R.C.C. No. 30

RAILWAY CONVENTION COMMITTEE (1980)

(SEVENTH LOK SABHA)

THIRD REPORT

Review of the Existing Rules of Allocation of Railway Expenditure to Capital and Revenue Account, Depreciation Reserve Fund, Development Fund and Accident Compensation, Safety and Passenger Amenities Fund.

Presented in Lok Sabha on ....

Laid in Rajya Sabha on ....

LOK SABHA SECRETARIAT
NEW DELHI

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(1980)

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Shri Bipin Behari—*Senior Financial Committee Officer*

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*w.e.f. 26-11-1980 *vice* Pandit Kamlapati Tripathi resigned from the membership of Committee.

INTRODUCTION

I, the Chairman, Railway Convention Committee (1980) having been authorised by the Committee to submit the Report on their behalf present this Third Report on 'Review of the Existing Rules of Allocation of Railway Expenditure to Capital and Revenue Account, Depreciation Reserve Fund, Development Fund and Accident Compensation, Safety and Passenger Amenities Fund'.

2. The Committee took the evidence of the representatives of the Ministry of Railways and the Ministry of Finance on the 1st June and 22nd July, 1981.

3. The Committee wish to express their thanks to the Chairman and Members of the Railway Board, Financial Commissioner, Railways, and the Finance Secretary/Secretary (Expenditure) for placing before the Committee the material they desired in connection with the examination of the subject. The Committee also place on record their appreciation of the assistance rendered to them by the Officers of the Comptroller and Auditor General of India.

4. The Report was considered and adopted by the Committee at their sitting held on the 3rd September, 1981.

5. The summary of recommendations/observations contained in the Report is appended to the Report.

D. L. BAITHA
Chairman,
Railway Convention Committee.

NEW DELHI;
Dated 4th September, 1981
Bhadra 13, 1903 (*S*).

REPORT

The rules of allocation of Railway Expenditure contained in Chapter IX of the Indian Railway General Code, Volume I (A summary of these rules is given in Appendix I) are based on the principles introduced by the Railway Convention Committee, 1949 as amended by the successive Convention Committees. The changes in the allocation rules, therefore, are made with the approval of the Committee.

2. Arising out of the recommendations made by the Expert Group on the Capital Structure of Indian Railways (1978), and certain other circumstances, proposals for a few changes in the allocation rules were considered by the Ministry of Railways in consultation with Ministry of Finance/Comptroller and Auditor General of India and are brought before the Railway Convention Committee for consideration. These proposals are dealt with in the following paragraphs:

A. (i) Raising of the 'New Minor Works' limit.

(ii) Raising of the limit of the cost of unremunerative operating improvements chargeable to Open Line Works Revenue.

3. At present, Open Line Works Revenue includes expenditure incurred on:—

(i) new works or additions to existing works (other than those for passenger amenities and other railway users) costing individually not more than Rs. 25,000, called the 'New Minor Works', as defined in Para 931 (i) of the Indian Railway General Code, Volume I.

(ii) the works relating to unremunerative operating improvements costing not more than Rs. 3 lakhs each, as defined in Para 906 (2) of the Indian Railway General Code, Volume I.

4. 'New Minor Works' limit was raised from the earlier limit of Rs. 10,000 to Rs. 25,000, as at present, on the recommendations of the Railway Convention Committee, 1949, duly approved by Parliament. Since then, this limit continues to be in vogue and has not been enhanced.

5. Regarding unremunerative operating improvements costing more than Rs. 3 lakhs each, the present rules are that expenditure on such works upto a financial value of Rs. 3 lakhs each is charged to Open Line Works Revenue (OLWR) and expenditure on works costing more than Rs. 3 lakhs each is debited to Development Fund. As in the case of new minor works limit, the limit of Rs. 3 lakhs chargeable to OLWR has also not been revised for many years.

6. The question of raising these limits of Rs. 25,000 and Rs. 3 lakhs, was considered by the Expert Group on the Capital structure of Indian Railways (1978) and they have recommended that these may be enhanced to Rs. 1 lakh and Rs. 5 lakhs respectively "in consideration of the inflation in cost". The Ministry of Ralways have stated that the matter has been further considered by them and they feel that while the limit of Rs. 25,000 may be raised to Rs. 1 lakh, the limit of Rs. 3 lakhs may be raised to Rs. 10 lakhs "keeping in view the manifold increase in prices since the time the limit of Rs. 3 lakhs was fixed earlier."

7. Ministry of Railways have stated that their proposal has been agreed to by the CAG of India, subject to the approval of the same by the Railway Convention Committee.

8. The Ministry of Railways have further stated that the concept for 'New Minor Works' as defined in Para 931(i) of General Code Volume I, appears in various other paras also for different purposes, such as paras 902(4), (5), (6); 910(1), (2); 932 etc. and that the intention of that Ministry is that "once the recommendation to increase the financial limits in respect of 'New Minor Works' to Rs. 1 lakh is accepted, all other relevant codal provisions will consequently be revised. Similarly, the relevant codal provisions in regard to OLWR will also be revised."

9. During evidence, the representative of the Ministry of Railways was asked to state the objectives of creating a separate resource sub-head "Open Line Works Revenue". In reply he stated that the objective was to maintain "the Commercial practice" whereunder "small items are charged to 'revenue' instead of being loaded on to the 'capital' expenditure", with a view to minimise the charge on 'capital'. In support he quoted the following observation of the Railway Convention Committee 1949 which emphasises the need for arresting the process of additions to the capital structure:

> "If the financial stability of the undertaking is to be adequately safeguarded, the process of annual additions to the capital

structure should be arrested; and the commercial principle of financing as much as is possible out of surplus earnings should be adopted."

In consideration of this principle, Railway Convention Committee 1949 had, in paragraph 6 of their report, recommended:

(i) The full cost of replacement including the improvement and the inflationary elements should be charged to the Depreciation Fund.

(ii) The financial limit of charging to revenue, the cost of minor additions and improvements should be raised from Rs. 10,000 to Rs. 25,000 on each individual item.

(iii) Expenditure on unremunerative projects for improved, operational efficiency costing not more than Rs. 3 lakhs should continue to be charged to revenue. The excess over Rs. 3 lakhs on such projects should be charged to a Development Fund to be constituted.

10. Asked further to state as to how the OLWR was funded and operated in actual practice; he said:

"The amount is fixed in the Annual Plan. We just cannot go beyond this limit... They are given certain ceilings within which they can propose and take up the work. All this is totalled up in the Railway Board. For 1980-81, we have made a provision of Rs. 10 crores. In the whole Sixth Five Year Plan, I think it is about Rs. 60 crores of Rs. 65 crores. It was asked whether there was any separate fund. I would submit that it is not a question of any fund, but it is a question of allocation of expenditure."

11. Replying to the question as to basis on which allotment was made for OLWR, the Financial Commissioner, Railways stated:

"This is part of the Plan expenditure. The total amount available for the plan as a whole is fixed. Then it is broken down into annual plans in consultation with the Planning Commission and the Finance Ministry. The proposals come from the various Railways; these are examined and pruned down to keep within the overall amount available. That does not mean that every Railways gets a proportionate share. It depends upon the urgency of the work. Some Railways may ask for Rs. 2 crore, but it may be given half a crore. At every stage, there is scrutiny, and we see whether a particular item is essential, inescapable..."

"They (Railways) come up with a very large number of works but we have to limit them within the availability of funds. It is not as if I have Rs. 10 crores, I must distribute Rs. 10 crores. It is not that straight distribution of money. We go into the need of the work, inescapability of the work..."

"We fixed a ceiling of Rs. 10 crores for the amount required under this head and we cannot afford more than Rs. 10 crores, out of the total allocation given to us by the Planning Commission. Having decided that, we try to determine the priorities of demands of different railways, different regions and all that."

12. The Financial Commissioner informed the Committee that "for the Sixth Five Year Plan as a whole, the money provided for OLWR is only Rs. 65 crores" and that this amount had to be "distributed among these five years". For 1981-82, the Railways had provided Rs. 10 crores.

Supplementing him, the Chairman, Railway Board said:

"We are taking (for OLWR) only a sum of Rs. 65 crores. The total allocation for us during the Plan is Rs. 5100 crores. We require much more for rehabilitation of wagons and of rolling stock. That itself will consume about 50 per cent of the total outlay. Similarly, we want to go in for electrification. Only because of this we keep these so-called minor works to the minimum possible.

13. Asked how would it be possible for him to stick to the limit of Rs. 10 crores for OLWR if there was a sudden hike in the prices of steel or cement, the Chairman, Railway Board said that he could increase the amount for OLWR "only by cutting out certain works which are of a minor nature, because we cannot take it from other heads which we consider to be much more vital for the progress of Railways as a whole. We can perhaps live without a waiting room, but not with lesser number of wagons etc. Financial constraints do play a vital role."

