whether State or Company, must be worked on strictly business lines, it may well be that a Company would hesitate to reduce a rate which might bring a large increase of traffic, requiring a considerable capital expenditure in order to deal with it without increasing, or perhaps while even for a time decreasing, the shareholders' profits. But in India the conditions are unlike those in any other part of the world. The State is the principal landowner, and the largest part of the revenues is directly derived from the land. The State, therefore, in considering the rates on a railway, might well consider a reduction of rate desirable in a case such as that referred to above, when a Company would not. . . . The great interest of the State in the land and in the welfare of the millions who live upon and by it is one of the strongest arguments in favour of the contention that all the railways which carry much of the produce of the land for great distances, often a thousand miles or more, to the ports of export to Europe, should be in the hands of the State. "

Sir Bradford Leslie brought forward statistics to show that in the case of 8,000 miles of State and Companies' lines, every ton of coal consumed on the Companies' lines carried a far greater number of ton-miles than the State lines; and that for every rupee spent in maintenance of permanent way the Company lines hauled far more ton-miles than the State lines.

In this notice of the correspondence I have omitted all allusions to the subject of provision of capital, which figures largely in the correspondence, as it is irrelevant to the question of State *versus* Company management.

With reference to this correspondence, I may remark that both Messrs Brown and Murray Robertson admit the disadvantages of a Board of Directors in London, and the need of a change, but the actual objections to Company management are far deeper than those stated.

With regard to Mr. Murray Robertson's sweeping condemnation of State railway management in the past, I may say that I was the consulting engineer to the Government of India for State railways during the whole of the twelve years in which Lord Lawrence's policy of State railway management was in force. I was in close and constant touch with the Government, the policy of which was in a great measure influenced by my advice, until it was reversed by Lord Ripon, acting under the orders of Home Government. My advice was always that a railway should not be considered as a source of revenue, but as an instrument for the development of the resources of the country by the lowest practicable rates of transport; that the strictest economy compatible with efficiency both in construction and management should be observed, and that every effort should be made to prevent the inflation of capital that had proved so disastrous under Company management.

I may quote one of many instances of advice given by me:

“ Private enterprise must necessarily look to direct returns, and regard railways purely from a commercial point of view; the policy of a Government, on the other hand, must embrace a far wider range; and it may be sound policy to develop the resources of a district by low fares and freights, and to sacrifice the direct commercial returns of a railway to the indirect returns, which may be very large in comparison; so that a railway of the State, though *commercially* a failure, may indirectly be a complete success. . . . A company will naturally object to the extension of their system by branch lines, the remunerative

character of which may be doubtful, and it will not repay the State to make such branches, because the indirect returns from them as feeders will pass to the owners of the lines they feed; whereas, if the line so fed were in the ownership of the State, the indirect as well as the direct returns together might make the branches remunerative at all events to the State, which would benefit by the development of trade. ”

Major Baring ( afterwards Lord Cromer ), the mouthpiece of Lord Ripon, and the pledged advocate of Company management, in reply to my arguments, said: “ A refusal to take up any railway project is *prima facie* evidence that the project is not required. ”

It is difficult to conceive a greater fallacy. Such an argument, if carried to its logical sequence, would have put a stop to the construction of roads in India; for roads have not yielded returns to meet the current expenses of their maintenance, far less have they afforded any return as interest on the money expended. Yet few would venture to argue that roads are not needed.

As Consulting Engineer during the whole period before the State railway policy was abandoned, I am in a position to state most decidedly that Mr. Murray Robertson's sweeping condemnation is absolutely untrue. During that period both the construction and administration of the State railways were carried out with the utmost energy, initiative, economy and efficiency, notwithstanding the immense difficulties inseparable from the formation of a fresh staff and new organization. This is evidenced by the fact that, in twelve months from commencing work in India, nearly a thousand miles of State railways were opened for traffic in different parts of India. The State railway managers enjoyed greater liberty of action than those of a Company, and, after eleven years of experience of State management, the Accountant-General declared that it was more economical than that of Companies, and that he was convinced that the revenues of the State would have been largely enhanced had the State constructed and worked

the railways at the outset. He estimated the annual loss, owing to these lines having not been carried out by State agency, at £ 1,750,000, in addition to which the premium which would have to be paid for purchasing the guaranteed railways would amount to about £ 27,000,000.

Far from refusing to build a railway that was not profitable, the State built the Rajputana Railway, although the traffic statistics indicated that the trade would be insufficient to meet even the working expenses, far less to give a dividend. The State also took up the frontier lines, which were certainly not expected to be remunerative.

