

ESTIMATES COMMITTEE
(1981-82)

(SEVENTH LOK SABHA)

EIGHTEENTH REPORT

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

**REAPPROPRIATION OF FUNDS UNDER
DEMAND NO. 16 OF RAILWAY BUDGET**

Presented to Lok Sabha on 18th September, 1981



LOK SABHA SECRETARIAT
NEW DELHI

September, 1981/Bhadra, 1903 (Saka)

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ESTIMATES COMMITTEE

(1981-82)

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INTRODUCTION

1. I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Eighteenth Report on the Ministry of Railways (Railway Board)—Reappropriation Funds under Demand No. 16 of Railway Budget.

2. The Committee took the evidence of the representatives of the Ministries of Railways (Railway Board) and Finance (Deptt. of Expenditure) on 13th and 21st August, 1981 respectively. The Committee wish to express their thanks to the Officers of these Ministries for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

3. The Report was considered and adopted by the Committee on 14th September, 1981.

NEW DELHI;
September 15, 1981
Bhadra 24, 1903 (Saka)

S. B. P. PATTABHI RAMA RAO
Chairman,
Estimates Committee.

REPORT

Background

Prior to Budget for 1979-80, existing works Demand No. 16—Assets—Acquisition, Construction & Replacement consisted of following Demands.

Demand No. 13—Open Line Works (Revenue). This Demand covered expenditure on Staff Welfare Works costing upto Rs. 25 thousands each and unremunerative operating improvements costing not more than Rs. 3 lakhs each.

Demand No. 14—Capital and Depreciation Reserve Fund. This Demand covered expenditures on construction of New Lines, Restoration of dismantled lines, and Electrification of Railway Lines.

Demand No. 15—Capital Depreciation Reserve Fund and Development Fund. This Demand covered expenditure on additions and replacement of Railway assets. passenger amenities, Staff Welfare Works and unremunerative operating improvement works costing above Rs. 3 lakhs each.

Demand No. 22—Accident, Compensation, Safety and Passenger Amenity Fund (Works portion only). This Demand covered expenditure on Safety and passenger amenity Works.

2. In 1973, a Task Force was constituted by the Ministry of Railways in pursuance of the recommendations of the Railway Convention Committee (1971) to examine certain aspects of Budgetary, accounting and management practices on Railways. The Task Force, amongst other things, recommended re-structured form of Demands for Grants based on function oriented analysis of Working expenses and plan head-wise analysis of Works expenditure.

3. The 'Task Force' recommended that there should be a single Demand for all works expenditure, irrespective of the source of financing. While recommending this unification, the Task Force also examined a possible objection to the proposed unified Demand

viz. that such a scheme would further enhance the existing powers of reappropriation of funds in respect of works expenditure. However, it felt that due to ceiling on capital funds provided by the General Exchequer within the framework of the Plan, there were already three clear-cut compartments based on source of financing, *viz.* Capital, Railway Funds and Revenue, in which reappropriation of funds from one source to another, though permissible, was hardly a matter of practical significance. Accordingly, the Task Force recommended that no reappropriation of funds would be permissible between Capital, Railway Funds and Revenue even though reappropriation would be permissible between the various sub-heads of the Demand so long as this did not cut across the source of financing." This was accepted by the Ministry of Railways.

4. While submitting the proposal for restructuring the Demands for Grants of Railways to the Estimates Committee for their approval, the Ministry of Railways stated "that the proposal of the Ministry will not envisage any dilution in the extent of control at present being exercised by Parliament...At present no re-appropriation is permissible between voted and charged allotment or between the allotments made under one grant to another. This position will continue to be maintained. In addition, under the restructured Grant No. 16, no re-appropriation of funds will be made between the Capital, Railway Funds and Revenue even though reappropriation will be permissible between the Capital, Railway Funds and Revenue *viz.*, the various plan heads, what is obtaining even at present, so long as this does not cut across the source of financing." [Para 21, 21st Report of Estimates Committee (1978-79)]

Present request

5. The Ministry of Railways have, in a memorandum (June' 81) submitted to the Committee, stated that Ministry had full powers of reappropriation amongst various classification heads, *i.e.*, capital, Railway Funds (Depreciation Reserve Fund, Development Fund and Accident Compensation, Safety and Passenger Amenity Fund) and Revenue (OLWR) under the erstwhile works Demands but the embargo placed on their powers of reappropriation under new Demand No. 16 with effect from 1-4-1979 had created manifold difficulties in the day to day working of the Ministry. The Ministry of Railways further stated that according to the Ministry of Finance, the Constitution did not place any embargo on the power of reappropriation under the same Demand in 'other expenditure, *i.e.*,

Capital, Depreciation Reserve Fund, Development Fund and Accident, Compensation, Safety and Passenger Amenity Fund in the case of their works Demand No. 16.