14. Answering the question from the Committee as to how would the proposal for change in the allocation rule affect the payment of dividend, the Financial Commissioner, Railways stated:—

> "In the long run, the liability for dividend itself gets reduced. In the short run, because we are taking this money from revenues, to that extent the amount of dividend that we can pay to the General Revenues may get reduced, but it is only marginal since the magnitude is so small.
>
> We are not in a position to calculate this in monetary terms, for the reason that it is not available in the books of account, because today upto Rs. 25,000 we have a clear head. Anything involving a greater amount goes to the development fund. Unless we review thousands of works to find out how many works are there involving amounts between Rs. 25,000 and Rs. 1 lakh and compute those figures, we cannot do it.
>
> ————We will have to review such works in all the Railways, and in all the Divisions. It is a colossal exercise. I do not know whether we should spend all our energy on this. Thousands of studies will have to be made to get this figure. Separate figures will not be available. We have to go to the individual register. We can do a sample study. But that will not give a correct picture."

15. In a written communication to the Committee, the Ministry of Railways have indicated the total demand for works to be met out of OLWR, the sanctioned budget estimate and the actual expenditure charged to OLWR during the last 5 years as follows:

(In R. crore)

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
*As asked for by Railways .	14·93	13·57	12·13	..	13·92	
As sanctioned (Bugdet estimate) .	9·00	9·00	10·30	9·60	12·00	12.00
Actual Exp. .	8·40	7·64	7·85	7·38	..	..

NOTE : *The figures do not include the requirements *ab initio* dropped by the Divisions themselves and also those dropped by the Zonal Railway Hd. quarters. These are figures which were received by the Railway Board. They also do not include the requirements for machinery and plant/rolling stock.

16. Amplifying the consideration spelled out in the Report of the Expert Group on the Capital Structure of Indian Railways (1978) for increasing the miner work limit from Rs. 25,000 to Rs. 1 lakh (*see* para 6), the Chairman, Railway Board during evidence stated:

> "....this Rs. one lakh in real value will be much less than Rs. 25,000 as it was in the year 1949. As you know, the price escalation is much more than four times.... We are submitting that even after increasing to one lakh, the value of the work to be done in real terms will be less than the real amount of Rs. 25,000."

Supplementinig him, Financial Commissioner, Railways said:

> "If you take 1960 as the base year, you will note that the value of the rupee in 1970 had gone down to 24.5 paise and at the present rate, it is only about 16 or 17 paise. So, the purchasing power has gone down so much. Therefore, you will find that the increase in the provision for this head is more or less in confirmity with the fall in the value of the rupee."

17. It was pointed out to the representatives of the Ministry of Railways that it could be possible to split up a work into several miner work costing less than Rs. 25,000 each, thus avoiding close scrutiny which all major works are scbjected to. Answering the question, the Financial Commissioner said:

> "The total money is allocated. As far as the works to be booked under this head are concerned, it starts from the lowest level. Proposals come from divisional offices. These form part of the total annual works programme of the Railways. We hold meetings in the Railway Board, the General Manager comes there and he is aided by his heads of departments including FA and CAO. Members of the Railway Board come there. One day the meeting is held at the level of Directors. The proposals which emerge are put up before the full Board the next day. On the next day, the details of the works are gone into separately for each item. At the zonal level the FA and CAO is associated in deciding whether such and such work is going to be proposed or not. There is further check done at Railway Board level. Nobody can just include them in 'bits and pieces', just to rope them in, in the ambit of 'open line works'. That just cannot be done."

18. As regards the proposal for enhancement of limit in regard to unremunerative operational improvements, the Financial Commissioner, Railways stated during evidence that it was "mainly to give relief to Development Fund and also to take into account the reality relating to the price situation." The Finance Secretary, commenting on the proposal, pointed out the "administrative and operating angle which takes into account an increase in cost, decentralised operations and little jobs to be done at various places."

19. Asked to state the position in regard to the Development Fund, the Finicial Commissioner, Railways stated that "the loan liability under this fund is going up from year to year.... (it) is expected to be Rs. 224.17 crores (at the end of 1981-82)". In reply to a question, he spelled out the objective of the Development Fund as follows:

> "The basic objective of the Development Fund was to identify and pick some of the works which cannot be directly identified as remunerative. Development Fund comes out of revenue, it does not attract payment of interest. But when we borrow from general revenues, we pay interest. As I said, the idea is to eliminate over-capitalisation. If each one of it is treated as remunerative, all of it will have to go into capital...."

> "The Development Fund was to be financed out of the surplus from year. In earlier years when the surplus was there, it used to be allocated to Development Fund. During the past several years we have not been able to make any contribution to the Development Fund. So, we have been borrowing the money required for the works under Development Fund from the General Revenues."

20. Asked why in that case the Development Fund was being maintained, he said:

> "From this Fund we have been incurring expenditure at the level of Rs. 25 to 30 crores. In 1981-82 we have projected that the entire expenditure to be charged to Development Fund of Rs. 38.47 crores would be met out of the Railways own resources. That is, for 1981-82 we do not expect that we would have to borrow from the General Revenues. The earlier borrowings are expected to touch the figure of 224.17 crores on 31-3-82. We have been paying the interest

on this. From year to year the interest on loan liability has been paid to the General Revenues. But we have not been able to make any repayment of the principal."

21. Indicating the position in regard to the repayment of the principal amount of the loan obtained form General Revenues for the Development Fund, he said:

"Except in 1960-61, there has been no repayment. Only interest has been paid from year to year...."

22. Asked what were the chances of the loan liability being liquidated, the Financial Commissioner stated:

"Our total liability is Rs. 446.51 crores. If we are able to raise resources by inplementing the recommendations of the Rail Tariff Inquiry Committee earmarking funds from year to year, then we should be able to repay all this. But the first charge will be the deferred dividend account."

23. Asked to indicate the views of the Ministry of Finance in regard to the Railway's capacity to repay the loans obtained from the General Revenues, the Finance Secretary stated:

"About re-payment of the outstanding at the end of 1981, I gather that the Railways are not particularly optimistic about it. These are matters which have to be taken up from year to year. This will have to be an annual exercise."

24. Replying to the question from the Committee as to how the Railways propose to meet their loan liability, the Chairman, Railway Board said:

"It is not by raising fares and freights that we are expecting additional revenues. I would like to inform the hon. Members of the Committee that in the first two months of this financial year i.e. April and May, we have loaded nearly 2 lakh wagons more than last year. That means, it is the productivity increase plus of course the rising costs being compensated by raising freights. What we are expecting is that we will not add to the loan liability under D.F. and meet it with our own resources."

25. Replying to another question from the Committee the Financial Commissioner stated that "any project which gives 10 per cent return (by DCF emthod) is considered to be a remunerative

project." He further pointed out that the categories of works constituting "unremunerative operational improvements" expenditure on which is chargeable to the Development Fund are enumerated in Note 2(C) below paragraph 910(3) of the Indian Railway General Code. Vol. I.

26. It was pointed out during discussion that definition of "unremunerative operational improvements" given in the Indian Railway General Code Vol. I had become out dated and needed a review. The Chairman, Railway Board replied that although "every improvement must result in some gain", if the gain cannot be quantified as such, the improvement cannot be said to be remunerative.

27. During evidence an apprehension was expressed that by enhancing the limit of unremunerative operational improvements chargeable to OLWR from Rs. 3 lakhs to Rs. 10 lakhs, scrutiny and control in respect of such works costing upto Rs. 10 lakhs would get relaxed and it would be possible to undertake such works "at the behest of bureaucrats and politicians." The Financial Commissioner, Railways allaying the apprehension said:

> "The proposals originate at the lowest level. Then they go to the Railway Board through different channels. So, chances of any work getting included on the whim or fancy of any particular officer or anybody else are not there because it gets checked up from stage to stage.... All this becomes part of the planned activities."

28. It was pointed out during evidence that whereas the Expert Group on Capital Structure had, in their report (1978) recommended that the limit of Rs. 3 lakhs for charging the cost of unremunerative operating improvements to OLWR may be raised to Rs. 5 lakhs "to take care of the inflation in cost that has taken place", the Ministry of Railway have proposed that the limit be enhanced to Rs. 10 lakhs which appeared to be somewhat arbitrary particularly when the Export Group had gone into it. The Financial Commissioner, Railways replied:

> "As I said in the case of 'Minor Works', since the value of rupee has gone down, this had to be done....Sometime in 1980 or so it was felt necessary to raise it to Rs. 12 or to Rs. 15 lakhs. But that was considered to be too big a jump...It was kept at Rs. 10 lakhs."

