INDIAN RAILWAYS

SINCE ACKWORTH COMMITTEE

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THE story of our railway development entered a crucial phase in 1924, when the Ackworth Committee reported. After all India's 'Great Railway Age' came to an end by 1900, when over 24,000 miles of track ran criss-cross over the wide open spaces of our country side. In the twenty-four years that were to follow, only 7000 of mileage was added. Railway investment had left behind its hectic days and now looked ahead with caution. By 1924 even this sober optimism began to ebb as the depression came fast upon the heels of the World War 1. Against this setting, the Ackworth Committee had a twofold task, to stabilise the railway policy an then prevalent and to guide the future course of development.

This article seeks to evaluate the progress recorded since the Committee published its findings. Attention will be confined to the finance, costs and revenues, without analysing the question of railway rates. It is proposed to review the latter in a separate article. Those who have a stomach for statistics may turn to the accompanying table*; those who have not, do not have to bother.

Let us start with capital outlay. This amounted to Rs. 60,769 lakhs in 1924 and has been increasing, since then, from 21 to 28 per cent per year. The years of World War II show a rise above 30 per cent (with base 1924) while in the Depression years, 1928-34, the rise was only 22 per cent on the average. Indeed it would have been worth while stepping up the investment from 35 to 40 Per cent in these lean years, so as to mitigate unemployment and push up the marginal efficiency of investment. But perhaps our Railway Board regarded functional finance a red herring in those pre-Keynesian days! Considering the fact that industrial development has been going apace since 1924, the capital outlay on Indian Railways seems to have been very modest.

That it was so, is also borne out by the trend in rolling stuck. The Ackworth Committee's recommendation regarding the overstocking of locomotives was taken so seriously that the number of locos was reduced from 8,879 in 1924, to 7,510 in 1939, a drop of 15 per cent. No wonder that the war time demand for passengers and freight transport could not be met, mainly because of shortage of tractive power. It is true that wagon stocks were not reduced to the same extent. The base year stock of 1.9 lakh wagon never went down below 2.4 per cent (1934-35). As the desperate situation shows at present, the bottleneck in railways is not in wagons but in locomotives In this respect it was clearly desirable to start building up locos in India, especially since the onset of the slump—both to stimulate investment and keep up a proper ratio of locos to carriages and wagons. In the rather dry bureaucratic climate of the '30s such a venture could hardly have been given a serious thought by the Railway Board.

Consider now the question of costs and returns. We shall deliberately leave out of account the intricacies of railway finance and take only the gross traffic receipts and gross working expenses. The former were Rs. 103 lakhs as against Rs. 66 lakhs of the latter. With each of the two figures == 100 for the base year, the former index dips to 89 and the latter to 99.5 in 1934-35, rising steadily to 209 and 213 in 1944-45. Net traffic receipts have, therefore, recorded their greatest fall in 1934-35 (index 70) and shot up to the peak in 1944-45 (index 203). These fluctuations can be easily correlated with the great slump and the wartime demand which reached its peak in 1944-45.

What is of interest to know is the extent to which Indian Railways have been economising their running costs. A convenient measure of this economy is the 'operating ratio' which is given by $\frac{\text{gross working expense}}{\text{gross traffic expenses}} \times 100$. This, us must be borne in mind, is only a rough measure. Now the ratio was 65.6 in 1924-25 and rose to 73 in 1934-35, to reach the lowest level of 53.3 in 194243, and a highest of 83.5 in 1946-7. The average over these

*On account of unovoidable printing difficulties the statistical table had to be held over and will appear next week—Ed years come to 70. It is intriguing to find that the lowest ratio, that the most economical operation of railways, was recorded in 194243. Perhaps this was due to the fact that the rates raised in 1942 raised the earnings much higher than the corrospondiLg increase in costs. In any case it is clear that the ratio is rising. The unit cost of operation is increasing, tending to show that in the immediate future there is not much scope for lowering railway rates unless we go in for capitalisation.

The name trend is shown by the fluctuations in per-train-mile earnings, expenses and net profit, the trough of 1934-35 and the peak of 1944-45. The net profit per-ton-mile has fallen from Rs. 4.98, the peak figure in 1944-45 to Rs. 2.60 in 1946-47 and this trend is likely to continue for some time. Not a particularly cheerful prospect for passengers and traders, is it?

This brings us to the contribution of railways to the general revenues. This contribution was Rs. 667 lakhs in 1924-25. It began to decline from the next year and from 1931 to 1937 no contribution could be made owing to lean railway earnings. The total amount contributed from 1924-25 to 1930-31 was Rs. 41.6 crores but as against this there was an outstanding balance of Rs. 30.7 crores due for contribution from 1931-32 to 1936-37. During 1940-48 a total amount of Rs. 186 crores is expected to be paid.

The Railway Reserve Fund built up from surplus has had a more chequered career. From its start in 1924-25 till 1928-29, only Rs. 18 crores were paid into the Fund and then followed heavy withdrawals, in all Rs. 17.9 crores, from 1929-1932, to meet deficits. Since then, that is up to 1946 47, total contribution built up the Fund to the size of Rs. 75.8 crores, against which withdrawals were made to the extent of Rs. 67.5 crores, leaving a modest balance of Rs. 8.4 crores in 1947.

Finally we shall examine the relation between train capacity and freightage as exemplified by the Indian Railways since 1924. In 1924 these recorded 145 million train miles and 21,748 million ton-miles. In the next five years the index of the former (base equals 1924) rose to 115.1 while that of the latter only to 101.7. By 1934-35 the latter had, however, fallen to 94.6 while the former rose to 104.9. This trend persisted till 1939-40 when the former continued to rise to 120 but the latter lagged behind at 107.8. Only after the onset of the War was the trend reversed; ton-miles shotting to 134.2 and 129.1 in 194445 and 1947-48 respectively, while train miles remained behind at 107.6 and 1193.

Now, below the above facts lie hidden certain problems of railway policy. If there was a larger volume of train-miles relatively to ton-miles, that was obviously a case of trains running below full passenger and freight capacity. This has been the case in the years 1924-39, surely reflecting a deficiency of demand for transport. On the contrary, the greater volume of ton miles in proportion to the train-miles since the beginning of the War shows the opposite trend. How should the railways maintain a 'normal' ratio between train-miles and ton-miles? Two or three remedies suggest themselves. Rebates may he given for travelling and loading in lean seasons and years and extra rates charged in busy ones. Besides this the frequency of train services may he reduced in the former and increased in the latter seasons, and similar changes made in the number of carriages and wagons carried per train. Similarly discriminatory rates in favour of bulky articles may be steeped up in busy and slackened in lean periods,

It does not appear that our railway rates policy was consistent with the above principles. This calls (or an examination of our railway rates which may he reserved for another occasion.