6. Further, the Ministry added, there was no provision in the Constitution under which reappropriation of Funds can be sought from Parliament if no additional money was required over the voted grant i.e., there was surrender under one classification head|heads with a corresponding excess under other classification head|heads.

7. The Office of the C.&A.G. had opined that re-appropriation of funds between 'Revenue' and 'other expenditure' (which covers all works expenditure financed from Capital and other sources on the Railway side) would not be constitutionally permissible. They added that Ministry of Railways could reappropriate funds between capital and Railway Funds (Depreciation Reserve Fund, Development Fund and Accident, Compensation, Safety and Passenger Amenity Fund) but they did not agree to re-appropriation of funds between Capital, Depreciation Reserve Fund, Development Fund and Accident, Compensation Safety and Passenger Amenity Fund on one hand and 'Revenue' (OLWR) on the other hand. Ministry of Finance while broadly agreeing with the opinion expressed by Office of C. & A.G. clarified that in case any further restriction on powers of reappropriation is decided upon on the recommendation of the Estimates Committee, the executive has to abide by it.

8. Referring to the day to day difficulties and the Constitutional position as stated above the Ministry of Railways have sought the approval of the Estimates Committee for removal of the restriction on their powers of reappropriation between Capital and Railway Funds under new Demand No. 16.

Difficulties

9. Justifying the proposal for removal of embargo on reappropriation of funds under the Composite Demand No. 16 the Financial Commissioner (Railways) stated during evidence that:

"When they (old works Demands) were combined, the Task Force considered that there should be a restrictive provision so that reappropriation from one source of funds to another source of funds should not be permitted. We also accepted it at that time. But subsequently we found certain practical difficulties. If there is any write-back adjustment to be made from capital to depreciation reserve

fund or vice versa, we had to go before Parliament. Under the Constitution, if the funds provided under a particular demand are inadequate, then we go to Parliament for additional funds. But we are facing situations where we do not require additional funds in the demand as a whole because there may be savings in the depreciation reserve fund and there may be a little extra expenditure required under capital. There is no provision in the Constitution for going to Parliament for meeting such a situation."

10. Asked to mention the concrete instances of difficulties experienced by the Ministry of Railways due to lack of power of reappropriation under Demand No. 16 during the last 2 years, the Ministry have stated in a note furnished to the Committee (August 1981) that the day-to-day difficulties experienced by the Railways come to limelight only at the appropriate Budgetary Reviews i.e., August Review/Revised Estimates. Last year (1980-81), it was seen at these stages, that there has been substantial change-over of allocation from Capital to Railway funds and vice versa due to write back adjustments.

11. The under-mentioned figures have been cited by the Ministry to give an idea of the magnitude of the change of allocation.

Write back Adjustments

(In crores)

	<i>Capital</i>	<i>Railway Funds</i>
1980-81	5.60	5.60

12. Besides, the Ministry have added, this kind of difficulty has been experienced in respect of Rolling Stock Programme. The expenditure on Capital and DRF is initially worked out on the basis of allocation of stock to be manufactured during the year. Due to change in the pattern of production either due to drop of production or change in the product mix, the ratio of allocation worked out at Budget stage gets radically changed at the subsequent budgetary reviews. In 1980-81 as a result of drop in production under private (CIMMCO, HGI etc.) as well as public sector (BEML) and DLW,

there were surrenders of funds under either Capital or DRF. The allotment of funds under Rolling Stock for that year had to be revised as under:—

(In crores)

	Capital	DRF	Total
1980-81 B.E.	202.29	119.45	321.74
R.E.	206.13	112.42	318.55

13. The Ministry have further stated that even though the revised requirement for Rolling Stock of 318.55 crores was less than the Budget allotment of 321.74 crores, this adjustment between Capital and DRF could not be made as it was not within the Ministry's powers. Hence additional funds under Capital under this Plan head i.e., Rolling Stock had to be found by squeezing other Plan heads, which retarded the progress of many important projects.

14. Even though the Ministry had been asked to give details of works which might have suffered for want of power of re-appropriation indicating the extent to which these were delayed as a result of this difficulty, the Ministry have not given the details of such works in their written reply.