In this connection, he further pointed out that the price escalation has been 15 to 20 per cent during the last three or four years.

29. In a subsequent written communication, the Ministry of Railways have justified their proposal for enhancement of the limit at a level higher than that suggested by Expert Group, as follows:—

"With effect from 1950-51 and based on the recommendations of the Railway Convention Committee, 1949, it was decided to allocate unremunerative projects for improvement of operational efficiency costing not more than Rs. 3 lakhs each, to OLWR. To determine what should be a fair and equitable present day limit corresponding to Rs. 3 lakhs, one has to examine the behaviour of price level since 1950-51. It has already been brought out in the memorandum that there has been manifold increase in prices since the time the limit was fixed at Rs. 3 lakhs. It may be recalled that the "All commodities" price index in 1950-51 was 89.4 with reference to the base of 100 in the year 1961-62. In 1970-71, this works out to 181.1 with reference to the same base. The base was revised in 1970-71 and with 100 as base in that year, the index stood at 217.6 in 1979-80. This figure converted to the base of 1961-62 would be 394.07 as per the following calculations:

$$\frac{181.1}{100} \times 217.6 = 394.07$$

From the above figures, it may be seen that whereas compared to 1950-51, the increase in "All commodities" price index in 1979-80 is of the order of 340.8 per cent, the percentage increase proposed from Rs. 3 lakhs to Rs. 10 lakhs works out to only 233.3 per cent. This apart, further increase in prices has taken place in 1980-81. Considering the above, the limit of Rs. lakhs proposed by the Expert Group on Capital Structure was considered inadequate and it was proposed to raise it to Rs. 10 lakhs. In percentage terms this increase is less than what would have been justified on the basis of increase in prices.

This proposal, if accepted, will also provide significant relief to the Development Fund which is starved of funds and is being sustained by borrowing from General Exchequer."

30. Another point raised was that the proposed monetary limit of Rs. 10 lakhs had no relation to the rise in the price index and therefore seemed to be "a guess work". In reply the Financial Commissioner, Railways said:

> "It is true that Rs. 10 lakh figure is not adequate to cover the total inflationary element. However, a jump from Rs. 3 lakhs to Rs. 10 lakhs itself is a very big jump and this will held the field for another 3 years till the end of 6th Plan. We can step it up further, but some sort of balancing has to be done."

31. It was pointed out during evidence on 1-6-1981 that technical specifications for works were formulated many years ago when costs of men and materials were much cheaper. Since then costs had gone up considerably. Besides, far reaching development had taken place in the engineering techniques. All this pointed to the need for a fresh look to the existing technical specifications.

Agreeing with this view, the Financial Commissioner, Railways said:

> "The hon. Member's point is a very valid point and this is something which is kept under constant review and there could be changes made from time to time and cost could be brought down."

32. Asked specifically whether, in view of the acute scarcity of raw materials like cement, steel and similar other items during the last ten years or so, the Railways had made any exercise so that cost of works could be reduced. In reply the Chairman, Railway Board stated: "Basically, we depend on the Railway Designs and Standards Organisation (RDSO) to make sure that improvements according to the latest developments and techniques are always available." According to him.

> ...(In the RDSO) we have the experts who are on continuous study for lowering the cost of works. There are different wings of the Railways in that Organisation at Lucknow. The experts working there have the competence of working out the various cost structures and normally they are in touch with the latest development and the latest techniques that may be available in the country with the various institutions and also outside and if any need is felt in consulting them, that is also done."

Supplementing him, the Financial Commissioner, Railways said:

"I am not aware of the fact whether a similar study has been done in this regard. I cannot give you off hand any data. But I know this much that there had been a study made and a Group went into it and their recommendations were sent to the Railways. The recommendations were accepted for implementation."

33. Pressed further to state categorically whether the results obtained in the other Research Institutes were made use of by the Railway, the Chairman, Railway Board replied:

"As I mentioned already, we have our agency and that agency does coordinate, but we would not like to commit as to the extent of coordination that is maintained."

"We have not held any meeting for this purpose at the whole Board level, but the Members, Mechanical and Engineering keep on having a dialogue with different agencies...

We have the RDSO organization which is the body which coordinates with all the agencies. It is a body working under the Railway Board to discharge a specific function in a specialised area. They are constantly in touch with all the developments that are taking place in any sphere of activity concerning the Railways and the main objective is to update the technology within the financial resources of the Indian Railways."

34. In a subsequent written communication, the Ministry of Railways have explained the procedure for review and revision of technical specifications of works in the Railways as follows:

Civil Engineering.

(a) Each of the nine zonal Railways of the Indian Railways have got their own standard specifications for materials and works and schedule of rates for construction in the Civil Engineering Department. The Chief Engineers of the zonal Railways are fully competent to revise specifications and the schedule of rates as and when the need arises therefor by way of alterations, modifications, improvements and additions. The standard specifications of the different zonal Railways also take into consideration the use of locally available building materials with a view to keeping down the cost of construction.

The revision of the technical specifications with a view to incorporating latest technical developments as also reducing the cost of works is a continuous on-going process. The schedule of rates are, however, completely revised once every five to 10 years so as to make them uptodate at the time of revision.

To quote an example, the standard specifications for materials and works and the standard schedule of rates of the Northern Railway were last revised in 1971. Since then, 39 correction slips have been issued so far in respect of the schedule of rates and 15 correction slips have been issued so far in respect of the standard specifications. Currently, complete revision of the specifications and the schedule of rates is in progress and the revised specifications and schedule of rates are likely to be finalised soon.

While the Railways on their own have been effecting techno-economic improvements in their specifications and schedules of rates, Railway Board have also been issuing certain instructions in this direction from time to time in the past.

(b) The Research, Designs and Standard Organisation of Indian Railways located at Lucknow (RDSO) generally undertakes standardisation and research in respect of the following areas of technology in the field of Civil Engineering:

(a) Track

(b) Bridges

(c) Structures in repetitive use on Railways like platform shelters, goods shed, etc.

So far as general civil engineering practice is concerned, there are a number of specialised institutions, in the country such as Central Building Research Institute, Roorkee; Central Road Research Institute, Okhla-New Delhi; Structural Engineering Research Centre, Roorkee and Madras; National Environmental Engineering Research Institute, Nagpur; Central Water Power Research Station, Khadavasla-Pune; Hydraulic Research Station, Roorkee; etc. The consultation with these specialised institutions are generally of two types:

(i) Specific problems

(ii) General Development

(i) *Specific problems*: In such cases, specific consultations are held and advice is sought from such institutions on specific problems. For example—

(a) Design of Railway station building at Varanasi with SERC/Roorkee's assistance.

(b) The design of conoidal shell roofs of DLW was done by SERC/Roorkee.

(c) Design of Transmission and Microwave towers by SERC/Roorkee.

(d) Monoblock PRC sleepers by SERC/Madras.

(e) Gandak Bridge design-water way and protection works by CWPRS/Khadakvasla.

(f) Proposed Ganga Bridge at Patna by CWPS/Khadakvasla.

(g) Brahmputra Road Bridge by Roorkee Earthquake Engineering Centre and CWPRS/Pune.

(h) CRRI/Delhi for circulating area for Lucknow Station, etc.

(i) National Photo Interpretation Institute, Dehra Dun in areas of surveying.

(ii) *General Development*: As regards general development in civil engineering such as improvements by way of innovation of use of new materials, evolving new techniques of construction and achieving economy in construction, the information is disseminated by these Institutes through journals and publications of the Research Institutes like CBRI, CRRI, SERC, etc. Such technical data also appear in well known publications like Indian concrete journal, Journals of the Indian Institution of Engineers, etc. The National Building Organisation also compiles, propagates and disseminates all such techno-economic improvements in the method of construction evolved by the various Researh Institutes. N.B.O. have also circulated a compendium of new construction techniques and design concepts evolved by the various Research Institutes in the country. RDSO and Chief Engineers of the Zonal Railways are also on the mailing list of N.B.O.

Apart from the issue of instructions on achieving economy by adoption of new innovative techniques, the Railways had arranged a seminar in May, 1980 on "Low Cost Housing" in the Railway Staff

College, Vadodara where the representatives from the Research Institutions inter-acted with the senior engineers of the different zonal Railways.

Electrical:

The technical specifications for various equipments used in Electric Rolling stock, overheads equipments, power supply installations, train lighting, air-conditioning system and general power supply equipments are continuously revised keeping in view technological developments, maintenance problems experienced in the field and possibility of reducing costs. Since the revision of specifications is a continuous process, it is not possible to state exactly as to how many times various specifications have been amended during the past years. However, a few examples where technological developments and other considerations have been incorporated in the specifications are enumerated below:—

(a) Use of Silicon Diodes in place of mercury arc rectifiers in electric rolling stock.

