

ESTIMATES COMMITTEE

**Thirty-first Report
1955-56**

**MINISTRY OF RAILWAYS
FINANCE & ACCOUNTS**

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**LOK SABHA SECRETARIAT
NEW DELHI
March, 1956**

CORRIGENDA

- Page 4, para 13; Heading of the statement, Read 'working' for 'orking'
- Page 12, para 47, line 20; Read 'improvements' for 'improvement'
- Page 19, Para 67, line 7; Read 'problem' for 'problems'
- Page 24, column 1, Item III; The words 'deduct ~~is~~' should be carried over to the next line and a minus sign given against the figures shown in columns 3, 7, 8 and 10 in respect of this item.
- Page 25, para 80, line 17; Read 'is' for 'are'
- Page 38, Appendix V, line 2; Delete the word 'account' appearing in the second sentence.
- Page 38, Appendix V, First column of statement, line 5; Read 'Kanchrapara' for 'Kanchrapa'
- Page 42, Appendix V, line 3; under the head 'Metre Gauge' Read 'thorough' for 'through'
- Page 42, Appendix V, Item IV under the 'Locomotives' line 3; Read '160,000' for '60,000'
- Page 44, Appendix V; Insert 'Statement A' as the heading of this statement.
- Page 45, Appendix V; Insert 'Statement B' as the heading of the statement starting on this page.
- Page 50, Appendix VII, First column, line 6; Read 'Stalls' for 'Stall'
- Page 51, Appendix VIII, First line of the heading; Insert the words 'of the' after the word 'recommendations'
- Page 58, S. No. 35, 3rd line; Read 'Single' for 'signle'

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SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary*.

Shri M. Sundar Raj—*Deputy Secretary*.

*Elected Member with effect from the 7th December, 1955 *vice* Shri R. Venkataraman resigned.

INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Thirty-first Report on the Ministry of Railways on the subject "Finance & Accounts".

2. The Committee wish to express their thanks to the Chairman and Members of the Railway Board and other Officers of the Ministry of Railways for placing before them the material and information that they wanted in connection with the examination of the estimates. They also wish to thank the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi, the All India Manufacturers' Organisation, Bombay, the All India Federation of Transport Users' Associations, Bombay, the National Federation of Indian Railwaymen, New Delhi, and Sarvashri H. N. Kunzru, M. P. Shanti Prasad Jain, L. P. Misra, K. C. Bakhle, I. S. Puri, V. P. Bhandarkar and B. B. Varma for giving their evidence and making valuable suggestions to the Committee.

BALVANTRAY G. MEHTA,

Chairman, Estimates Committee.

NEW DELHI;

The 22nd March, 1956.

FUNCTIONS AND ORGANISATION

Functions

The functions of the Accounts Department of a Railway are stated in the relevant Departmental Code to be as follows:

"The Accounts Department of a Railway is mainly responsible for—

- (a) the internal check of transactions affecting the receipts and expenditure of the Railway;
- (b) the prompt settlement of proper claims against the Railway;
- (c) keeping the accounts of the Railway in accordance with the prescribed rules;
- (d) helping the administration and executive officers of the Railway with advice whenever required or found necessary, in all matters involving Railway finance; and
- (e) seeing that there are no financial irregularities in the transactions of the Railway."

Organisation

2. The organisation of the Accounts Department is under the control of the Financial Commissioner for Railways. On each Zonal Railway and for the Ganga Bridge Project there is a Financial Adviser and Chief Accounts Officer in the Senior Administrative rank, and in the case of the Chittaranjan Locomotive Works and the Integral Coach Factory, Perambur, there is for each a separate Financial Adviser and Chief Accounts Officer in Junior Administrative rank.

Railway Board

3. The organisation of the Railway Board in so far as Finance & Accounts are concerned consists of the Financial Commissioner who is the representative of the Ministry of Finance in—and is a full Member of—the Railway Board. He is vested with the full powers of the Government of India to sanction railway expenditure, and is an *ex-officio* Secretary to the Government of India in the Ministry of Railways in financial matters. No proposals involving expenditure or affecting Railway Revenues can be sanctioned without his prior concurrence. He has the right to refer directly to the Finance Minister any financial issues on which he finds himself unable to agree with the views of the Minister in charge of the Railway Ministry.

4. For the purpose of assisting him in the financial scrutiny of all proposals for expenditure on Establishment, Works, Rolling Stock

etc. as well as Planning which require the sanction of the Ministry, the organisational set-up in the Board's office consists at present of a Director, Finance (Expenditure), two Joint Directors one of whom is concerned with Planning, two Deputy Directors, Finance, and a number of staff at lower levels. Besides this, for the purpose of compilation of accounts and the Railway Budget, as well as for the general administration of the Accounts Department, he is assisted by a Director, Finance (Accounts) a Joint Director, a Deputy Director and an assistant Director with a number of staff at lower levels.

5. The cost of the staff employed in the Railway Board on this organisation is not separately maintained as the organisation is treated as part of the Railway Board. The number of staff employed in the various years is, however, as follows:

Years				Classes I & II	Class III	Class IV	Total
1951-52	.	.	.	18	78	15	111
1952-53	.	.	.	14	82	16	112
1953-54	.	.	.	16	92	16	124
1954-55	.	.	.	14	106	19	139

6. The Committee would recommend that for purposes of assessing the exact cost of the Accounts and Financial organisation, the expenditure booked thereon should be separately maintained.

Zonal Railways

7. The Financial Adviser and Chief Accounts Officer of a Zonal Railway functions in a dual capacity, but he has two separate organisations under him for these purposes.

8. To assist him in his function of financial scrutiny of all proposals for expenditure on staff or Works and to give financial advice thereon, there is a Financial Wing under him consisting of a Junior Administrative Officer designated the Deputy Financial Adviser generally with one senior scale and one or more Assistant Officers and other staff under him. Moreover, the Deputy Financial Adviser under the supervision of F.A. & C.A.O. has also to co-ordinate and consolidate the budget estimates of the various Departments of the Railways and finalise all such estimates, such as the August Review, the Revised and Budget Estimates for submission to the Railway Board. The Deputy Financial Adviser is required to scrutinise the provisions asked for by the various Departments with reference to the explanations given by them for variations between the previous year's total and the current year's total and the current year's Budget Grant, as well as the variations between the Revised Estimates for the current year and the Budget Estimates for the next year, making suitable alterations wherever considered necessary in consultation with the Departments. The Budget grant of a railway is distributed by him to the various departments, and he carries out reviews of expenditure against the grant during the course of the

year as well as the final modifications of the budget required towards the end of the year. The Works Programmes are examined in the Finance Branch and their comments on each work are incorporated in the programmes before they are submitted to the Board. That Branch also carries out periodical reviews of works expenditure as also provision for stores transactions.

9. Besides this, it is the function of the Deputy Financial Adviser to assist the administration in the examination of all proposals of significant financial implications for expenditure on staff or on works, including the preliminaries for entering into contracts for works or purchase of stores like tenders, and the execution and discharge of these contracts and problems arising out of them.

10. For the internal check on receipts and disbursements in pre-audit and the compilation of accounts, the F.A. & C.A.O. is assisted by two Deputies except in the case of the South Eastern and Eastern Railways where there is only one Deputy. The scope of the accounts which extends both to receipts as well as disbursements of all expenditure is entirely pre-audited by the Accounts Department.

11. A statement showing the number of staff and the expenditure incurred on them in the Accounts Department of the various Railways is placed at Appendix I.

II

CONTROL OVER EXPENDITURE

(i) Ordinary Working Expenses

12. In the context of the increasing tempo of Railway activities, the need for a strict economy is apt to be over-looked. But it is not a very wise policy to look for economy only in the years of financial difficulties. It is still less wise not to have the instruments for effecting economy ready, and to set about forging them only in the midst of a crisis. Railways ought not to adopt a complacent attitude but to look ahead and be ready to meet any crisis that may arise. They should also realise that the money that has been made available for them now has been wrung from other sources, many of them of equal importance to national prosperity.

13. The Ordinary Working Expenses in Railways have shown a steady increase since 1938-39 when they stood at 54.01 crores. In 1954-55 they were 205.87 crores which excludes the element of freight on railway stores and coal. The following statement shows the ordinary working expenses since 1938-39:

Year	Ordinary working Expenses
	(In Crores)
1938-39	54.01
1939-40	54.77
1940-41	55.62
1941-42	63.54
1942-43	68.98
1943-44	90.10
1944-45	123.34
1945-46	145.09
1946-47	*
1947-48	*
1948-49	160.41
1949-50	181.53
1950-51	180.23
1951-52	194.94
1952-53	187.96
1953-54	201.47
1954-55	205.87

* Figures not furnished by the Railway Board.

It appears that about 65% of the increase of about Rs. 40.6 crores during the period from 1950-51 to 1954-55 after subtracting from the 1950-51 figures 15 crores, roughly representing the element of freight on Railway stores is due to staff charges and the balance partly to increase under repairs and maintenance (other than the staff element) and partly to expenditure on fuel etc.

14. During the course of the Second Five Year Plan, the expenditure under ordinary working expenses will be further increased due to various staff concessions and on account of various other reasons such as increases in traffic, additional labour welfare works etc. An approximate estimate of this increase in expenditure may be placed at about 70 crores so that by the end of the year 1960-61 the Ordinary Working Expenses may well be over 275 crores.

