

(b) The reply to the first part of (b) is in the affirmative. With regard to the second and third parts I may explain for information that the line will be restored as soon as requisite permanent-way material becomes available. No specific date can however be given at present.

### LOSS TO THE PAPER CURRENCY RESERVE.

422. Mr. B. Venkatapatiraju: Will the Government be pleased to state:

(a) the actual loss in rupees to the Paper Currency Reserve, caused by the transfer of a portion of the Reserve to London through Council Drafts and its retransfer to India through Reverse Councils?

(b) Whether it amounts to 35 crores or thereabouts?

The Honourable Mr. W. M. Hailey: The number of rupees received for the Reverse Councils sold during 1919 and 1920 amounted to about 49½ crores, while the number of rupees paid in the immediately preceding years for a corresponding amount of Council Bills amounted to 70½ crores. The difference of 21 crores may be taken as representing the loss caused by the transfer of funds to London through Council drafts and their retransfer to India through Reverse Councils; it should be explained that the bulk of the sales of Councils during this period were at a much higher rate than 1s. 4d. These transfers of funds were not entirely effected through the Paper Currency Reserve. Also no portion of the loss fell on the Paper Currency Reserve, but it has been made good entirely from Treasury balances either in cash or by the issue of Indian treasury bills which will be paid off gradually.

2. The sum of Rs. 35 crores mentioned by the Honourable Member represents approximately the difference between the rupee value at which the British Government's securities in the Paper Currency Reserve which were sold in order to meet reverse bills on London were held in the Reserve and the rupee proceeds of the reverse bills.

It is necessary however to mention two points with reference to this figure of 35 crores. In the first place, out of this total Rs. 23 crores represent the deficiency in the rupee value of the sterling securities owing to their revaluation on the basis of £1 = Rs. 10; this loss was not due to the sale of reverse bills and would have occurred whether these bills were sold or not, the only difference which the sale of the bills made being that the loss occurred earlier as the bills were sold instead of in lump when the securities were revalued on the 1st October 1920. The second point is, that if the reverse bills had not been sold, the period of the sales, and the loss on our other remittance transactions would have been greater than it actually was. Some portion of the balance of the loss which I have mentioned above, viz., 12 crores, would thus have occurred even if we had altogether abstained from the sale of reverse bills.

### BRANCHES OF THE ARMY DEPARTMENT.

423. Mr. A. B. Latthe: (a) Has the attention of the Government been drawn to the allegations about 'widespread, well-known corruption and inefficiency that have come to characterise all branches of the Army Department' contained in the *Rombay Chronicle* of 24th February 1921?