(b) Use of Thyristor control equipments in place of tap change system.

(c) Use of static battery charge in place of motor generator set in electric rolling stock.

(d) Use of static relays in place of electro-mechanical relays in train lighting system.

(e) Use of brushless alternator set in place of dynamo.

(f) Use of tramway type OHE in yards to cut down costs.

(g) Use of alumo-weld catenery in place of copper catenery to cut down costs and to conserve copper which is a scarce material.

The work pertaining to revisions of specifications is being done by Research, Designs and Standards Organisation Lucknow. The examples given cover only a few activities of this organisation. It may, however, be seen that continuous attempt is being made by the Railways for revising the specifications to incorporate technological development, field problems etc.

Mechanical

(a) The technical specifications for all items of rolling stock are constantly under review in the light of technological developments with a view to get better reliability, performance and reduction in overall cost. Some of the specigc examples are:

1. Use of spheroidal grey cast iron bearings in place of bronze for plain bearings.

2. Large-scale reduction in use of scarce timber in coaching stock by its substitution with steel.

3. Substitution of costly and scarce material like stainless steel and aluminium/bronze by cast steel, nylons and plastics.

Designs

There is also effert to improve performance of rolling stock through technological innovations and design which result in overall improvement in performance in respect of maintainability, reliability and operating cost reduction through reduced tare weights and increased through-puts. Specific examples of such work are:

1. Replacement of old open wagons by BOY. With this change in design the pay to tare ration was improved from 2-15 to 3-59.

2. Repalcement of BOX wagons by BOXN. Besides improving the pay to tare ratio from 2.15 to 2.40 the density of these wagons improve from 5.9 tonnes per metre to 7.6 tonnes per metre.

3. With this increase in trailing density it would be possible to run trailing loads of 4500 tonnes within the existing loops of 600 metres against 3600 tonnes permitted by BOX wagons. This represents an increase of 20 per cent in through-put capacity without any infra-structure changes. This will also permit operation of 7500 tonnes.

Adoption of steel-bodied integral coach has resulted in saving of 7 tonnes per coach over the conventional wooden-bodied coaches which were used in Indian Railways. This 20 per cent reduction in tare-weight has brought corresponding increase in trailing lengths without increasing the number of coaches per train.

Recent design of coaches has also been made to improve the passenger capacity per coach, like AC 2-tier with 46 berths as against 24 berths on I Class and double-decker coach with 146 seats as against 90 seats of ordinary coach.

Besides, a large number of cost reduction measures have already been taken or are in various stages of progress. Some of them are:

(1) Setting up of Diesel Engine Design Organisation (DEDO) for reducing the fuel and lubricating oil consumption Reduction of dead weight for a given tractive effort.

(2) Airless painting of coaches to reduce paint consumption and labour employed and also to eliminate corrosion.

(3) Replacement of Magnesium Oxichloride flooring of coaches by Epoxy mortar flooring to reduce corrosion and increase life of coach floors.

(4) Introduction of Air-brakes on wagons and coaches to reduce the tare weight and increase the pay load besides reducing the cost of maintenance.

(5) Use of corrosion resistant steel for coaches and wagons to increase life and reduce the cost of maintenance.

(b) R.D.S.O. has been consulting various premier Institutions doing research and development all over the country on specific problems of interest to the Railways. Some of these are:

1. Central Mechanical Engineering Research Institute Durgapur.
2. Indian Institute of Technology at Delhi, Kanpur and Madras.
3. Indian Institute of Science, Bangalore.
4. National Aeronautical Ltd., Bangalore.
5. Indian Institute of Petroleum, Dehra Dun.
6. Forest Research Institute, Dehra Dun.

These consultations are done with a view to developing revised specifications/alternative designs to reduce costs and conserve scarce materials.

35. During evidence on 22nd July, 1981 it was again pointed out to the representatives of the Railway Board that the galloping inflation and unprecedented price rise had made budgetary exercises and ceiling limits etc. infructuous and futile. The matter had to be tackled with a two pronged attack. One was how best we could kee the prices low and the second was to see whether it was possible to revise the schedules, nomenclatures and specifications.

Replying to the point raised, Member (Engineering) Railway Board said:

> "...we have indicated that every Railway has got the powers to make specifications and its own schedule of rates. This has been done because the standard specifications of different zonal railways taken into consideration the use of locally available building materials say in the Northern, Southern and Eastern parts of India and so have to be framed by the concern zonal railway. Otherwise, the other specifications are more or less universal. In addition to that, we have also indicated that while Railways on their own have been effecting techno-economic improvement in the specifications, the Railway Board have also been issuing directions in the past. In addition, the RDSO, Lucknow, generally undertakes standardisation in respect of various items. There is a Director Standards specifically for this purpose. He gives standards for the items which will universally be applicable to all Railways. Even though the Railways have got their own separate specifications, a number of items are common."

36. It was suggested that the Ministry of Railways should take the initiative to convene a seminar and invite people for an exchange of ideas on use and consumption of materials and reduction of cost of operation of Railways. The Chairman, Railways Board, welcoming the suggestion, said:

> "We are grateful for the suggestion and we accept it and would hold a seminar on this subject. I would, however, like to clarify that apart from holding our own seminar, we also make every effort to join seminars held by other agencies. I am myself going to the Institute of Engineers on the 25th at Bombay along with a large number of engineers for attending a seminar. The techniques which are available in the country are being applied to the maximum extent for effecting economy in the railways. This is taken note of.

As pointed out, we have the basic standardisation of all the items centrally. They are not left to the individual railways. We have the RDSO. There is a Director (standard) apart from other functional Directors. His only job is to remain in touch with the developments not only at the national level, but also at the international level."

37. The Railway Convention Committee (1949) had, in paragraph 6 of their Report, recommended that the financial limit of charging to revenue the cost of minor additions and improvements should be raised to Rs. 25,000 on each individual item and that the expenditure on unremunerative projects for improving operational efficiency costing not more than Rs. 3 lakhs should be charged to revenue, excesses over Rs. 3 lakhs on such projects being charged to the Development Fund. In view of the considerable escalation in the prices of material and labour since 1949 which has made these monetary limits completely unrealistic, the Committee have no objection to the proposal of the Ministry of Railways, agreed to by the C&AG of India and the Ministry of Finance, that these limits of expenditure chargeable to Revenue (OLWR) be enhanced from Rs. 25,000 to Rs. one lakh in the case of minor works and from Rs. 3 lakhs to Rs. 10 lakhs in the case of expenditure on unremunerative projects for improving operational efficiency.

38. In this context, however, the Committee would strongly emphasis the need for a more concerted research effort by the concerned organisation of the Railways in coordination with sister research institutions to find out equally efficient and viable alternative materials which could be substituted for the traditional materials currently in short supply or those that have become for too costly e.g. cement, steel etc.

39. Organising Seminars for exchange of ideas devoted to the problem of cost reduction and finding of alternative materials and active participation in such Seminars organised by other institutions would be of immence value to the Railways.

40. The system of collection of information on research and developments in India and abroad should be further improved so as to ensure a continuous inflow of information and a contemporaneous assessment of its utility for the Railways. Technological development made, or brought to notice, should be assimilated, adopted and incorporated in the specifications for works in use in all the Zonal Railways with the object of reducing cost of material inputs and at the same time, relieving pressure on scarce materials in dire demand elsewhere.

B. Allocation of the cost of replacement of the assets created out of Open Lines Works Revenue.

41. According to the existing rules of allocation, the cost of replacement of an asset, the original cost of which is at the debit of Open Line Works Revenue, is charged to OLWR notwithstanding the cost of replacement. Ministry of Railways have pointed out that the application of this rule has placed undue burden on OLWR and have quoted as an example that even where the cost of replacement may be as high as Rs. 20 lakhs, the entire amount has to be charged to OLWR, as per the present rules, notwithstanding that the original debit to it would have been only Rs. 3 lakhs or less.

42. The Ministry cf Railways have proposed that if the cost of replacement of assets created out of OLWR is Rs. 10 lakhs or less, it should be charged to OLWR and if it is more than Rs. 10 lakhs, the entire cost should be charged to DRF. According to them, this change, "has been agreed to by the C. & AG. of India".

43. During evidence, the Financial Commissioner, Railways commending the proposal explained:

"Open Line Works Revenue and Depreciation Reserve Fund, both arise out of the ordinary Railway Revenues. Our proposals for contributions to DRF are approved by Parliament and from year to year the amount is also fixed. We have total allocation calculated for the plan period as a whole. We have certain ceiling limits for each year. We regulate it within the amount allocated for each year".