15. If, therefore, by a strict control of expenditure a saving of even 2% could be effected, the annual saving to the Railways would be about 5 crores. Since it is well known that the efficiency of working is very low at present on the Railways, the possibilities of effecting economy of this nature cannot be considered to be remote. The Committee have accordingly given careful attention to the procedure adopted for control of expenditure on Ordinary Working Expenses in the Railways.

16. For the speedy disposal of public business, the Central Government have delegated most of the powers in financial matters to authorities subordinate to them with provision for re-delegation of their powers to lower authorities, and in order to provide such authority with funds to meet the expenditure during the financial year, specific sums (budget allotments) are placed at their disposal at the beginning of each financial year out of the grant voted by Parliament and the appropriation sanctioned by the President.

17. While the powers to incur expenditure are vested in the executive officers and the responsibility for control of expenditure devolves upon the authority at whose disposal the allotment has been placed, it is an important function of the Accounts Officer in his capacity as a Financial Adviser to assist the controlling officers in the exercise of such control and to see that the canons of financial propriety are observed while incurring the expenditure.

18. At present the expenditure on ordinary working expenses is analysed further under sub-heads and detailed heads. Wherever possible the expenditure for each unit of working such as the District, Region etc., is also booked separately. The total expenditure during 1954-55 under the various Abstracts of the Zonal Railways is shown at Appendix II.

19. The Committee have carefully examined the procedure adopted for the control of expenditure on the Railways and they are of the view that the procedure is unsatisfactory and requires improvement. In respect of revenue expenditure, scrutiny of the money spent and the control are at present limited to seeing that the budget allotments are not exceeded, that the expenditure has been properly sanctioned and that the canons of financial propriety are observed. Control is, therefore, exercised largely with a view to fulfilling the requirements of Appropriation Audit.

20. Even though the Budget estimates are framed and works sanctioned after the proposals for staff & works are scrutinised with reference to the anticipated requirements the expenditure actually incurred is not at present correlated to performance and scrutiny and control are not exercised so as to see whether an increase or decrease in performance is reflected in the related items of expenditure. The services rendered by the Railways, namely transport, have a commercial value, and are measurable in quantitative terms. They earn a revenue directly related to the quantum of the services. Managerial control would reveal wastage and inefficiency and would also help in a flexible adjustment of expenditure almost simultaneously with changes in performance. The nature of the Railway expenditure is therefore, such that it should be possible to control it with reference to the performance also, and not as in the case of other Government Departments merely against Budget allotments. This is referred to as managerial control, as opposed to the Budgetary Control at present being exercised.

21. The first requirement of an efficient system of managerial control is a satisfactory system for analysing and compiling the various statistics of performance. In this respect though there are many directions in which improvement is possible and will have to be undertaken in due course they are even now compiled in a form which could be readily utilised for introducing a system of managerial control over the Ordinary Working Expenses.

22. A correlation of the expenditure with performance is the next step necessary. A mere comparison of the total expenses under any particular head either of the various units for the same period or of the same unit for different periods serves no useful purpose since these expenses are affected by very many varying factors. The volume of traffic, for example, would affect the expenditure booked under the head "Operating Expenses" in the various Abstracts, and a comparison of such expenses without taking into consideration the corresponding volume of traffic would not yield any fruitful results. Similarly the expenses under Repairs and Maintenance are affected by, in the case of track for example, the nature of the traffic carried, the climatic and geographical conditions etc. Again, General Administration is a head that is affected by the nature of the organisation, that is, whether it is Divisional or District and so on.

23. All expenditure should, therefore, as far as possible be expressed in terms of cost per unit of service. The difficulty, however, is in determining the service unit which can be taken for the purpose of comparison for any particular expenditure as various types of services are involved. No satisfactory unit of comparison can be evolved in most cases but an attempt has already been made in this direction in the published Statistics Vol. II of the Annual Reports on Railways wherein various service units have been adopted depending in each case on the nature of the expenditure. For instance, the cost of General Administration required for the Maintenance and Supply of locomotives has been converted into the Cost per Unit Mile yielding figures fairly comparable as between Railways and for the various years in the case of each Railway.

24. Though voluminous statistics of this nature are available in the Railway Board's statistical publication, they do not appear to have been put to any substantial use in the control of expenditure. The Committee had, however, themselves undertaken a study of expenditure statistics for the year 1953-54 in this manner. Some 48 items, pertaining both to the Broad Gauge and the Metre Gauge were examined.

The statements containing these statistics, the Committee's observations thereon and the explanations of the Railway Ministry are not being reproduced in this Report as they form bulky material, but certain general conclusions arrived at by the Committee as a result of their study are given in the succeeding paragraphs.

25. Firstly, the study revealed wide variations in the cost of service under all the heads between the various Railways during the year 1953-54.

26. Secondly, a comparison of the cost per unit of service during 1953-54 with 1938-39 revealed that while in the case of some services the increase has been only about 50% or so, in others the increase has been of the order of 400 to 500%.

27. Thirdly, it was noticed that in almost all cases immediately after the integration of the Zonal Railways, the level of expenditure has generally risen to correspond to that of the less efficient integrated units. It appeared that steps were not taken at the time of integration to make a comparative examination of the cost of service in the integrated units to ascertain the reasons for the better performance of some of the units, and thereafter to see that the standard for performance for the better units became the standard for the integrating railways as a whole.

28. Fourthly, the study also revealed that some of the Railways, have consistently poor performances to their credit in certain services. Attention has particularly to be focussed on these Railways and on these items of services, to ascertain the particular conditions prevailing on those Railways with a view to seeing how far they could be rectified.

29. A number of explanations have been offered by the Ministry for these differences. But these are more or less in general terms, and a completely satisfactory explanation would only be possible by a detailed examination of the corresponding figures at lower levels of organisation. Moreover, a quantitative assessment of the causes affecting performance is not available, and a detailed examination by an expert is necessary so as to work out deviation factors for these causes by the application of which actual performance could be compared with standards. For example, in the case of the third point referred to above, it was explained that implementation of the Adjudicator's Award which was also being undertaken at the same time as the integration of the Zonal Railways had a considerable effect on the expenditure of the individual Railways. It has not, however, been shown to what exact extent the implementation of the Adjudicator's Award has affected the expenditure and in the absence of this the explanation offered is difficult to accept in full.

30. There is one other reason why the present statistics comparing expenditure with performance are insufficient for an effective review. Such statistics are compiled only for the Zonal Railways as a whole, but the corresponding figures at the Regional, Divisional and District levels, are not available so that it is not possible to trace the cause operating at lower levels by an examination of the corresponding figures. The Committee consider that unless attention is given to performance at all levels including the lowest level, review at the highest level by itself would be practically useless.

31. The Committee realise that a number of steps will have to be taken before it is possible to institute a managerial control of this nature on expenditure under Ordinary Working Expenses. First of all, the items of expenditure will have to be separately analysed as "controllable" and "non-controllable" that is, those which have a more or less direct relationship with performance statistics and those which have not. The second step would be to ascertain which statistics of performance should be correlated to the various items of expenditure. The next step would be to make an exhaustive study of the various causes affecting each of these correlated performance units and to work out a procedure for making a quantitative assessment of their effect as far as possible. Moreover, at present the District is taken as the smallest unit for purposes of expenditure control. While this may be good enough for many items of expenditure, for many others, the major sheds, marshalling yards, stations etc., should be separately considered and individual attention paid to them.

32. The Committee wish to make it clear that they do not propose that this procedure should be adopted in substitution of the existing system of Appropriation Control which will have to continue so long as the present form of Budget continues. Pending reforms in the latter, therefore, the new procedure would be an addition necessary in the interests of economy of expenditure and efficiency of working.

(ii) Works Expenditure

33. As in the case of revenue expenditure, the Accounts Department is charged with the function of assisting the controlling authorities in the control of expenditure of Works for which funds are provided under Grants Nos. 15, 16, 17, 18 and 12A and 12B. These Demands pertain to Capital, Depreciation Reserve Fund, Development Fund and Open Line Works—Revenue. The expenditure incurred on such works since 1950-51 is shown below:

Railway Works Expenditure (i. e., Expenditure other than Ordinary Working Expenses.)

Year	Amount (in crores)
1950-51	61.31
1951-52	70.86
1952-53	60.18
1953-54	64.21
1954-55	95.76

34. The nature of day-to-day control over this Expenditure is the same except that besides the general watch over Funds under Grants and Sub-heads of Grants, detailed estimates are required to be prepared for each of them, and separate accounts are maintained for each sanctioned Work, except in the case of small items. The justification for Works is also scrutinised by the Financial Adviser and Chief Accounts Officer whose approval is necessary before such Works are sanctioned.

35. The departmental rules provide that, besides these checks, the productivity of outlay on Works which have been sanctioned on financial grounds should be examined some three or four years after they have been put into commission.

Such an examination is referred to as a Productivity Test and would apply only to Works charged to Capital. The purpose of this is to see that Works which have been undertaken on the expectation that they would yield a certain amount of return on the Capital invested do in fact give such a return. Unfortunately, however, since the outbreak of the last war, no work has so far been subjected to such a Test. It appears that due to conditions existing during the war, the application of these rules was held in abeyance then and they have not since been revived. The Committee fail to understand why the rule could not have been revived at least in 1950. They have been assured that instructions will now be issued for undertaking the Productivity Tests. They would, however, suggest that the application of these Tests should not be confined only to items that come up now in the ordinary course, but should also apply to Works which would have come for scrutiny after 1950 if the rules had not been held in abeyance.