15. The Ministry of Railways have added that difficulties are also being experienced in making additional allotment of funds to individual Railways, under one source of financing even though there are corresponding surrenders/savings under other source of financing. The following are some instances that occurred in 1980-81:

Railway	Budget Estimates		Revised Estimates (As asked for by the Railways)		Variation	
	Cap.	DPF	Cap.	DRF	Cap.	DPF
Central	362089	209328	343241	279031	- 18848	+ 69703
N.F.	261132	81454	194752	93136	- 66380	+ 11682
GLW	27430	14616	25200	15043	- 2230	+ 427

16. The Railway Ministry have argued that it is true that Railways had to go in for Supplementary Grants under Demand No. 16 in 1980-81 as there were overall excesses under both 'Capital' and 'DRF'. However, even the limited adjustments that can be made in the funds allotted to individual Railways cannot be so made in

the absence of powers of re-appropriation from 'Capital' to Railway Funds, even when there is no overall excess and has to await sanction to the Supplementary Grant.

Supplementary Grants

17. When asked whether the Railways had to go in for Supplementary Grant under Demand No. 16 during the last 2 years merely due to the embargo on their powers of re-appropriation, the Financial Commissioner (Railways) stated in evidence (August 1981). "Actually it is not so. Overall, we needed additional funds in that particular year."

18. The Committee asked as to what extent Supplementary Grant could have been avoided during 1979-80 and 1980-81 if the Railway had power of reappropriation. In a note submitted after the evidence, the Ministry of Railways have stated that in view of the overall excess requirement of fund under the main head "Other Expenditure", Supplementary Demands became inevitable in both the years. However, if powers of reappropriation between classification heads (representing sources of finance) were vested with the Railways, savings under some heads could have been set off by the Railways against excesses under other heads as detailed below:

(a) *Supplementary Demands for Grants 1979-80—*

DRF Rs. 84 lakhs

ACSPF Rs. 61 lakhs

(b) *Supplementary Demands for Grants for 1980-81—*

ACSPF Rs. 1.5 lakhs

Further in 1980-81, under the "Charged Expenditure" there was no increase over the Budget allotment but "reappropriation" between Capital, DRF and DF was involved as indicated in Appendix 'B'. It has been stated by the Railways that this could have been given effect to by the Railways had they been vested with the powers of reappropriation.

19. From the information furnished by the Ministry, it is seen that during the years 1979-80 and 1980-81, the Railways obtained Supplementary Grants amounting to approximately Rs. 71 crores and Rs. 130 crores, respectively, (Appendices A & B).

Finance Ministry's opinion

20. In the opinion of the Ministry of Finance, recourse to Supplementary Demands for Grants should, ordinarily, create no difficulty if the Parliament is in session. On occasions when the Parliament is not in session and the need for funds is urgent, an advance from the Contingency Fund of India will become necessary even though the funds to meet the additional expenditure would be available by valid reappropriation but for the embargo presently placed on the powers of Railways.

Parliamentary Control

21. When asked if with the lifting of the embargo on power of reappropriation the parliamentary control on Railway Finance will not be diluted and whether it will not take away the basis on which the restructured Demands were approved by the Committee, the representative of the Ministry of Railways stated during evidence that:

“As far as dilution of Parliamentary control is concerned there will be no significant dilution of control because overall parliamentary control still remains. An insignificant dilution of Parliamentary Control may arise when the existing restriction on the adjustments between the capital and the funds is removed. That adjustment will then be done by the Railway Board within the overall money sanctioned by the Parliament and, to that extent only, there may be a dilution of a very insignificant order in the Parliamentary control.”

The witness added:

“We could introduce another statement or an explanatory note in the appropriate budget document to bring to the notice of Parliament that these reappropriations have been done by the Ministry of Railways for a particular purpose. Parliament will have that information.”

22. Prior to Budget for 1979-80, existing Works Demand No. 16 of Railway Budget consisted of four (old) demands Nos. 13, 14, 15 and 22. The Task Force (1973) appointed by the Railways recommended restructuring of Demands for Grants for Railways and as part of the scheme, they recommended that there should be no power of reappropriation with the Railways under Demand No. 16 between

Capital, Railway Funds and Revenue. This restriction on power of re-appropriation was recommended by the Task Force to meet a possible objection that unification of the four old Demands into one new Demand (No. 16) would enhance the existing powers of re-appropriation of funds in respect of works expenditure. The Ministry of Railways accepted the Task Force's recommendations including the restriction on power of re-appropriation under Demand No. 16 and approached the Estimates Committee for approval of the proposal for restructuring of Demands for Grants with a positive statement that the proposal "will not envisage any dilution in the extent of control at present being exercised by Parliament....." The Railways gave an assurance that under the restructured Demand No. 16, no re-appropriation of funds will be made between Capital, Railway Funds and Revenue though re-appropriation will be permissible between various sub-heads of the Demand so long as this does not cut across the source of financing.