44. As a corollary to the recommendation made in paragraph 37, the Committee further recommend that the cost of replacement of an asset, the original cost of which is charged to revenue (OLWR), should also be charged to revenue (OLWR) if it is Rs. 10 lakhs or less. If the cost of replacement of such assets is more than Rs. 10 lakhs, it should be charged to Depreciation Reserve Fund.

C. Allocation of the cost of replacement of assets created out of Accident Compensation, Safety and Passenger Amenities Fund to Depreciation Reserve Fund.

45. The Ministry of Railways have stated as follows:

"The Accident Compensation, Safety and Passenger Amenities Fund (ACSPF), was set up from 1st April, 1974. The receipts of the Fund are made up of amounts transferred from Revenue collected by way of surcharge on passenger tickets, and the accretion of annual interest on the balance of the Fund. The Fund is utilised:—

(i) to pay compensation claims in accidents;

(ii) to meet specific items of expenditure on safety works; and

(iii) to meet expenditure on some items of passenger amenity works.

The cost of the passenger amenities works now charged to this Fund was previously met out of the Development Fund, while the cost of the Safety Works now charged to this Fund was previously charged to DF or OLWR, as the case may be.

At the time of setting up of this Fund, no decision was taken regarding the incidence of the cost of replacement of assets created out of ACSPF. According to the existing rules of allocation, the assets created out of Capital/Development Fund are replaced at the cost of Depreciation Reserve Fund while assets created out of OWWR are replaced at the cost of OLWR. The ACSPF having been created only in 1974, a stage will come when assets created out of the ASCPF will require replacement on age-*cum*-condition basis. The question for consideration is whether to charge such replacement cost to this Fund (ACSPF) or to DRF.

It is considered in keeping with the standard practice, that the cost of replacement of the assets created out of the ACSPF should be charged to the DRF as is being done in the case of assets created out of Capital/DF.

This has been seen and concurred in by Audit."

46. During evidence, the Financial Commissioner, Railways informed the Committee that the Accident Compensation, Safety and Passenger Amenities Fund (ACSPF) was created out of passenger fare collections. According to him: "out of passenger fares collected we take five paise per Second Class ticket and ten paise from another class (ticket) and so on.... there is no separate surcharge".

47. Asked to state why it was not possible to have an arrangement in this regard similar to that applicable to assets created out of OLWR, namely, that replacement works costing within a certain

financial limit were charged to the ACSPF and those beyond that limit were charged to the DRF, the Financial Commissioner, Railways replied:—

> "Our idea is that the entire replacement should go to DRF. If we split it on the basis of certain limit it is creating one more accounting head which may not really be necessary. The proposal that we have made provides for simplification of accounts. Othrwise we will have to bring in a notional limit because in the ACSPF there is no such limit. First of all, we will have to decide a monetary limit for ACSPF and beyond that to DRF with certain conditions which may not be necessary at this stage. My submission is, let us work on this basis for a period of five years. Based on that experience, we can decide whether we should split it or divide it 50 : 50."

> "Both come out of revenue—Depreciation Reserve Fund as well as this come out of revenue. The main principle is: whatever replacement cost is there it should go to the DRF. It has been set up for renewals and replacements."

48. The position in regard to the ACSPF has been indicated as follows:

(*Rs. Crores*)

	Appropriations to Fund			Withdrawal	Net accretion during year	Closing Balance
	From Surcharge on Passengers	Interest	Total			
1977-78	10·00	1·52	11·52	3·90	7·62	32·19
1978-79	9·90	1·90	11·80	6·85	4·95	37·14
1979-80	10·21	2·23	12·44	7·70	4·74	41·88
1980-81 (RE)	10·54	2·52	13·06	11·76	1·30	43·18
1981-82 (BE)	10·93	2·65	13·58	12·56	1·02	44·20

Source : Exp. Memo on the Rly. Budget 1981-82, p. 96.

49. A point was raised during evidence that the existing system and procedure of payment of compensation to the victims of Railway accident was "very very lengthy". Besides, the system was

discriminatory inasmuch as it was based on the determination of the earning capacity of the victim. It was suggested that, since the general insurance was nationalised and it was already undertaking insurance of automobiles, a scheme of insurance on similar lines in respect of railway services by the public sector. General Insurance Corporation should be worked out. Such a scheme would be profitable for the insurance corporation as Railway accidents were few and far between; travelling public would also benefit as the accident victim or his heirs would go directly to the corporation for payment of compensation and the process of payment will be far simpler, quicker and without discrimination; the Railways will also benefit under the scheme financially as well as administratively.

50. Offering his comments on the proposal, the Chairman, Railway Board said:—

> "In the case of freight, we tried insurance. No company would take it. This also is a sort of insurance within the funds created by the Railways. It requires expertise how to deal with claims. We appoint Claims Commissioner in case of an accident. He is a judicial authority, normally, to evaluate and assess the claims. The payment is made on the basis of the earning capacity of the man....
>
> We do not take this task on ourselves. We just appoint Claims Commissioners. If an accident takes place in a particular State, we request the State concerned to nominate the judicial Commissioner who goes into all the claims and thus payment is made out of the Fund....
>
> Our process is very lengthy, the process of appointing the Claims Commissioner and all that. A view can be taken after a detailed examination. It is a good case to merit a detailed study....
>
> I will have to make a detailed study of it and study the pros and cons of it."

51. The Committee note that the Accident Compensation, Safety and Passenger Amenities Fund (ACSPF) was created in 1974 and that at present there is no provision in regard to the allocation of cost of replacement of assets, the original cost of which was charged to this fund with a view to provide for future eventualities. The Committee recommend that the cost of replacement of such assets should be charged to Depreciation Reserve Fund as is being done in the case of assets created out of Capital and Development Fund.

52. During the course of evidence in regard to the Rules of Allocation of Expenditure on replacement of assets created out of Accident Compensation, Safety and Passenger Amenities Fund, it was pointed out that the existing procedure of payment of compensation to railway accident victims or their heirs was very dilatory and also discriminatory. It was proposed that as automobiles were already being insured (against inter-alia **Third Party Risks) by the public sector, General Insurance Corporation, so also railway passenger services could be insured. This would, it was pointed out, make the payment of compensation to individual victims or their heirs far more simple, quicker and non-discriminatory, at the same time relieving the Railways of much of their financial and administrative burden on this account. The Committee find some merit in the proposal and they would like the Ministry of Railways to work out an insurance scheme and explore, in consultation with the Ministry of Finance, the possibility of its being entrusted to the General Insurance Corporation.**

D. Financial Arrangements for National Investments.

53. The Ministry of Railways have stated:—

"The Railway lines from Kathua to Jammu and from Trivandrum to Tirunelveli with a branch line to Kanyakumari have not been treated as commercial lines but as national investments constructed, managed and operated by the Railways as agents.

2. Jammu-Kathua line was opened to traffic on October 2, 1972 and is now showing profits. Regarding the other National Investments, only the portion from Trivandrum to Kanyakumari has been opened recently and the financial results are not yet known.

3. The financial arrangements for these two National investments as approved by the Cabinet stipulate that:

(a) Railway will bear the working losses, if any, and

(b) While the Railways will be exempted from payment of dividend on these two lines for a period of 20 years or till the income from these two lines is sufficient to meet the current dividend, they will be required to make over to the General Revenues gross earnings less working expenses.

4. The above financial arrangements were reviewed by the Expert Group on Capital structure and the unanimous recommendation made was:—

"On the national investments the existing concessions are that while they are exempted from the payment of dividend, surpluses, if any, are required to be made over to General Revenues while losses are to be borne by the Railways. The provisions about making over surpluses, if any, to General Revenues may be deleted or alternatively there should be a provision to pass on the losses also to General Revenues, on the same lines as losses on strategic lines are allowed to be deducted from the dividend payable."

5. The Expert Group, therefore, felt that either the provision about making over the surpluses to the General Revenues should be deleted or alternatively there should be a provision to pass on the losses to the General Revenues.

6. The recommendation made by the Expert Group has been considered by this Ministry in consultation with the Ministry of Finance and it is felt that the financial arrangements accepted for new lines constructed after 1st April, 1955 on other than financial consideration [as per para 73 of the Railway Convention Committee (1977)'s 5th Report] should be applied to the two national investments also. The implication of this would be that for the two National investments, neither the losses nor the surpluses in their working would be passed on to the General Revenues but the dividend on the Capital cost shall be payable if in any year the line becomes remunerative, adopting the marginal cost principle. This will also avoid multiplicity of arrangements relating to uneconomic new lines. This has been agreed to by Ministry of Finance."