36. One such work whose productivity should be reviewed is the construction of quarters for officers in the officers' colony in the Diplomatic Enclave in New Delhi, where quarters have been constructed for officers of Northern Railway at a cost of Rs. 21.23 lakhs, but the rent on which is expected to be only Rs. 12,534 per annum, that is, less than $\frac{1}{2}\%$ of the capital cost. The Committee feel that this is a very low return on the capital cost invested and desire that a review should be undertaken of the expenditure on all such officers' quarters where the return at present is very low.

37. In this connection the Committee would observe that a very large number of new works at present undertaken on the Railways are on grounds other than financial. Such unremunerative items consist of passenger amenities, labour welfare, operating improvements as also unremunerative new lines undertaken for the development of the country and are charged to open Line Works (Revenue) and Development Fund. The expenditure on unremunerative items during the last 7 years, beginning from 1948-49 is shown below. For purposes of comparison the net capital outlay during the year is also shown.

Year	Total expenditure on unremunerative items				Net Capital Outlay	
	(In lakhs)				(In lakhs)	
1948-49	232.58	34.40
1949-50	800.96	34.25
1950-51	927.31	25.41
1951-52	1168.56	23.21
1952-53	1215.04	7.05
1953-54	1418.92	11.85
1954-55	1769.73	32.25

38. It will be seen that the total expenditure on unremunerative works is very large in comparison with the net Capital outlay and that as the rules stand at present the expenditure on the former does not come in for any sort of financial review. Statements showing the details of this expenditure since 1950-51 under Staff Amenities, Staff Quarters, Operating Improvements, Passenger Amenities, Labour Welfare etc. are placed at Appendix III.

39. The major portion of this expenditure it will be noticed, is on Operating Improvements. Since 1950-51 the expenditure incurred on these is as follows:—

Expenditure on Unremunerative Operating Improvements

Year							Open Line Works— Revenue	Develop- ment Fund	Total
									(In lakhs of rupees)
1950-51	.	.	.	.	.	.	209.75	19.84	229.59
1951-52	.	.	.	.	.	.	256.97	79.22	336.19
1952-53	.	.	.	.	.	.	286.73	109.10	395.83
1953-54	.	.	.	.	.	.	320.12	189.46	509.58
1954-55	.	.	.	.	.	.	385.88	115.28	501.16

40. These works are undertaken for the purpose of improving the operational facilities and to remove bottlenecks in transport. They are not expected to yield any return on the expenditure directly but an improvement in operational performance is expected as a result of the expenditure. When such works are undertaken, therefore, it should be possible to state what particular increase is expected in the statistics of performance of the unit such as Marshalling Yard, Operating Section etc. where the expenditure is incurred. These

should serve as a means for reviewing the expenditure when the works are put into commission and when the statistics of actual operating performance could be compared with the anticipations in this regard.

41. The Committee, therefore, desire that a Productivity Review of such expenditure should also be carried out as in the case of the Productivity Tests, and that the rules should be amended accordingly.

42. The results of all such reviews should be mentioned in the Reports of the Railways and where the anticipations expected at the time of incurring the expenditure are not realised, the reasons therefor and the action proposed to be taken in the matter should also be mentioned.

(iii) Construction of New Lines

43. The Committee have examined the cost of construction of new lines at present. They are informed that taking 100 as the index of construction cost of railway lines in 1938-39, the indices for 1946-47 and 1955-56 would be approximately 350 and 450 respectively, and that the rise in the two year periods in between may be taken as being in equal slabs. The derivation of an average cost of construction for any gauge of track is not possible as the conditions prevailing on any two constructions vary widely. But the following figures may, the Committee are advised, be taken as a rough estimate:

Cost Classification Terrain	Unit Cost in Rs. (lakhs per mile)			
	Important Lines		Feeder Lines	
	Easy	Difficult	Easy	Difficult
Broad Gauge	6·0	9·0—14·0	4·0	7·0—10·0
Metre Gauge	4·0	6·0—10·0	3·0	5·0—8·0
Narrow Gauge	3·0	4·0—6·0	2·0	3·0—5·0

44. The cost per mile of some constructions is given below:

Gauge	Project	Year of completion	Length Miles	Cost in Rs. (Lakhs) per mile.
M. G.	Billupuram-Trichinopoly	1939	101·25	1·78
	Assam-Rail Link	1950	141·04	6·05
	Gandhidham-Deesa	1952	170·04	2·67
B. G.	Chunar-Robertsganj	1954	46·97	4·90
	Mukherian-Pathankot	1952	26·86	14·05

45. A further analysis of costs according to the detailed items of expenditure, viz., Preliminary Expenses, Land, Permanent way, etc. is shown in Appendix IV.

46. The Committee are very much concerned to note the very great increase in costs of construction. They have been anxious to ascertain whether it would not be possible to effect any reduction in the costs. They have been informed that the only aspect in which economy is possible is in the design features of the alignment and that once the lay-out and standard of construction is decided upon the scope for economy in execution is rather circumscribed. They have been told, for example, that "in regard to those portions of the construction that are generally executed by contract—earth-work, building construction, foundation of bridges and their masonry—the tender system ensures that competitive rates are entered into on all such works. The remaining part of the construction—linking of the permanent way, erection of bridge girders, installation of signalling and train control equipment is done departmentally and labour costs are the controlling factors".

47. The Committee are not satisfied that the scope for economy and for reducing the cost of construction to a reasonable level is entirely limited. It is possible for example that considerable wastage in labour and material could be avoided by efficient working. A more careful analysis of the number of staff employed, the quantity of material used per mile of construction etc. may reveal some sources of waste. A comparison of the contract rates with the prevailing market rates of the area would also be necessary, so that if for any reason, say on account of the size of the works etc. competition is restricted, and rates raised thereby, the Railways may adopt other means of construction e.g., by undertaking the works departmentally or seeking the aid of the State Governments etc. The Committee, therefore, recommend that a cost analysis of some of the new lines recently constructed should be undertaken to see what positive steps could be taken to reduce costs of construction. The quantity of material consumed and labour employed on similar constructions in previous years should also be compared. The Committee would also like the form of construction accounts maintained at present to be examined by an experienced Accounts Officer to see what improvement could be effected therein for the efficient control of materials consumed and labour employed. The Committee consider that such an examination would be worthwhile since even a reduction of even two per cent in costs would mean a saving of over a crore in the Second Five Year Plan.

(iv) Workshops

48. Allotments of funds are made to the Railway Administrations for the operations carried on in their workshops. Such allotments are made under the sub-head, "Manufacture Suspense" under Grant No. 16 Open Line Works (additions and the details thereof are shown on the Debit Side of the statement of Manufacturing Operations appearing at the end of the Works, Machinery and Rolling Stock Programmes which are presented along with the Budget papers.) The total amount of the expenditure proposed in 1956-57 under Manufacturing Operations is 86.38 crores.

49. The nature of the control of expenditure in the workshops is somewhat the same as in the case of the Ordinary Working Expenses, that is, it is mainly an appropriation or budgetary control. But there is one direction in which certain additional control measures are possible even within the present set-up.

50. The problems of individual or job costing will be separately dealt with by the Committee who at this stage refer only to the general control over the expenditure in the workshops. The structure of workshop accounts is such as to permit some sort of a general performance control. Expenditure is analysed broadly under Direct Labour, Direct Stores and various on Cost Charges. The on cost, is further analysed into General Items pertaining to the workshop as a whole and those pertaining to individual shops, which form smaller organisational units within the workshops. Various statistics of performance such as the number of Rolling Stock subjected to periodical overhaul every month, the average number of days taken for such repairs, the number of miles run by the Locomotives, the quantity and value of articles manufactured in the workshops are also maintained. A regular analysis of such statistics, not merely with reference to the performance in varying periods but also comparing the performance with that of another similar unit should be very useful in effecting economies and improving efficiency.

51. With a view to carrying out such a broad survey the Committee had called for statistics in respect of such important matters as number of repairs carried out, average miles run by engines since last periodical overhaul, time required for repairs etc. The information was required in respect of all the major workshops and for all the years since 1938-39. The Committee learnt with surprise that many of these figures were not readily available and it took some considerable time for the Ministry to supply the information. Even then the information has not been complete. To give some examples, the Kanchrapara Workshops are not maintaining any record of the average miles run by engines since last periodical overhaul while figures of the average cost of repairs per passenger carriage are not available in respect of years prior to 1945-46. Again, the statistics furnished in respect of Perambur, Hubli and Golden Rock workshops pertain to the period after 1950-51 only.

52. With the figures available to them the Committee have examined the performance in these workshops. The information collected will be separately presented. The general impressions gathered during the course of this analysis are, however, indicated in the note at Appendix V.

53. The Committee note in this connection that the costs of operation in certain workshops are less than elsewhere. They consider that advantage of this lower cost of production should be taken by undertaking work for other Zonal Railways in these workshops wherever possible. This point should also be borne in mind when locating workshops especially those which are likely to have spare capacity after meeting the actual requirements of a particular Zone, so that as far as possible, they might be located in those areas where costs of working are comparatively lower.

54. The Committee find that there is at present no uniformity in the statistics regarding performance maintained in the various workshops, and that full use is not being made of the information that is available. They are of the view that a detailed comparative examination of the nature proposed by them could lead to effective economies and increased efficiency. The Committee recommend that in addition to the present budgetary appropriation control, expenditure in workshops should also in future be subjected regularly to performance control, and the results for each of the major workshops indicated in the various individual Administration Reports. A general survey should also be included in the Railway Board's Annual Report.