23. It was in this context that the Estimates Committee (1978-79) had accorded approval to the Scheme of restructuring of Demands for Grants of Railways in their 21st Report presented to Parliament in August, 1978. The new Demands for Grants were introduced with effect from the Budget of 1979-80.

24. The Ministry of Railways have now approached the Estimates Committee with a request that in view of certain difficulties the restrictions on their powers of re-appropriation under Demand No. 16 may be removed. The main difficulty pointed out by the Railways is that they have to approach Parliament for a Supplementary Grant under one of the classification heads of Demand No. 16 even when there are equivalent surrenders under another source of finance within the Grant. The Committee find that the Railways had to approach Parliament for Supplementary Grants in 1979-80 and 1980-81 but it was not for want of powers of re-appropriation under Demand No. 16 but because they needed additional funds during these years over and above the budgeted grants. The Committee have not been apprised of the details of works which can be said to have been delayed or which might have suffered because of lack of powers of re-appropriation under Demand No. 16.

25. The Committee would not like the Parliamentary control over Government finances to be diluted, and, admittedly, the grant of powers of re-appropriation under the unified Demand No. 16, if agreed to, would dilute Parliamentary control. The difficulties

stated to be experienced by the Ministry of Railways on account of lack of powers of re-appropriation can be resolved by recourse to Supplementary Demands which, according to the Ministry of Finance, should ordinarily create no difficulty if the Parliament is in Session; on the occasion when the Parliament is not in Session and the need for the funds is urgent, the advance from the Contingency Fund of India can be available by valid re-appropriation.

26. After considering all these aspects, the Committee have come to the conclusion that, as at present, there is no justification to remove restrictions on the Ministry of Railways' powers of re-appropriation under Demand No. 16 which were introduced at the recommendation of the Task Force (1973) for valid reasons.

Appendix 'A'

Summary of Supplementary Demand for 1979-80

(in thousands of rupees)

		Budget Grant 1979-80	Ist Supplemen- tary 1979-80	2nd Supplemen- tary 1979-80
Cap.	Voted	1242,25,01	1247,26,03	1315,02,30
Gross	Charged	39,50	39,50	62,64
DRF	Voted	233,71,14	233,71,14	232,87,34
	Charged	5,00	5,00	48
DF	Voted	27,93,25	27,93,25	27,97,44
	Charged	7,00	7,00	2,58
ACSPF	Voted	10,00,00	10,00,00	9,38,96
	Charged
OLWR	Voted	11,99,70	11,99,70	9,60,65
	Charged	50	50	..

TOTAL	Voted	1525,89,10	1530,90,12	1594,86,69
	Charged	52,00	52,00	65,70

Credits or recoveries				
(i) Deduct—Amount met from Depreciation				
Reserve Fund Development Fund and Accident Com-				
pensation, Safety and Passenger				
Amenities Fund				
		— 243,00,00	— 243,00,00	— 243,00,46
(ii) Other Credit				
		— 872,49,10	872,49,10—	— 945,52,39

Net	Cap.	398,92,00	403,93,02	397,39,54
	OLWR	12,00,00	12,00,00	9,60,00

Appendix 'B'

Summary of Supplementary Demand for 1980-81.

(Figures in thousands of rupees)

			Budget Grant, 1980-81	Latest require- ment, 1980-81
Gross	Cap.	Voted	1515,38,63	1643,85,38
		<i>Charged</i>	47,50	49,47
	DRF	Voted	265,37,11	268,17,96
		<i>Charged</i>	3,50	2,52
	DF	Voted	24,96,50	24,97,64
		<i>Charged</i>	3.50	2.51
	ASCPF	Voted	10,00,00	9,98,50
		<i>Charged</i>
	OLWR	Voted	11,99,70	11,99,70
		<i>Charged</i>	50	50
<hr/>				
	TOTAL	Voted	1827,72,24	1958,99,18
		<i>Charged</i>	55,00	55,00
<hr/>				
Credits or recoveries				
(i) Deduct-Amount met from Depreciation Reserve Fund. Development Fund and Accident Compensation Sa- fety and Passenger Amenities Fund				
			- 266,00,00	- 266,00,00
(ii) Other credits				
			- 1068,27,24	- 1197,54,18
<hr/>				
Net	Cap.		482,00,00	4840,00,00
	OLWR		12,00,00	12,00,00
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