54. Explaining the proposal during evidence, the Financial Commissioner, Railway stated:

"Actually when these two lines were sanctioned, they were sanctioned as national investment on conditions different from those applicable to the normal lines. There was one point which struck the Expert Group on the Capital Structure of the Indian Railways. The terms provided for the loss being absorbed by the railways, surpluses being handed over to the general revenues and there was an exemption from dividend payment. The Expert Group on Capital Structure felt that this was not very equitable. This concept of national investment was adopted because it would not fit in under any of the categories. It was not a strategic line in the real sense of the term. It was not a remunerative line because at that time the return expected was less than what was prescribed. So a concession on dividend was allowed. At the same time, in respect of the loss being adjusted against the dividend payment, the Cabinet said that if there is a loss, the railway should absorb the loss and if there is a surplus it should be handed over to the general revenues. Various types of treatment were being given to the unremunerative lines, uneconomic branch lines and the lines started after 1st April, 1955. The Group suggested that all lines started after 1st April, 1955 on other than financial considerations should be subjected to the same treatment; that is, till such time they become remunerative on the basis of marginal costing, they will be free from dividend payment. This was accepted by the Convention Committee in their last report and it has been approved by the Parliament. These two remain as national investment. We are bringing them also into the same category as the other times so that multiplicity of arrangements does not exist.

As far as dividend payment is concerned, it is already exempted from dividend payment. We are saying that till it becomes remunerative—and the chances are that they will become remunerative—we will treat it exactly as the other lines. If it shows profit, we will pay dividend and if it does not shows profit, we will not pay the dividend. One of these lines is making some profit. The Trivandrum-Nagerkoil-Tirunelveli line has just been opened. We do not know what would be the position. It is more of rationalisation than any thing else."

55. The representatives of the Ministry of Railways were asked whether there were any fixed norms for declaring a project as National Investment. They were also asked to indicate the authority which governed the declaration of these projects as National Investments. In reply the Financial Commissioner, Railways stated:

"Actually when the feasibility report or the project report is drawn up for any line, it is done on the basis of assessment of traffic, the cost of construction etc. The project report would give a rate of return on investment. This is done under the discounted cash-flow method. If it gives a return of more than 10 per cent, then that line is treated as a remunerative line. If it is anything less i.e. less than 10 per cent it is treated as unremunerative. That line, if at all taken up, will be taken up on considerations other than financial. This is all based on the recommendations of the Convention Committee from time to time.

The question of treating them as national investment was decided by the Cabinet and this was also included in the Convention Committee report and it was supported by the Committee and also approved by the Parliament. It was not done by the Railway Ministry alone."

"There are two aspects. These were treated as national investments and we came before the RCC in respect of dividend. The second aspect is that this formed part of the Budget and the Budget was approved by the Parliament."

56. The financial arrangements in regard to Jammu-Kathua line approved by the Cabinet were first reported to the Railway Convention Committee, 1971. In their interim Report, the Railway Convention Committee, 1971 mentioned about these arrangements thus:

"The Railway Board have also stated that "it has also been decided to treat the extension of the Railway line beyond Kathua to Jammu as a national investment constructed, managed and operated by the Railways as agents and that there will be no predetermined dividend obligation, the actual surplus accruing from this line being made over to the General Revenues but without General Revenues being under any obligation to meet working losses. If any such losses accrue they will be borne by the Railways themselves."

The Committee had made the following recommendation in this regard:

"The Committee agree that the extent arrangements for the purpose of dividend in regard to the...Kathua-Jammu line may continue."

57. The Railway Convention Committee, 1973, in paras 69 and 70 of their Interim Report, made a reference to the above arrangements in respect of the Jammu-Kathua line and, noting that "a similar arrangement has been agreed to in respect of the Tirunelveli-Trivandrum-Kanya Kumari line", recommended that the "present

manner of... making special provision for... Jammu-Kathua section and Tirunelveli-Kanyakumari Trivandrum line .... may continue during the financial year 1974-75".

Since then, these arrangements are continuing with the agreement of the successive Railway Convention Committee and approval of Parliament.

It is proposed to extinguish the status of 'national investments' specially devised for these lines by bringing these line into the category of "New Lines constructed on or after 1-4-1955 on other than financial consideration".

58. The concessions approved by the R.C.C. for this category of new lines are that capital cost of these line is exempted from payment of dividend, provided that if the line becomes remunerative, adopting the marginal cost principle, dividend is payable to the general revenues.

59. The Committee note that the new concept of "National Investment" with special financial provision in regard to payment of dividend on the capital invested, was evolved and agreed to by the Union Cabinet for Kathua—Jammu and Trivandrum—Nagerkoil—Tirunelveli Railway Lines, way back in early 70s. The Committee feel that there is no reason to continue with this concept and the special provisions for these lines any more and they agree with the proposal of the Ministry of Railways that these Railway Lines should be brought in the extant category of "New Lines constructed on or after 1.4.1955 on other than financial consideration". This arrangement should be given effect to from the commencement of the Sixth Five Year Plan period.

E. Procurement and replacement of small items of equipments.

The Ministry of Railways have stated:

> "In terms of the existing allocation rules the cost of procurement of equipment on additional account is charged to OLWR if the item is costing not more than the new minor works limit. As this caused delay in procurement of urgently needed equipment certain relaxations have been permitted in the past. Prior to November, 1969 General Managers were authorised to procure items of equipment costing up to Rs. 1,000 charging it to Ordinary Revenue. The position was, however, reviewed in 1969 and

the limit of Rs. 1,000 was raised to Rs. 5,000. The limit was further raised to Rs. 10,000 in June, 1974 in the case of medical equipment. This was done on the recommendation of the Committee which was constituted to consider the question of delegating more powers to the General Managers. The matter was again reviewed in 1978 and the limit was further raised to Rs. 20,000 in each case. The enhancements as shown above have been made with a view to avoiding delay in the purchase of urgently required equipment etc without going through the elaborate and time consuming procedure of Machinery and Plant Programme as also to liberalise powers of General Managers in consonance with extent policy.

2. According to the .existing rules of allocation the cost of replacement of the items is charged to Ordinary Revenue if the items are included in the list appended below para 952(4) of Indian Railway General Code, Volume I. In the case of items which are not included in this list the cost of replacement is allocated to OLWR and not to Ordinary Revenue. However, due generally to the same reasons as have been adduced in the foregoing paragraph which necessitated enhancement of powers in respect of procurement of small items of equipments, it was decided in the year 1978 that the replacement of items may be charged as follows:

(i) Items included in the list appended below para 952(4)-GI.

In the context of provision contained in para 904(3)-GI read with para 952(4)-GI replacement of all such items is to be allocated to Ordinary Revenue, irrespective of the cost involved.

(ii) Items not included in the list appended below para 952(4)-GI.

The cost of replacement in such cases will be charged to Ordinary Revenue, provided the cost of replacement of each such item does not exceed Rs. 20,000. Other cases will continue to be governed by extant rules.

3. The minor changes as reflected in paras 1 and 2 above were made to enable speedy procurement|replacement of petty items. While making these enhancements in the year 1978 it was also provided as a safeguard that the enhanced

powers should not be redelegated below the level of heads of Departments who should exercise them in consultation with their Dy.|Addl. Financial Advisers, with great circumspection and Justification for the purpose thoroughly examined so as to avoid placing an undue burden on Ordinary Revenue.

4. The minor changes proposed in paras 1 & 2 above have the effect of changing allocation of these items from OLWR to ordinary revenue upto a limit of Rs. 20,000 in each case. The C.A.G. of India has concurred in the proposed changes."

61. Asked to explain the proposal of the Ministry, the Financial Commissioner, Railways stated during evidence:

"At present some of the petty items costing upto Rs. 20,000 are charged to OLWR which means that these have to come in the programme for OLWR. This is done on an annual basis through the works programme around October-November every year. There is a two-day meeting. There is a preliminary works programme meeting of the zonal railways. On the first day all the items are gone through at the level of the Directors. The next day, the full Board reviews these items and then these get included in the final programme which becomes part of the budget document and then the approval of the Parliament is obtained.

For every small item, costing upto Rs. 20,000 if we go through this regular drill, it takes a lot of time and the needs are not met in time, so the General Managers have been given powers to purchase individual items upto Rs. 20,000 without going through the normal drill. This is an allocation change whether this should come from the ordinary revenue or from the OLWR.

There is an inbuilt safeguard. Each railway has got a particular allocation; they cannot exceed that limit. It is only to save time."

He further stated that "as a consequence of delegation of powers, allocation will also change".

62. Answering the question as to how was the existing system inconvenient and inadequate to meet the day to day requirements, the Financial Commissioner, Railways said:

> "There are hundreds of items and 100 per cent estimation of the small items is not possible. Quite often, a few items come up which could not have been foreseen. The scale of operation is so big and it is spread right across the country. Some urgent requirements may arise."