55. There is one other direction in which there is scope for improvement in control of expenditure in workshops. Railways incur a very large amount of expenditure on equipment and machinery. The total amount incurred since 1950-51 on this account including replacements expenditure is indicated below. The major portion of this is incurred in the workshops.

Expenditure on Machinery under Capital Development Fund, Depreciation Reserve Fund and Open Line Works Revenue

Year	Amount (In crores)
1950-51	2.54
1951-52	2.03
1952-53	1.15
1953-54	2.34
1954-55	3.61
1955-56	5.62 (Revised Estimates)
1956-57	5.31 (Budget Estimates)

The extent to which the installation of additional machinery has increased the output efficiency and capacity of the particular machinery as well as of the workshop as a whole should be constantly watched. For this purpose the value of additional machinery installed in each of the various workshops year by year especially where new machinery is being bought for the first time or where substantial improvements are anticipated, should be maintained separately and it should be compared with the increase in output efficiency and capacity wherever such a comparison is possible. The results of such a comparison should also be indicated in the various Administration Reports for each of the workshops.

56. Another method would be to apply the principles of Productivity Test, which the Committee have referred to elsewhere, to the expenditure on additional equipment also. Whenever new machinery is installed by way of addition, or costly machinery involving improvements are brought in to replace existing

machinery, the justification therefor should indicate the nature and extent of additional output expected. Thereafter when the work is brought into commission, the outturn should be watched to see that the anticipations in this regard have been fulfilled.

57. After making due allowances for the increase in output due to expenditure on additional machinery and improvement in layout, the periodical variations in outturn should be compared with the increase or decrease in the staff under various categories. Thereby, it would be possible to work out the efficiency of labour output, which would in turn enable improvement in efficiency and reduction in expenditure. The results of such an analysis in each of the major workshops should also be indicated in the various Administration Reports and the Report of the Railway Board.

III

COSTS OF TRANSPORT SERVICES AND RATES AND CHARGES

58. In any competitive industry or commercial organisation, it is very necessary to know, as fairly accurately as possible, the cost incurred on each separate activity of the organisation and the returns accruing from it. This is required not merely for the purpose of price-fixing but also for assessing the comparative efficiency of operations. Costing as an instrument of managerial control has, therefore, become a permanent feature of efficient commercial working.

59. But monopoly businesses, strongly entrenched as they are in their power to vary their charges without fear of competition whenever their operational or working costs go up, fail to utilise cost finding methods for purposes of controlling their expenditure and of eliminating inefficient methods of working. When their costs go up, they are unable to ascertain the particular services in which the loss occurs and the steps to be taken for eliminating them either by improving the existing services or taking up new services. In order to cover their losses, they immediately look round for ways and means of increasing the rates and fares. And if their rate structure itself is very complicated, they have no means of ascertaining what would be the exact financial effect of any particular increase in the rates. The result is that the increase finally adopted has inevitably to be somewhat arbitrary, and sometimes even harmful in the long run to the business.

60. The application of the principles of Costing to Railway Operation and Management is a complicated affair, but in recent years, vast changes have occurred in the forms and methods of Railway accounting adopted in foreign countries. It appears, for example, that under pressure of road competition, "the British Railways after a hundred years of averaging their costs over the whole Railway system and charging 'what the traffic would bear' are now looking more closely at the cost of particular traffics and services". Again, the Committee understand from the Report of the Economic Adviser to the Railway Board who was deputed to study the conditions on the American and Canadian Railways that, by a process of continuous research over the last twenty or thirty years, the Railways in those countries have developed a system of accounting and analysis which enables them to ascertain with a fair measure of accuracy the costs of the various services separately. They are, for example, able to ascertain the separate costs of individual marshalling yards and handling depots etc. With the aid of this knowledge the foreign Railways are able to work out a flexible structure of rates and charges. Thereby they are in a position to assess the relative value to themselves of the various services rendered, and to levy that charge on them which gives a fair return. Services which become too heavy a burden requiring excessive subsidies can

then be curtailed or even done away with. The foreign Railways are, therefore, well armed to maintain an efficient service, eliminate uneconomic working as far as possible, and meet competition from whatever source it comes to the best of their ability.

61. Railway rating is a problem the solution of which requires the co-operation of the Statistician, the Accountant and the Commercial Manager. The Statistician has to analyse the various aspects of the transport services and compile statistics of actual performance. The Accountant has to analyse the expenditure into its various constituent elements, and to work out the costs of the respective services. Similarly in respect of the earnings, he has to ascertain the earnings from the individual services. The Commercial Manager with his knowledge of the conditions of trade and general commerce should be in a position to ascertain what would be the effect of variation in rates on the transport of particular commodities, and in co-operation with the Accountant work out that rate which within the general framework of the rate structure would offer the optimum return to the Railway.

62. As far as competition is concerned, the Indian Railways are at present in a very advantageous position. There has been so little development of other modes of transport in the country that the Railways face practically no competition. Consequently, their statistical and accounting techniques have not only not kept pace with modern developments, but even the need for doing so is not generally recognised. The application of such techniques in actual working takes considerable time—in America it took years—and a time is bound to come when faced with competition from other modes of transport, the Railways will be handicapped in their operation and management for want of such techniques. Even now they could be of great help to the Railways in determining to what extent the frequent alteration in fares and rates are reasonably apportioned. For example, the Railway Board was unable to furnish to the Committee information regarding the net cost of the airconditioned services which was required for examining the extent to which these services are subsidised at the expense of the other classes of passengers. Railways ought, therefore, to set about even now reorganising the techniques of their accounting and to adapt the modern refinements to the extent suitable to their conditions of working. As far as the changes in the nature of statistics compiled by the Railways are concerned, the recommendations of the Committee are contained in their Report on Statistics. The Committee would now recommend that simultaneously a procedure should be worked out by an experienced Accounts Officer to implement the recommendations regarding the necessary refinements in accounting techniques.

63. The Committee would also stress in this connection that these recommendations do not necessarily involve a conflict with the present requirements of Appropriation Audit. The Committee feel that the changes necessitated by application of modern Cost Accounting ideas can well be undertaken along with the present forms of accounting, until such time as it may be found to be possible to modify the latter also.

64. There are, however, many services for which costs could, and should, be worked out even within the framework of the present structure of accounts. The Committee have already referred to the costs of statistical compilation as one example. There are other instances such as catering services, local delivery and collection services, publicity and publications etc. In all such cases it cannot be too difficult to work out the total costs including the indirect charges, and after deducting them to ascertain the net loss or profit. Even if this could not be worked out as separate accounts within the main accounts, proforma accounts could be maintained. But whatever method is adopted, the results of working should be shown in the Administration Reports of the Zonal Railways as well as of the Railway Board.

IV

COSTING IN WORKSHOPS

65. The need for applying costing principles to Railway workshop accounting was stressed as long ago as 1924 by Sir Arthur Dickinson and successive Committees of Inquiry such as the Raven Committee in 1929, the Wedgwood Committee in 1937 and the Kunzru Committee in 1947 have repeated these recommendations. Not much progress has, however, been made in this regard so far. It has been stated by the Ministry of Railways that a proper Cost Accounting System has been introduced in the Chittaranjan Locomotive Workshops; this matter will also be referred to in the Report of the Committee on important Projects. In the Integral Coach Factory at Perambur which went into production since October, 1955, a proper system of Cost Accounting has been introduced only in April 1956, even though it was more than two years ago that an officer of the Railways was specially deputed to Switzerland to study the system of cost accounting prevailing in the Schilieren Works who are the manufacturers associated in the set-up of the Integral Coach Factory. No satisfactory system of cost accounting, has, however, yet been introduced in any of the Workshops of the various Zonal Railways.

66. Railway workshops constitute a service department where rolling stock are repaired and maintained. Considerable amounts of spare parts valued at approximately over Rs. 5 crores are also manufactured in these workshops.

67. The advantages that would accrue from the adoption of costing in the Railway workshops are many. Railways maintain varied types of rolling stock and due to the severe use to which they are put during the course of operation they require periodical overhauls and frequently special repairs. The lives of the stock are also limited being e.g., about 40 years in the case of B.G. locomotives and wagons. It is a constantly recurring problems therefore, whether a locomotive or wagon etc., should be replaced, or re-conditioned etc. For all these purposes, fairly reliable estimates of costs are necessary. Moreover, it is very essential to know the costs of manufacture of spare parts in the various workshops so that rationalisation of methods could be adopted. Besides all this there is the additional advantage that through costing, inefficiency and waste could be traced and eliminated.