In fact, it has been the Companies who have refused to take up the unprofitable lines and extensions; and this led to Lord Lawrence's complaint :

“ Under the existing policy the State had to take up all the unprofitable lines for itself, and to give all the profitable lines to private speculators, carefully guarding them, however, at the expense of the State, against any possible loss whether from their own negligence or not.....The history of actual operations of railway companies in India gives illustrations of management as bad and extravagant as anything that the strongest opponent of Government agency could suggest..... In no single respect can I see that less efficiency is to be secured under direct Government control than under joint-stock companies having their Boards in England.....My own very decided opinion on this point is that the direct agency of Government would certainly be more economical than that of Railway Companies. ”

The experience of twelve years of State railway management fully justified this anticipation, until political influence, in the interest of “ private enterprise, ” was brought to bear on the Home Government, and Lord Ripon came out to India pledged to the reversal of Lord Lawrence's policy. The State railway organization was then broken up and all the best and well trained railway staff were handed over to the Companies. The Public Works officers who had ably organized it were transferred

to other duties, the interest of the State waned, the few remaining State-managed State Railways were isolated, unconnected, and unable to influence rates of transport; and, practically, State railway management had become a farce.

So long as the Rajputana Railway remained the property of the State it carried produce at low rates and exercised a wholesome control over the other railways in India, which led to a great reduction of rates. In 1881 I stated that the stimulus that Indian export trade had received since 1872 was wholly due to the State railway policy of low rates; and that the rates for the transport of wheat for long distances were reduced to less than half of what they were in 1873. The rate of transport from Delhi had been reduced by Rs. 5.84, or an equivalent of 11s. 6d. per quarter if the rupee were at par. The State has lost this power of control by making over the management of the railway to a Company.

Colonel Boughey is undoubtedly right in the view that in India, the State being the principal landowner, and deriving greatest part of its revenue from the land, the great interest of the State lies in the welfare of the millions who live upon it and by it, and that this is one of the strongest arguments in favour of the management of railways being in the hands of the State.

Sir Bradford Leslie, in the endeavour to prove the superior efficiency of Company management, has fallen into the common error of basing comparisons on bare results and crude statistics, without an intimate knowledge of all the numerous factors that influence the problem.

Twenty-six years ago I protested against the unfairness of such comparisons as follows :—

“One very unfair comparison has frequently been made between guaranteed and State railways, which has led the Home Government to view State railway management with unfavourable eyes. The East Indian Railway, which probably works under conditions more favourable to economy than any other railway in the world, has nearly always been taken as a standard of comparison with State railways. The character

of the traffic of the East Indian Railway is exceptionally favourable to full loads in both directions. Its gradients are good ; its fuel cheap ; its gross earnings per mile of railway six times that of the average of State railways. The comparison is therefore utterly untenable in every way ; but if a comparison be made between the Madras Railway (guaranteed) and the Rajputana Railway (State) the inferiority of the State management vanishes.....Although the guaranteed railway has the advantage in length and age, and although the gross receipts and the traffic carried by a train are practically equal in the two cases, yet the Rajputana Railway is infinitely superior as regards its working expenses and returns on the capital.

“ In making this comparison it is not my intention to imply that the management of the guaranteed railway is inferior to that of the State railway. Doubtless there may be conditions connected with the traffic of the guaranteed railway which, if explained, would justify the difference, but the comparison has been made to illustrate the serious mistake that has been so often made of accepting bare results and crude statistics, without an intimate acquaintance with all the conditions by which they have been affected. ”

And now Sir Bradford Leslie's comparison is based chiefly on the working of the East Indian and other great Indian Trunk lines in the almost level plains of India, where curves are of large radius and gradients slight, factors that largely influence the duty of coal in a favourable manner ; but the comparison is untenable when it is considered that on many of the State lines on the Frontier, in the Bolan Pass and other mountain districts, the gradients are excessively heavy and the curves of very sharp radius, tending to increase greatly the cost of working and the duty of coal. Sir Bradford has, moreover, in attempting to discount the great advantages enjoyed by the East Indian Railway, put forward the following statement :

“ The East Indian is handicapped by an excess of up, over down, traffic of not less than 200,000,000 ton-miles per annum, involving a corresponding amount of down empty running.”

Now at first sight this appears to be an enormous amount but the magnitude of it vanishes when examined closely. It only amounts to one thirty-sixth of the total ton-mileage. I doubt whether there is another railway in India on which the traffic is so nearly balanced.

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## APPENDIX

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### THIRD CLASS TRAVELLING ON COMPANY-MANAGED RAILWAYS: A "HELL ON EARTH"

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COMPANY MANAGEMENT PROVED TO BE NOT ONLY INEFFICIENT BUT EQUALLY ' TOO IRON, TOO INELASTIC, TOO ANTEDILUVIAN TO BE OF ANY USE FOR THE MODERN PURPOSES '

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[ From *The Mahratta*\* ]

" What do these circulars† mentioned above amount to ? The circulars cry loudly for efficiency and sufficiency of proper staff. It is admitted that the booking clerks are inefficient, have no training and are low-paid. It is admitted that passengers are not allowed on the platforms but have to wait in dirty rooms courteously called ' waiting rooms ' which are bereft of benches or any convenience that would go to make the place in any way fit for human use. It is admitted the arrangements for providing pure, healthy drinking water and refreshments are far from satisfactory. It is admitted that the trains are overcrowded and the superior officers with their fat salaries do not discharge their duties of supervision and management towards the travelling public. As

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\* October 27, 1918, p. 512.