Giving an illustration, the Chairman, Railway Board said:

> "For example, an X-ray machine costing Rs. 2 lakhs may go out of order and to set it in order, a small component may be necessary. The idea is that the GM should be able to purchase it straightaway, so that the work does not suffer. This limit is for an individual item."

63. Asked whether by changing the allocation from OLWR to Ordinary Revenue, the expenditure control would not be diluted leading to run-away expenditure, the Financial Commissioner, Railways replied:

> "No, Sir, I cannot spend more than the allocation"

64. Explaining the different expenditure control mechanisms for expenditure chargeable to OLWR and to Ordinary Revenue, Financial Commissioner, Railway said:

> "Ordinary revenue is not subjected to the works programme drill, whereas OLWR is...If it is under open line works, for each item we have to prepare an estimate and get the sanction of the competent authority."

65. The Committee take note of the decisions taken, with the concurrence of the Comptroller and Auditor General of India, by the Ministry of Railways in 1978 in pursuance of the policy of decentralisation of powers recommended by the Railway Convention Committee, 1977 in their Fourth Report which have the effect of changing the allocation of a few items of expenditure (enumerated in paragraph 60) from Open Line Works Revenue to Ordinary Revenue upto a limit of Rs. 20.000 in each case.

F. Provision of fans in Type I and Type II Quarters

66. The Ministry of Railways have stated that the issue of providing ceiling fans in Type I and Type II Railway Quarters was discussed in Joint Consultative Machinery National Council Meeting held on the 26th and 27th August, 1977 and it was accepted in principle by the Ministry of Railways that:—

(a) In the first phase one fan may be provided in those type I and type II quarters which do not have any fan at present. In the case of type I quarters, where a ceiling fan cannot be provided because of low ceiling smaller fan with guard for protection of a bracket fan may be provided as is found suitable.

(b) In the second phase i.e. when all type I and type II quarters have been provided with at least one fan, one more fan in two-roomed type I and type II quarters should be provided according to availability of funds.

67. The quarters in which fans have to be provided were constructed before 31-3-74 and their cost was charged to Development Fund (DF) as per the rules then existing. The provision of fans in such quarters will according to the present rules of allocations* be also chargeable to the Development Fund, this being an item of labour welfare. It is estimated that funds to an extent of about Rs. 14 crores would be required if we have to fulfil the assurance given in the JCM Meeting.

68. According to the Ministry of Railways, as it was not practicable to find so much of amount from out of the Development Fund and it was also considered that providing fans and other amenities, such as courtyard, bath room etc. in the houses constructed prior to 1-4-74 would be in the nature of additional inputs, a case has been made out to change the allocation of these items in the old quarters from D.F. to Capital.

69. In this connection, it has been pointed out that after 1-4-74 the entire cost of quarters, including these facilities and amenities, is

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*Rules 910(2) and 923 of the Indian Railway General Code Vol. I charged to Capital, as per the recommendations of the Railway Convention Committee 1971** duly approved by the Parliament. Therefore, the Ministry maintain, no purpose will be served by perpetuating an old allocation rule in respect of quarters built before 1-4-1974, ignoring the subsequent change in the policy.

70. It is also stated that the Comptroller and Auditor General has concurred in the proposal to change the allocation from D.F. to Capital in respect of cost of fans and provision of other amenities, such as bath rooms courtyard, etc., in staff quarters treating it as a new scheme.

71. During evidence, the Financial Commissioner, Railways stated as follows:—

"Since the cost of quarters in question was allocated to development fund, any improvement or addition thereto should be charged to the Development Fund. But later on we decided that this thing should be provided in the quarters and the cost should be charged to Capital Account. We requested the audit that here also we should charge the cost of fans which we are now providing to Capital Account making a relaxation of the original requirement.

**In order to reduce the burden on the "Development Fund", the Railway Convention Committee, 1973 had in paragraph 6.47 of their Ninth Report, agreed with the proposal of the Railways that—

> "the cost of construction of staff quarters may be charged to Capital during the Fifth Plan Period (1974—79), dividend on such Capital being payable only if the Railways have surplus after discharging other obligations".

The Railway Convention Committee, 1977, while recommending the Rate of Dividend etc. for the year 1978-79 and 1979-80 recommended in paragraph 87 of their Fifth Report as follows:—

> "....The Committee consider the suggestion of the Ministry of Railways that on the Capital cost of residential buildings, dividend may be paid at the rate of 3.5 per cent as reasonable and recommend its adoption for the years 1978-79 and 1979-80. The existing arrangements under which the cost of construction of staff quarters is charged to 'Capital' may also continue."

The Railway Convention Committee, 1980 have tentatively continued the above arrangement for the years 1980-81 and 1981-82.

After some dialogue with them they have also agreed that this could be booked to Capital Account. The amount involved is Rs. 14 crores. If we put it under Development Fund, the satisfaction of this demand would take much longer period whereas if we put it under the Capital Account, it will take a shorter period."

72. The Committee observe that according to the existing rules of allocation of expenditure, the cost of fans and other amenities in Types I and II Railway Quarters constructed after 1-4-1974, amounting to about Rs. 14 crores, is chargeable to development Fund. They also note that the Development Fund, being heavily indebted to General Revenues, is unable to bear an expenditure of this magnitude. Since the RCCs 1973 and 1977 have already agreed to cost of construction of staff quarters being charged to Capital from the Fifth Plan period (1-4-1974) onwards, the Committee has no objection to the proposal of the Railways, concurred in by the Comptroller and Auditor General of India, to charge the expenditure on the provision of fans and other amenities in Types I and II Railway Quarters constructed before 1-4-1974 amounting to about Rs. 14 crores, to Capital treating it as a now scheme.

NEW DELHI;
September 4, 1981
Bhadra 13, 1903 (*S*)

D. L. BHAITHA
Chairman,
Railway Convention Committee.

APPENDIX I

(Vide para 1 of Report)

SUMMARY OF RULES OF ALLOCATION OF RAILWAY EXPENDITURE

The detailed rules of allocation of expenditure on Indian Railways are set out in Chapter IX of the Indian Railway General Code-Volume I. The position is summarised below indicating broadly the various items of expenditure chargeable to Capital, Revenue, Depreciation Reserve Fund, Development Fund, and Accident Compensation, Safety and Passenger Amenities Fund.

CAPITAL

Capital bears:—

(i) the cost of land taken up by the Railways;

(ii) the first cost of construction and equipment of (a) new lines including strategic lines, whether remunerative or unremunerative, and (b) new production units;

(iii) the cost of maintaining section of the lines not opened for working;

(iv) the cost estimated to exceed Rs. 25,000 of any additional plant and machinery not connected with any specific work;

(v) the cost of any additions to the line and equipment estimated to cost more than the new Minor Works limit of Rs. 25,000 when the same is not chargeable to Development Fund or Open line Works Revenue; and

(vi) the full cost of replacement of an asset where the original cost was charged to Revenue being within the New Minor Works limit of Rs. 25,000 but is now more than Rs. 25,000, provided it is not chargeable to Development Fund or Open Line Works (Revenue); and

(vii) cost of construction of Staff Quarters.

REVENUE

Ordinary revenue bears:—

(i) all charges for maintenance and repairs after opening of the lines for traffic including the current expenses of conducting the business of a Railway;

(ii) the contributions made to the Depreciation Reserve Fund and the Pension Fund;

(iii) the cost of such replacements or renewals as are not chargeable to Depreciation Reserve Fund, Development Fund or Open Line Works—Revenue; Under paras 952, 910 and 906.

(iv) the cost of labour originally incurred in laying the assets or parts thereof at the cost of Capital when such items are subsequently transferred for use on a new work;

(v) after the completion of protective works the cost of additional pitching stones laid in river etc. training works.

DEPRECIATION RESERVE FUND

Depreciation Reserve Fund bears:—

(i) the full cost of replacement and renewal of Railway assets including the improvement and inflationary elements thereof; and

(ii) the cost of replacement of ballast involving improved type of ballast.

(iii) the original cost of an asset (other than land)

(a) created out of Capital or Development Fund but aban- or disposed of without being replaced; and

(b) created out of Capital but replaced at the cost of Open Line Works—Revenue.

DEVELOPMENT FUND

Development Fund bears:—

(i) the cost of all works relating to amenities for passengers and other Railway users including additions to existing or new works falling within one or more of the categories listed for the purpose, irrespective of any monetary limit;

(ii) the cost of all labour welfare works, falling within one or more of the categories listed for the purpose, including additions to the existing or new works, estimated to cost individually above Rs. 25,000; and

(iii) the entire cost of works costing more than Rs. 3 lakhs each, falling within one or more of the categories listed for the purpose, which are unremunerative, but necessary for the improvement of operational efficiency, including additions to the existing or new works.