68. A former Financial Adviser and Chief Accounts Officer has been placed on Special duty with effect from the 14th October, 1955 to examine, *inter-alia*, the procedure to be adopted for introducing a satisfactory system of costing in these workshops. He has so far submitted preliminary reports on six workshops. The Committee, however, note that the terms of reference to this

officer are very vast, inasmuch as he has to examine the conditions in all the major workshops. His terms of reference are:—

- (i) To make a critical study of the present system of costing including that for POH and IOH of each type of stock in force in major railway workshops and provisions in this respect in the Mechanical Code and recommend a unified system based on modern practice;
- (ii) to examine generally the methods of production, planning and control in use in the workshops and to determine whether they are adequate for ensuring an efficient control over costs of manufacture and repairs and if not what improvements are required;
- (iii) to standardise the procedure for determination of costs of manufacture of various common items of stores and components in the various railway workshops to enable a comparison being made between the workshops as well as with the trade prices of similar items of indigenous manufacture;
- (iv) to examine the various incentive schemes which are now in force in the railway workshops and to consider the feasibility of the progressive introduction of incentive schemes for the various operations in all workshops to obtain the maximum possible outturn;
- (v) to examine the availability of requisite trained personnel in workshops, both on the planning and production control side as well as on the Accounts side, with the help of which a proper Planning and Cost Accounts Section can be set up; in case the requisite personnel, both on the Executive and Accounts side, is not available, what steps should be taken to make good the shortage in the shortest possible time;
- (vi) to consider whether the existing system of planning production control, progressing and costing as laid down in the Code or in actual operation requires any change. If so, now this change is to be effected so that the correct costs of repair or manufacture are available at the earliest possible time.

69. The scope of this examination is therefore, very exhaustive, and the Committee are convinced that it may take some considerable time before the officer would be in a position to complete his work. Thereafter further time would be taken by the Board for formulating their decisions thereon and implementing them. The Committee suggest, therefore, that in order to hasten the work the following steps should be taken:—

- (i) The officer should be assisted by other officers in his work. The Committee understood that two officers have been deputed recently to foreign countries to undergo special courses in cost accounting and to study the systems adopted in various foreign workshops.

The experience gained by these officers could, therefore, be well utilised if they are also associated in the work assigned to the officer on special duty; and

- (11) the implementation of their recommendations should be carried out simultaneously with the work as and when the interim reports are received. For this purpose the Board should take their decision immediately on receipt of the preliminary reports, as far as possible without waiting for the final report.
-

STRUCTURE OF ACCOUNTS AND CLASSIFICATION OF EXPENDITURE

70. The general pattern of accounts structure has remained more or less unaffected by the various changes that have occurred recently in the organisation of the Railways. Due, however, to the changes in the rules of allocations introduced with a view to preventing over-capitalization, two new heads of accounts have been introduced and are in operation namely, the Open Line Works (Revenue) and the Development Fund. Consequently also Capital Statement which formerly showed only the total capital borrowed from the General Revenues and the manner of its utilisation in the acquisition of various assets was replaced with effect from 1950 by a Block Account and a Capital Statement showing the value of all additional assets whether acquired from borrowed Capital or any other source.

71. The Demands for Grants underwent a major change in 1947, when the Demands for the Working Expenses which till then had corresponded to the Departments of the Railways were revised so that each Demand covered only expenditure falling under a well-defined group, e.g., Administration, Repairs and Maintenance, Operating Expenses (Fuel) etc. Subsequently, with the introduction of the Development Fund and Open Line Works (Revenue) heads of accounts, certain additional Demand Heads were also introduced. Moreover Grants are now being obtained from Parliament for the Gross Expenditure so that advantage is not taken of unanticipated credits and recoveries.

72. As a measure of economy, after the integration of the Railways into one undertaking divided into 6 (now 7) Zones, apportionment of earnings between the different Zones was abolished with effect from 1952-53. This hasty step has had to be re-traced, however, soon after and apportionment has been re-introduced with effect from 1-4-1954 though on a simplified basis without involving meticulous calculations as was previously the case.

73. As regards adjustments on account of freight on railway materials and other inter-departmental and inter-railway adjustments the changes effected since 1950-51 are shown in Appendix VI.

74. The following major changes in the classification of expenditure have been effected since 1950-51:

- (i) A major head "15-K Dividend payable to General Revenues" was introduced to record payments of the fixed dividend of 4 per cent. on the loan capital invested in the Railways undertakings. Previous to this this expenditure was booked as interest on Debt under "15-A/B Indian Government Railways—Commercial/Strategic Lines".

- (ii) Credits and recoveries which used to be taken as "deductions" under the Demands for Grants presented to Parliament, were excluded from the scope thereof with effect from 1952-53. This necessitated separate collection of actual credits and recoveries in accounts and for this purpose, suitable detailed heads were introduced in various Abstracts A to H under the major head "XV-A/B Revenue Working Expenses" and under the minor heads under the major head "15-I-Open Line Works Revenues".

75. A new Abstract J—has been introduced under the major head "XV-A Indian Railways deduct—Working Expenses" to record expenditure on the Signal and Tele-communication Department. This expenditure was previously booked under Abstracts A and H.

76. A new Abstract K—has been introduced under the major head "XV-A Indian Railways—deduct Working Expenses" to record expenditure on the Appropriation to Depreciation Reserve Fund; previously this expenditure was recorded under Abstracts A, B, C, D and H.

77. The main purpose of classification of expenditure in accounts is to group together, as far as possible, all expenses of a similar nature. To fulfil the requirements of Appropriation Audit it has also to show how far amounts appropriated for specific purposes have been actually utilised on those services. Besides these, a satisfactory system of classification should analyse expenditure in such a manner that all information required for purposes of management is readily available especially where the expenditure booked under a main head of account is very large.

78. The Committee have examined the present system of classification of expenditure in Railway Accounts. They find that in many respects the analysis is not sufficient and requires improvement.

79. The recent changes in the allocation rules introduced with a view to avoiding over-capitalisation have resulted in the major portion of the expenditure incurred currently in the acquisition, of new assets being charged to Development Fund, Open Line Works (Revenue) and Depreciation Reserve Fund, and by comparison, the debit to Capital is very much less. The total expenditure incurred (on the Commercial Lines only) during the year 1953-54 under these heads analysed further, according to the nature of the expenditure is shown below:

BLOCK ACCOUNT OF INDIAN GOVT. RAILWAYS (COMMERCIAL LINES)

Expenditure incurred during the year 1953-54

Classes of Assets	Expenditure financed from other sources										Total for the year (Columns 8 and 9)
	Expenditure Charged to Capital Account financed from the loan Account	Development Fund	Depreciation Reserve Fund on improve- ment of assets replaced	Revenue			Total of Columns (2 to 6)	Miscellane- ous	Total of Columns (3 to 6)		
				Open Line Works	New Minor Works	Total of Columns (3 to 6)					
I	2	3	4	5	6	7	8	9	10		
I. Preliminary Expenses	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
II. Land	—3,508	27,549	..	..	..	27,549	24,041	12,289	36,330	
III. Structural Engineering Works	66,91,669	..	..	..	..	..	66,91,669	75,563	67,57,229	
IV. Equipment	4,09,52,172	8,37,47,099	1,45,75,893	1,94,15,229	1,62,90,265	13,40,28,486	17,49,86,658	8,06,613	17,57,87,271		
V. Rolling Stock	1,22,48,293	39,12,179	27,65,842	24,34,527	33,53,997	1,24,66,455	2,47,14,748	263	2,47,15,011		
VI. General Charges	9,37,70,351	31,31,442	7,75,23,193	4,35,547	35,304	8,11,25,486	17,48,95,837	1,44,535	17,50,40,372		
VII. Collieries	43,09,083	30,62,127	9,454	36,732	..	31,08,313	74,17,396	60,243	74,77,639		
VIII. Miscellaneous	—49,71,870	..	..	..	..	..	—49,71,870	..	—49,71,870	
IX. Suspense	—3,99,53,232	..	..	..	..	..	..	..	..
X. Purchase of Rly. Lines	..	..	..	..	..	..	..	..	..
XI. Investment in shares of Com- mercial concerns Deduct re- ceipts on Capital Account	52,99,996	..	..	..	..	..	52,99,996	..	52,99,996	
	—71,231	1,33,133	..	..	..	1,33,133	61,902	..	61,902	
TOTAL	11,84,14,165	9,02,92,852	9,48,74,382	2,23,22,035	1,96,79,476	22,71,68,745	34,55,82,910	8,42,125	34,64,25,035		

80. The classification of assets shown above is as far as the expenditure under Depreciation Reserve Fund is concerned, not analysed further. Capital expenditure is, however, split up further under detailed heads, the Structural Engineering Works, for example, being further divided into Station Buildings, Permanent Way etc. The expenditure financed from other sources is not, however, analysed further in this manner, but the expenditure under Open Line Works (Revenue) and the Development Fund is further sub-divided under the heads Passenger Amenities, Staff Amenities, Staff Quarters, Operating Improvements, Labour Welfare etc. The corresponding figures for the year 1953-54 will be seen from the statement placed at Appendix III. The head 'Passenger Amenities' is further classified according to the nature of the amenities as will be seen from the figures for 1953-54 shown in Appendix VII. But the expenditure under Staff Amenities, Labour Welfare and Unremunerative Operating Improvements which altogether was over 7 crores in the year 1953-54 are not further analysed according to the nature of the amenities or works, though of course broadly the nature of the amenities or the improvements is known. Thus the following expenditures are not shown in further details in the final compiled accounts:

Item	Expenditure in 1953-54
	Rs.
I. Structural Engineering Works, expenditure on improvement of replaced assets incurred under Depreciation Reserve Fund	1,45,75,893
II. Staff Amenities incurred under Open Line Works Revenue	32,46,000
III. Labour Welfare from the Development Fund	1,59,97,000
IV. Unremunerative Operating Improvements	
(a) Development Fund	1,89,46,000
(b) Open Line Works Revenue	3,20,12,000

81. The Committee consider that for a proper appreciation of the nature of improvements effected by such expenditure, further detailed classification is necessary. The Committee have in mind a detailed analysis of the following nature:—

Main Classification	Suggested details
1. Staff amenities	Hospitals, Dispensaries, Schools, Institutes, Maternity and Child Welfare Centres etc.
2. Labour Welfare	Do.
3. Unremunerative Operating Improvements	Marshalling Yards, Transhipment Sheds, Lengthening of Loops, Doubling of Lines, Strengthening of Bridges, etc.