† Railway Board Circulars dated the 23rd January, 1918 and 23rd August, 1918.

a matter of fact the list of grievances of third class passengers does not end here. The third class passengers are not treated as human beings and are even carried in waggons intended for goods. The insolent treatment that is accorded to them by the railway servants, is appalling. The members of the Railway Board and the Government or, for the matter of that, even the members of the Provincial and Supreme Legislative Councils, must travel themselves by the third class and experience for themselves *this hell on earth.*

“ The admissions of the Railway Board, even as they are, carry sufficient condemnation of the whole system. Along with the bureaucracy *the railway administration under Company-management has been proved to be not only inefficient, but equally ‘ too iron, too inelastic too antediluvian to be of any use for the modern purposes.’* The whole system must be over-hauled. The wearer only knows where the shoe pinches and in these days of democracy even the railway administration must be open to the control of the people, which can be exercised only if it is brought under State management.

“ But even apart from this question of rights, the present policy of the railway administration is absurdly foolish. Even as a business proposition they ought to cater for the customers who pay them the best. It is the third class passengers that fill the coffers of the railway companies in a large measure.

.....This clearly shows, that the third class passengers pay the railway companies nineteen crores and odd while all the first, second and inter class passengers put together do not pay even four crores of rupees. The figures of vehicles and number of passengers travelling when worked out give approximately one carriage of upper classes to 1,430 passengers while nearly 18,000 passengers have to satisfy themselves with one third class carriage.

“ Considered thus from all stand-points of view the railway administration, so far as third class passengers are concerned, stands condemned as monstrous and must be subjected to the lancet and probed to its depth. ”



COMPANY MANAGEMENT OF STATE RAILWAYS  
INTRODUCES WHEEL WITHIN WHEEL, DIVIDED  
RESPONSIBILITY AND DIPLOMATIC  
CORRESPONDENCE

“ Another great evil of the present system is the divided control. With an absolute guarantee, the Government must in self defence exercise a very considerable control over the expenditure of what is virtually its own money.

“ But in cases of this sort, the only real control is to be able to send every-one about his business who neglects his duty, or who fails. No man should have the spending of a six-pence of our money to whom we cannot say:—‘ Now mind, this is what you have undertaken to do, or get done, for this money, and if you don’t, you may be a very good sort of man, but you don’t suit us. ’

“ This, with liberal treatment of those who do succeed, is the only way of getting work of this miscellaneous sort well done; and here the Company stands directly in the way, and introduces wheel within wheel, divided responsibility and diplomatic correspondence, when there ought to be prompt action.”—*Extract from the Hon’ble Mr. Linn’s Minute. ( East India Papers Relating to Railways, 1845-55. )*

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OBJECTIONS TO DIRECT STATE MANAGEMENT WOULD  
DISAPPEAR IF THE STATE WORKED ALL  
ITS LINES

“ It will probably also be seen that the majority of these disadvantages are not due to State management *per se*, but to the system of working some railways through companies and some directly by the State; and if the duality of system were eliminated, most of the objections to direct State management would disappear.”—*Thomas Robertson, Special Commissioner for Indian Railways. Report, 1903.*

## CANADA NATIONALISES NOT ONLY RAILWAYS, BUT MERCHANT FLEET ALSO.

“At the commencement of 1919 the people of Canada, through their representatives in Parliament, agreed to acquire by arbitration the capital stock of the Canadian Northern Railway Company. Its lines— almost 10,000 miles—were consolidated with other railways which previously had been administered by the Minister of Railways in the Government of Canada. The new system was named Canadian National Railways, and it was placed under a single board of directors, in the selection of whom political consideration in the usual acceptance of the term had no weight. Men of outstanding ability and integrity identified with successful Canadian industrial and commercial enterprises were chosen.

“Practically, this means that government ownership has been put into effect with a system serving every province of the Dominion, and having a total mileage of about 14,000— about 35 per cent of the railway mileage of Canada.

“This railway system is also to operate Canada’s national merchant fleet, now under construction. The contract for the ships, 45 in number, was placed with shipbuilding firms in Canada by the Department of Marine and Fisheries. It is interesting to note that from an Order in Council which has been passed several plans for the disposition and operation of the vessels were considered, as follows: (1) By the regular steamship operators on a basis of hire or commission to be agreed upon; (2) by an organisation to be formed within the Department, subject to and under instructions from the Minister; (3) by the Canadian National Railways; (4) by sale to private interests on terms to be agreed upon, and subject to the condition that they should be available for Canadian trade so long as any such trade is offering. As a result, it was decided to transfer the vessels to the Canadian National Railways for operation and maintenance.”—*The People’s Year Book, 1920 p. 97.*

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