OPEN LINE WORKS (REVENUE)

Open Line Works (Revenue) bears:—

(i) the cost of works, other than those relating to amenities and other Railway users, whether new additions, improvements or replacements and renewals, estimated to cost not more than Rs. 25,000;

(ii) the cost of unremunerative works for improvement of operational efficiency costing not more than Rs. 3 lakhs each; and

(iii) the cost of such replacements and renewals as are not chargeable to Capital, Depreciation Reserve Fund, Development Fund or ordinary Revenue under the rules.

ACCIDENT COMPENSATION, SAFETY AND PASSENGER AMENITIES FUND

Accident Compensation, Safety and Passenger Amenities Fund bears:—

(a) Accident Compensation claims.

(b) Expenditure on safety items such as:

(i) Track circuiting or axle counters (including the cost of new wooden sleepers);

(ii) Automatic Warning System;

(iii) Vigilance Control Device;

(iv) Provision of lifting barriers at level crossings;

(v) Interlocking of level crossing gates with signals;

(vi) Provision of Scotch light of reflective materials on sighting/warning boards; and

(vii) Such other items as may be added from time to time.

(c) Passenger amenities not covered under List (A) given under Note (2) of para 910-GI *viz.*

(i) Provision of goods platform and cover over goods platform;

(ii) Train indicator boards on important stations of suburban and non-suburban sections;

(iii) Rest shelters for licensed porters; and

(iv) Such other items as may be added to the above from time to time.

Note: Expenditure on the works in categories (b) and (c) above, which are sanctioned with effect from 1-4-1974 only will be chargeable to the proposed new Fund. Works-in-progress as on 31-3-1974 will continue to be classified under the present rules of allocation.

Extracts of para 931 (i) and para 906 (2) of General Code, Volume I.

906. Open Line Works—Revenue bears—

** ** ** **

(2) The cost of unremunerative works for improvement of operational efficiency costing not more than Rs. 3 lakhs each.

NEW MINOR WORKS.

931. (i) Except as provided in paragraph 933 below, new works or additions to existing works, estimated to cost not more than Rs. 25,000 are treated as "Minor Works" and charged to Open Line Works—Revenue.

APPENDIX II

(*Vide* para 5 of Introduction)

SUMMARY OF RECOMMENDATIONS/CONCLUSIONS CONTAINED IN THE REPORT

Sl. No.	Reference to Para No. of the Report	Recommendations/Conclusions
1	2	3
1	37	The Railway Convention Committee (1949) had, in paragraph 6 of their Report, recommended that the financial limit of charging to revenue the cost of minor additions and improvements should be raised to Rs. 25,000 on each individual item and that the expenditure on unremunerative projects for improving operational efficiency costing not more than Rs. 3 lakhs should be charged to revenue, excesses over Rs. 2 lakhs on such projects being charged to the Development Fund. In view of the considerable escalation in the prices of material and labour since 1949 which has made these monetary limits completely unrealistic, the Committee have no objection to the proposal of the Ministry of Railways, agreed to by the C.&A.G. of India and the Ministry of Finance, that these limits of expenditure chargeable to Revenue (OLWR) be enhanced from Rs. 25,000 to Rs. one lakh in the case of minor works and from Rs. 3 lakhs to Rs. 10 lakhs in the case of expenditure on unremunerative projects for improving operational efficiency. .
2	38	In this context, however, the Committee would strongly emphasise the need for a more concerted research effort by the concerned organisation of the Railways in coordination with

1	2	3
		sister research institutions to find out equally efficient and viable alternative materials which could be substituted for the traditional materials currently in short supply or those that have become far too costly e.g. cement, steel etc.
3	39	Organising Seminars for exchange of ideas devoted to the problem of cost reduction and finding of alternative materials and active participation in such Seminars organised by other institutions would be of immense value to the Railways.
4	40	The system of collection of information on research and developments in India and abroad should be further improved so as to ensure a continuous inflow of information and a contemporaneous assessment of its utility for the Railways. Technological development made, or brought to notice, should be assimilated, adopted and incorporated in the specifications for works in use in all the Zonal Railways with the object of reducing cost of material inputs and at the same time, relieving pressure on scarce materials in dire demand elsewhere.
5	44	As a corollary to the recommendation made in paragraph 37, the Committee further recommend that the cost of replacement of an asset, the original cost of which is charged to revenue (DLWR), should also be charged to revenue (DLWR) if it is Rs. 10 lakhs or less. If the cost of replacement of such asset is more than Rs. 10 lakhs, it should be charged to Depreciation Reserve Fund.
6	51	The Committee note that the Accident Compensation, Safety and Passenger Amenities Fund (ACSRF) was created in 1974 and that at present there is no provision in regard to the allocation of cost of replacement of assets, the

1	2	3
		original cost of which was charged to this fund with a view to provide for future eventualities. The Committee recommend that the cost of replacement of such assets should be charged to Depreciation Reserve Fund as is being done in the case of assets created out of Capital and Development Fund.
7	52	During the course of evidence in regard to the Rules of Allocation of Expenditure on replacement of assets created out of Accident Compensation, Safety and Passenger Amenities Fund, it was pointed out that the existing procedure of payment of compensation to railway accident victims or their heirs was very dilatory and also discriminatory. It was proposed that as automobiles were already being insured (against *inter alia* Third Party Risks) by the public sector General Insurance Corporation, so also railway passenger services could be insured. This would, it was pointed out, make the payment of compensation to individual victims or their heirs far more simpler, quicker and non-discriminatory, at the same time relieving the Railways of much of their financial and administrative burden on this account. The Committee find some merit in the proposal and they would like the Ministry of Railways to work out an insurance scheme and explore, in consultation with the Ministry of Finance, the possibility of its being entrusted to the General Insurance Corporation.
8	59	The Committee note that the new concept of "National Investment" with special financial provision in regard to payment of dividend on the capital invested, was evolved and agreed to by the Union Cabinet for Kathua—Jammu and Trivandrum—Nagerkoil—Tirunelveli Railway Lines, way back in early 70s. The Committee feel that there is no reason to continue with this concept and the special financial provisions for

1	2	3
		these lines any more and they agree with the proposal of the Ministry of Railways that these Railway Lines should be brought in the extent category of "New Lines constructed on or after 1-4-1955 on other than financial consideration". This arrangement should be given effect to from the commencement of the Sixth Five Year Plan period.
9	65	The Committee take note of the decisions taken, with the concurrence of the Comptroller and Auditor General of India, by the Ministry of Railways in 1978 in pursuance of the policy of decentralisation of powers recommended by the Railway Convention Committee, 1977 in their Fourth Report which have the effect of changing the allocation of a few items of expenditure (enumerated in paragraph 60) from Open Line Works Revenue to Ordinary Revenue upto a limit of Rs. 20,000 in each case.
10	72	The Committee observe that according to the existing rules of allocation of expenditure, the cost of fans and other amenities in Types I and II Railway Quarters constructed after 1-4-1974, amounting to about Rs. 14 crores, is chargeable to Development Fund. They also note that the Development Fund, being heavily indebted to General Revenues, is unable to bear an expenditure of this magnitude. Since the RCCs 1973 and 1977 have already agreed to cost of construction of staff quarters being charged to Capital from the Fifth Plan period (1-4-1974) onwards, the Committee has no objection to the proposal of the Railways, concurred in by the Comptroller and Auditor General of India, to charge the expenditure on the provision of fans and other amenities in Types I and II Railway Quarters constructed before 1-4-1974 amounting to about Rs. 14 crores, to Capital treating it as a new scheme.

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CORRIGENDA TO THE THIRD REPORT OF THE RAILWAY CONVENTION COMMITTEE (1980)

Page	Para	Line	For	Read
Cover Page	-	-	R.C.C. 30	R.C.C. 31
Content Page	-	1	Convention Committee, 1980	Composition of Railway Convention Committee, 1980
3	10	8	of	or
7	19	2	Finical	Financial
8	25	3	emthod	method
16	(a)	4	Specigo	Specific
18	35	6	kee	keep
19	38	6	for	far
21	45	19	OWWR	OLWR
26	54	22	times	lines
34	72	3	after	before
		last line	now	new
36	Under the heading Depreciation Reserve Fund	line 10 from bottom	aban-	abandoned
40	44 (Sr.No.5)	In Col. 3, lines 5&6	DLWR	OLWR
	51 (Sr.No.6)	In col. 3, line 3	ACSRF	ACSPF
41	52 (Sr.No.7)	In Col.3, line 15	simpler	simple
42	59 (Sr.No.8)	In Col.3, line 3	extent	extant
	72 (Sr.No.10)	In Col. 3, line 4	after	before