The Committee understand that in most of these cases where individual works are sanctioned, the expenditure on each work is separately booked. It should not be very difficult, therefore, to compile detailed information as suggested by the Committee.

82. In this connection the Committee would point out that at the time of presenting the Budget the works expenditure is shown in the Rolling Stock, Works and Machinery Programme under certain broad categories. For example, the provision of Rs. 37.40 crores in the Works Programme for the year 1953-54 was shown in the Budget Papers for that year as follows:—

(Figures in thousands)

	Capital	Depreciation Fund	Development Fund	Open Line Works (Revenue)	Total
1. Track	5,46	12,88,71	9,53	6,30	13,10,00
2. Bridges	20,28	93,11	..	5,49	1,18,88
3. Traffic facilities	1,07,07	5,64	1,22,82	1,54,69	3,90,22
4. Signalling and inter-locking	1,10	21,30	8,69	56,28	87,37
5. Workshops	1,43,45	2,75	44,51	62,81	2,53,52
6. Electric installations	47,87	21,63	45	17,03	86,98
7. Staff quarters	1,56,73	33	1,37,19	85,85	3,80,10
8. Staff welfare works . . . . .	..	..	65,33	40,35	1,05,68
9. Amenities for passengers . . . . .	..	..	3,00,00	..	*3,00,00
10. Office and Station Buildings and other works	42,76	31,17	19,53	1,27,49	2,20,95
11. Construction of New lines and Restorations	1,71,61	5	4,97,77	..	6,69,43
12. State Railway Collieries	30,54	..	..	..	30,54
13. Ports	25,30	..	..	..	25,30
14. Increase/decrease in stores balances and Manufacture operations	—2,30,56	..	..	..	—2,30,56
15. Purchase price of Railway lines . . . . .	..	..	1,88,99	..	1,88,99
16. Credits or Recoveries	—14,10	—1,83,50	—4	—19	—1,97,83
TOTAL	5,07,51	12,81,19	13,94,77	5,56,10	37,39,57

* Includes 2 relating to "Machinery and Plant".

83. But, as already stated, due to the insufficiency of classification of expenditure referred to elsewhere, the actual expenditure for the year 1953-54 cannot be brought out under the same detailed heads as shown in the Programme. The Committee consider this a defect which should be rectified early.

84. The Committee desire that detailed information in the manner indicated by them should be shown separately for each of the Railways in the Administration Reports of the concerned Railways and of the Railway Board. To the extent possible the Zonal Railways should show the expenditure separately for each unit of working such as the District, Division or Region. Attempts should also be made to show the amount incurred on major stations, marshalling yards, transshipment and goods sheds etc.

85. There are many other minor matters in which certain changes in classification are required. The Committee consider that an examination of all such matters should be undertaken in detail and necessary changes in classification rules effected early.

BUDGET AND PARLIAMENTARY CONTROL

86. The form in which the Railway Budget is presented to the Parliament at present suffers from the same defects as have been pointed out in the case of Departmental Control of Expenditure. The Railway Budget is, as in the case of the Civil Budget, a mere appropriation of funds for certain items of expenditure grouped together under Demands without reference to the quantum of service to be performed with the aid of those funds. In the case of the Capital Demands no doubt a list of the major items of expenditure is given in the Works, Machinery and Rolling Stock Programme. But Government have full powers of reappropriation within the Capital Grants as in the case of the Revenue Grants, and the progress of works is not shown otherwise than in monetary terms.

87. Considered as the Budget of a Commercial Organisation, therefore, the main defect in the Railway Budget is that the funds provided in the Budget are not correlated to performance. The result is that when Parliament sanctions the Budget it is not aware of the quantum of service that will be rendered in the various aspects of Railway activity covered by the Demands, and there is no assurance that if the performance falls short of the anticipations at the time of the Budget, the excess funds will be surrendered and will not be wasted by inefficient working.

88. A Budget for a commercial organisation like the Railways should be a flexible one, with the estimates of expenditure closely linked with estimates of performance. Such a Budget would be more useful for a managerial control than the present form. To take an example the quantity of coal to be consumed in the Budget year, the rate at which it is expected to be purchased, the total volume of traffic to be moved expressed in Gross Ton Miles, and the target of consumption, viz., pounds per 1000 G.T.M. should be stated along with Demand No. 7—Operating Fuel, together with such other relevant information as affect this Head.

89. The Committee appreciate that a number of accounting changes are necessary as mentioned by them elsewhere before the form of the Railway Budget could be changed from a financial to a managerial one. Nevertheless they desire that the Ministry should undertake without delay an examination of the matter and take suitable preliminary steps to that end.

90. The Committee, however, consider that there is no reason why such information regarding anticipations of performance should not find a place in the Explanatory Memoranda even now. They have examined the detailed procedure adopted in the Ministry for the compilation of the Budget and find that such information is in fact

utilised to a large extent in framing the Budget. It is, therefore, merely a question of reproducing all such information, *viz.*, performance targets, the anticipated variations in traffic in detail, the changes in the number of staff required in various categories etc., in the Explanatory Memorandum against the concerned items of expenditure.

91. The Committee desire also that the periods covered in the Explanatory Memoranda should be increased so that the trends of expenditure over a longer period under the Demands and their sub-Heads, are readily available for comparison purposes. At present only three years are covered *viz.*, the Budget year, the year under review and the preceding year. The number of years preceding the year under review to be covered in the Memorandum should be at least five. The Financial Commissioner with whom this subject was discussed has already agreed to effect the necessary changes in future.

VII

FINAL CONCLUSIONS

92. In conclusion, the Committee would state that the present procedure for financial scrutiny and expenditure control requires vast changes with a view to improving the efficiency of working, reducing the incidence of expenditure and increasing the earnings of the Railways. They consider that the Accounts Department on whom this responsibility devolves should adopt modern techniques for this purpose, which are being constantly evolved elsewhere, with the necessary modifications to suit conditions on the Indian Railways. They realise that the changes cannot be introduced all at once but nevertheless a beginning should be made without delay.

93. The Committee have examined whether the present organisation on the Zonal Railways for the compilation of budget and accounts, and for rendering financial advice to the administrations is satisfactory. They have noticed, that the organisation on the Zonal Railways has not been geared to meet the conditions arising from the two Five Year Plans. A statement showing the total expenditure on Capital, Depreciation Reserve Fund, Development Fund, Open Line Works Revenue and the total Earnings of the Railways since 1949-50 is shown in the next page.

Total Earnings and Expenditure of Railways since 1949-50

(In crores of rupees)

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Ordinary Working Expenses . . .	181.53	180.23	194.04	187.96	201.47	205.87	214.16	224.10

TOTAL EXPENDITURE ON WORKS [INCLUDING CAPITAL-
DEPRECIATION RESERVE FUND, DEVELOPMENT FUND
AND OPEN LINE WORKS (Revenue)] . . .

GROSS EARNINGS* . . .	236.35	268.01	290.82	270.56	274.29	286.78	314.10	345.00
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*The figures from 1952-53 do not include the freight charges on railway stores, fuel etc. which have been treated as free-hauled traffic.

94. The Railway-wise expenditure under these heads proposed in the year 1956-57 is as follows :
Budget Estimates of Expenditure and Earnings of Zonal Railways and Projects for the year 1956-57

(in lakhs of rupees)

Railway or Project	Excluding probable savings				Open Line Works (Revenue)			Gross Earnings
	Capital expenditure	Depreciation Reserve Fund expenditure	Development Fund expenditure	Other than		Ordinary Working Expenses		
				Labour Welfare	labour welfare			
Central	.	12.88	4.65	4.55	22	141	39.57	69.49
Eastern	.	6.18	3.05	1.76	16	83	29.28	55.30
Northern	.	7.84	3.68	4.36	36	210	34.81	51.55
North-Eastern	.	1.84	5.26	2.10	13	59	25.05	28.21
Southern	.	8.43	4.75	3.81	33	125	38.34	49.99
South-Eastern	.	12.48	2.88	1.48	14	143	24.56	36.14
Western	.	13.28	4.31	4.11	28	159	32.49	54.32
State Railway Collieries	.	—6.81	..	..	..	..	..	..
Chittaranjan Loco Works	.	—2.97	..	..	..	..	..	..
Integral Coach Factory	.	3.25	..	..	..	..	..	..
Calcutta Electrification Project	.	3.09	..	..	..	..	..	..
Ganga Bridge	.	1.70	..	..	..	..	..	..
Vizagapatam Port	.	1.15	..	..	..	..	..	..
Railway Board	.	52.24	16.85	..	..	..	..	..
TOTAL	.	1,14.58	45.43	22.17	1.62	9.20	2,24.10	3,45.00

95. As the Second Five Year Plan develops the figures of earnings and expenditure of the individual Zonal Railways will increase considerably and in many cases they will probably be even doubled.

96. The Committee doubt the wisdom, of placing the entire burden of compiling the accounts, framing the budget and rendering financial advice on a single officer. It would be difficult for any single individual to cope with all these duties involving such large volumes of expenditure and earnings, especially if at the same time the various suggestions for the improvement of the departmental procedure are to be implemented by him.

97. The Committee are, therefore, of the view that the functions at present attached to the office of the Financial Adviser and Chief Accounts Officer should be bifurcated. There should be two separate Heads of Departments, the Chief Accounts Officer being concerned only with the compilation of the accounts according to the prescribed rules and for effecting the necessary check on the receipts and expenditure. Relieved of his financial functions, the Chief Accounts Officer would then be in a position to devote his entire attention to pulling up the arrears in compilation, including the Provident Fund, effect early settlement of all outstanding claims, including purchase Bills etc., and see that the accounts are available in time for the administration to make an effective use of them for the control of Expenditure, in all of which matters the position has been repeatedly pointed out in Audit to be unsatisfactory. The Chief Accounts Officer can also then take up the question of training of the staff required for the increasing activities consequent on the implementation of the two Plans.

98. As for the Financial Adviser, relieved of the increasing day to day problems of compilation of accounts and prompt payment of dues, he will be in a position to see that effective financial advice is available to the administration and that the Budget is compiled promptly, and without overlooking the important factors affecting it. He will be able to devote his attention to a close control and review of expenditure and to the application of improved techniques such as correlation of expenditure with performance etc. for this purpose. He will also be able to effect without delay all the changes in forms and procedure in accounting and finance that have now become necessary. Moreover, the transport economic research cells which are proposed to be created under his control would need his close supervision if they are to develop on useful lines. These very important functions cannot be well left to an officer of the Junior Administrative rank as at present.

99. In this new scheme the cadres of staff need not be separated, and in fact it may be quite essential to have a common cadre, but in the day to day working the two should constitute separate Departments.

100. The Committee hope that with this major organisational change the Departments would be in a position to effect an

improvement in the control of expenditure, etc., which the Committee have recommended elsewhere. If even one per cent of economy of expenditure and increase in earnings could be accomplished the total gain to the Railways would be over 5 crores annually.

BALVANTRAY G. MEHTA,
Chairman, Estimates Committee.

NEW DELHI;
The 22nd March, 1956.

APPENDIX I

No. and cost of Staff of Railway Accounts Department

Railways	No. of Staff				Cost All Classes I to IV
	Class I Class II	Class III	Class IV	Total	
<i>Central</i>					
1951-52 . . .	22	2,383	269	2,674	61,42,715
1952-53 . . .	22	2,228	244	2,494	59,34,846
1953-54 . . .	24	2,523	224	2,771	62,07,899
1954-55 . . .	26	2,726	216	2,968	68,35,997
<i>Eastern</i>					
1951-52 . . .	53	4,717	558	5,328	1,31,05,492
1952-53 . . .	47	4,708	542	5,297	1,11,08,814
1953-54 . . .	46	4,667	541	5,254	1,26,57,955
1954-55 . . .	49	4,887	587	5,523	1,35,61,279
<i>Northern</i>					
1951-52 . . .	33	2,748	460	3,241	48,25,072
1952-53 . . .	32	2,683	449	3,164	60,94,017
1953-54 . . .	34	3,411	662	4,107	77,75,065
1954-55 . . .	32	3,606	674	4,312	85,99,177
<i>North-Eastern</i>					
1951-52 . . .	25	2,747	514	3,286	56,16,498
1952-53 . . .	25	2,291	333	2,649	53,45,647
1953-54 . . .	29	2,446	401	2,876	55,11,882
1954-55 . . .	28	2,739	438	3,205	61,10,009
<i>Southern</i>					
1951-52 . . .	27	3,735	681	4,443	82,53,461
1952-53 . . .	30	3,662	744	4,435	82,72,463
1953-54 . . .	33	3,935	708	4,676	90,24,210
1954-55 . . .	36	4,032	687	4,755	95,99,311
<i>Western</i>					
1951-52 . . .	30	2,461	289	2,780	54,56,553
1952-53 . . .	29	2,345	316	2,690	55,50,843
1953-54 . . .	29	2,609	330	2,968	61,08,037
1954-55 . . .	32	2,765	336	3,133	67,40,434
<i>Railway Board</i>					
1951-52 . . .	18	78	15	111	Not available.
1952-53 . . .	14	82	16	112	
1953-54 . . .	16	92	16	124	
1954-55 . . .	14	106	19	139	

APPENDIX II

Details of Working Expenses of each Railway System for the year 1954-55

(In thousands of rupees)

Railway System	1	2	3	4	5	6	7	8	9	10	11
		Main- tenance of Structural Works	Main- tenance and supply of Locomotive power	Main- tenance of carriage and wagon stock	Main- tenance and working of Ferry steamers and Harbours	Expenses of Traffic Deptt.	Expenses of general Deptt.	Miscel- laneous Expenses	Electric Service Deptt.	Total Working Expenses	Appropri- ation to Deprecia- tion Reserve Fund
Central	.	8,26,78	14,48,60	5,25,55	..	7,14,73	2,29,39	—33,90	4,09,12	41,20,27	5,95,57
Eastern	.	12,69,90	20,03,98	10,20,47	19,41	9,89,07	4,46,33	—43,80	2,74,18	59,79,54	7,81,66
Northern	.	7,28,66	12,28,47	4,26,84	..	6,78,32	3,06,19	—36,32	1,84,69	35,16,85	4,90,10
North-Eastern	.	6,19,45	7,59,09	2,91,57	52,56	5,17,59	2,22,14	1,50,05	1,24,95	27,37,40	3,10,81
Southern	.	5,39,14	18,23,91	3,52,64	26,57	6,79,27	2,55,90	1,44,47	1,57,35	38,79,25	4,24,24
Western	.	5,72,00	10,75,78	5,05,48	..	5,50,59	2,18,07	60,90	2,33,71	32,16,53	3,97,62
TOTAL GOVT. RAILWAYS	.	45,55,93	82,39,83	31,22,55	98,54	41,29,27	16,78,02	2,41,40	13,84,00	2,34,49,84	30,00,00

NOTE.—The figures shown in column 2 to 10 represent total working expenses and include the element of appropriation to Depreciation Reserve Fund. The appropriation to Depreciation Reserve Fund for each Railway is shown in column 11.

APPENDIX III

Statement showing the Expenditure booked under Open Line Works Revenue during the 5 years commencing from 1950-51.

(Figures in thousands)

Year	Staff Amenities	Staff Quarters	Operating Improvements	Other Works	Total
1950-51 . .	58,08	1,24,70	2,09,75	..	3,92,53
1951-52 . .	31,48	1,09,73	2,56,97	..	3,98,18
1952-53 . .	34,21	83,88	2,86,73	..	4,04,82
1953-54 . .	32,46	85,40	3,20,12	..	4,37,98
1954-55 . .	31,05	74,51	3,85,88	..	4,91,44

Statement showing Expenditure incurred from Development Fund during the 5 years commencing from 1950-51.

(Figures in thousands)

Year	Passenger Amenities	Labour Welfare	Operating Improvement	New Lines	Total
1950-51 . .	2,73,39	68,19	19,84	1,73,36	5,34,78
1951-52 . .	2,44,96	1,50,72	79,22	2,95,48	7,70,38
1952-53 . .	2,33,90	1,28,67	1,09,10	3,38,55	8,10,22
1953-54 . .	2,46,87	1,59,97	1,89,46	3,84,64	9,80,94
1954-55 . .	3,02,68	1,98,87	1,15,28	6,61,46	12,78,29

APPENDIX IV

Analysis of Costs of Railway Projects

Description	COSTS PER MILE				
	M.G. Vilupuram Trichnopoly (1938) 101.25 miles	M.G. Raiganj- Chillampur (1948) 23.04 miles	B.G. Rupur- Talaure (1948) 24.85 miles	B.G. Mukerian- Pathankot (1950-52) 26.85 miles	Chunnar- Roberts- ganj (1952-54) 46.97 miles
Prel. Exp. . .	1,282	1,995	1,664	20.48	6,787
Land . . .	22,731	28,054	21,234	99,303	13,319
Formation . .	14,303	57,749	81,024	1,29,407	1,18,097
Bridge Works .	65,347	53,643	1,19,752	21,621	71,933
Fencing . . .	3,851	8,694	1,090	4,600	2,921
Permanent Way	39,448	97,935	65,210	1,58,719	1,38,791
Stations & Buildings	11,520	32,437	31,903	1,00,401	47,062
Equipment . .	428	2,716	59	5,605	2,054
General Charges .	12,928	34,722	18,937	83,339	89,435
Junction arrangements	6,633	19,500	..	..	..
TOTAL . . .	1,78,471	3,37,445	3,40,873	14,05,043	4,90,399

APPENDIX V

Analysis of Certain Workshop Statistics

The following is an analysis of the workshop statistics supplied to the Committee. Some of the Statistics relating to Western Railways Account were received too late to be included in this analysis.

I. Number of repairs carried out during the year.

The number of repairs carried out depends upon the size and capacity of each workshop but there are wide variations in the figures of unit repairs carried out in the same workshop from year to year. A few statistics are given below :

Locomotive workshop repairs		Years	No. of repairs
Broad Gauge			
Name of Workshop			
Jamalpur workshop	. . .	1953-54	389.6
		1954-55	498.0
Kanchrapa"	. . .	1939-40	145.2
		1940-41	104.3
		1941-42	24.78
		1942-43	18.4
		1943-44	39.02
		1946-47	87.7
		1950-51	110.5
		1953-54	145.0
Metre Gauge			
Jodhpur Workshop	. . .	1949-50	18.05
		1950-51	10.64
		1951-52	19.0
		1952-53	39.52
Kanchrapara,,	. . .	1943-44	3.06
		1944-45	32.7
		1945-46	42.5
		1946-47	18.4
		1947-48	6.83
		1951-52	24.4
		1952-53	3.83
		1953-54	38.5
Passenger carriage workshop repairs.			
Broad Gauge			
Kanchrapara	. . . . .	1941-42	1 622
		1942-43	389
		1943-44	30
		1944-45	23
		1945-46	365
		1950-51	1,116
Lillooah	. . . . .	1949-50	1,406
		1950-51	896
Metre Gauge			
Jodhpur	. . . . .	1951-52	276
		1952-53	425
Gorakhpur	. . . . .	1941-42	1,219
		1942-43	591
		1949-50	638
		1950-51	98
		1951-52	692

		Years	No. of repairs
Other coaching vehicle workshop repairs			
<i>Broad Gauge</i>			
Kanchrapara	1942-43	154	
	1943-44	10	
	1944-45	19	
	1946-47	154	
Wagon Workshop repairs			
<i>Broad Gauge</i>			
Kanchrapara	1941-42	2,846	
	1942-43	902	
	1944-45	392	
	1946-47	2,285	
Lillooah	1944-45	14,363	
	1945-46	7,332	
	1946-47	1,619	
	1947-48	5,238	
	1953-54	10,009	
<i>Metre Gauge</i>			
Jodhpur	1947-48	1,043	
	1950-51	513	
	1951-52	1,030	
Izatnagar	1946-47	1,116	
	1947-48	735	
	1948-49	1,224	

II. Average cost of repair carried out during the year Locomotive Broad Gauge.

The average cost of repairs has generally gone up by 3 times as compared with the figures for 1938-39. The present cost is generally between Rs. 30,000 and 35,000 per unit in various workshops but it is about Rs. 25,000 in Parel and Golden Rock Workshops.

Metre Gauge

The increase in repair cost as compared with the figures for 1938-39 has been about 5 times in meter gauge workshops. It has further been noticed that there is not much difference in the cost of repairs of a Broad Gauge and a Metre Gauge Locomotive.

Passengers Carriages

Broad Gauge

The average cost of repairs per carriage during 1954-55 has gone up 5 or 6 times as compared with the cost during 1938-39 in Lillooah and Lucknow (Alambagh) Workshops and about 3 times in Kharagpur Workshop.

The cost of repairs in Kanchrapara, Lillooah, Matunga and Lucknow (Alambagh) Workshops varies from Rs. 3,000 to 4,000 per

carriage but it is only about Rs. 1,500 to 2,000 in Perambur and Golden Rock Workshops. There is considerable variation in the cost of repairs in Lucknow (Alambagh) Workshops from year to year; the figures from 1947-48 to 1952-53 being 1934, 3112, 6665, 9792, 4744 and 3516 respectively. The cost of repairs in Jhansi Workshop has progressively risen from Rs. 1,781 in 1950-51 to 3,052 in 1954-55.

Metre Gauge

The cost of repairs has gone up by 8 to 9 times as compared with the figures for 1938-39 in Gorakhpur workshops but it has gone up by about 3 times only in Jodhpur workshop.

The expenditure in repairs per unit in Gorakhpur, Izatnagar and Golden Rock Workshops is at present about Rs. 2,000 against Rs. 1,000 to 1,200 in Hubli and Jodhpur workshops.

Other Coaching Vehicles

Broad Gauge

The cost of repairs has gone up by about 4 to 6 times as compared with the figures for 1938-39 in Lillooah, Kharagpur and Lucknow (Alambagh) Workshops for which the figures have been furnished.

The cost of repairs in Kanchrapara Workshop, which is Rs. 4,013, 3,453 and 4,013 during 1952-53 to 1954-55 respectively and of Jhansi Workshops which is 4,447 and 4,690 during 1952-53 and 1953-54 respectively is generally double of that in other workshops. The lowest cost is in Perambur and Golden Rock Workshops viz., Rs. 1,332 and 1,029 respectively during 1954-55.

Metre Gauge

In Gorakhpur workshop the cost of repairs which was Rs. 2,081 to 2,193 during 1951-52 to 1953-54 has suddenly gone up to 4,626 during 1954-55. The figures of other workshops, also show wide variations from year to year.

Golden Rock and Hubli workshops of the Southern Railway show comparatively lower figures of repair costs than in other workshops.

Wagons

Broad Gauge

There has been heavy increase in the cost of repairs per wagon in Lillooah workshop from Rs. 686 during 1953-54 to 1030 during 1954-55. The latter figure is about 6 times that of 1938-39. The increases in other workshops have generally been 3 or 4 times.

Metre Gauge

It is note-worthy to point out that the average cost of repairs has progressively gone down from 712 to 435 in the Golden Rock workshop and from Rs. 483 to 241 in Hubli workshop from 1950-51 to 1954-55 respectively.

III. Average number of days the units despatched during the year were in shops.

Locomotives

The number of days taken for repairs should be almost uniform from year to year but there are wide variations in the figures of the same workshop from year to year both on Broad and Metre Gauges. The time taken in Golden Rock Workshop (Broad Gauge) has progressively gone up from 23·3 in 1950-51 to 42·0 in 1954-55.

Passengers Carriages

Broad Gauge

The Kanchrapara and Lillooah workshops take very much longer time for repairs than other workshops. There has been progressive rise in the time taken in these two workshops since 1938-39 or 1939-40. The Perambur and Jhansi workshops are able to repair their carriages in about 15 to 20 days as compared with 30 to 50 days taken in other workshops.

Metre Gauge

The time taken for repairs in metre gauge workshops is generally 25 to 30 days but the Izatnagar workshop has reduced its time to about 15 and 11 days during 1953-54 and 1954-55.

The Jodhpur workshop has also improved its figure from 34·5 during 1950-51 to 24·2 and 20·5 during 1953-54 and 1954-55 respectively.

Other Coaching Vehicles

Broad Gauge

The average time taken for repairs in Perambur workshop is about 1/2 or 1/3rd of that in Kanchrapara, Lillooah, Kharagpur and Lucknow (Alambagh) workshops.

Metre Gauge

Similarly on the metre gauge, the Izatnagar and Hubli workshops take about 1/2 or 1/3d of the time taken in other metre gauge workshops.

Wagons

Broad Gauge

There has been generally an increase in the time taken for repairs in recent years in Kanchrapara, Lillooah and Kharagpur workshops from 6 or 7 days to 10 or 11 days. The Perambur workshop of the Southern Railway and Jhansi workshop of Central Railway are, however, able to carry out their repairs in about 6 or 7 days only. There has also been a decrease to almost the same figure in the Golden Rock workshop of the Southern Railway during 1954-55.

Metre Gauge

The Jodhpur Railway workshop which were taking very long time in repairs up to 1952-53 have reduced it from 24·4 days in that year to 13·7 and 11·9 during 1953-54 and 1954-55 respectively. The time taken in Gorakhpur and Golden Rock workshops is about 6 to 7 days but the Izatnagar and Hubli workshops are able to complete their repairs in about 4 or 5 days time only.

IV.	<i>miles run by locomotives undergoing periodical</i>
Average	<i>period in months the units despatched during</i>
	<i>through overhaul since last periodical thorough</i>
	<i>the year were in service prior to undergoing</i>
	<i>overhaul</i>
	<i>repairs</i>

The Locomotives, carriages and wagons are required to be sent to the workshops for periodical thorough overhaul after running a certain mileage or after performing service for specified periods. Some variations in this mileage or period are unavoidable but it has been noticed that in some cases there are considerable variations as stated below.

Locomotives

While the average on some of the workshops is between 80,000 and 90,000 miles, it is about 110,000 miles in Lucknow workshops and between 130,000 to 60,000 miles in Perambur and Golden Rock workshops.

Passenger carriages

The periods in various workshops vary from 10—20 months but these are comparatively higher in Golden Rock workshops.

Other Coaching Vehicles

The "other coaching vehicles" were sent to workshops for repairs after varying periods in various workshops which were generally from 15 to 27 months. The Kharagpur workshop however received them throughout after about 15 months' service.

Wagons

Although there are some wide variations in the figures of Lucknow workshop which went down from 45·6 during 1952-53 to 30·0 during 1954-55 the period for which the wagons were generally in service prior to undergoing repairs varied between 30 and 40 months in the workshops.

V. Cost Per Equated Engine mile

Broad Gauge

The Cost per equated Engine mile does not show much variation between Western, Eastern and Southern Railways; being annas 9·25, 9·90, and 10·3 respectively during 1954-55 but the Central and Northern Railways are spending only annas 7·96 and 7·05 respectively.

Metre Gauge

The cost in metre gauge Railways is much higher than that on the Broad gauge Railways although the cost during 1938-39 was not generally higher on metre gauge than on the broad gauge. In fact, against an increase of 3 times under Broad Gauge, there has been an increase of 4 to 5 times under the metre gauge in some Railways.

The Western Railway figure which is annas 15.6 is 50 per cent. higher than that of the Central Railway which is 9.64.

VI. Cost per carriage on the

Broad Gauge

There are wide variations between the figures of various Railways under this head during 1954-55. The Eastern and Central Railways have the highest figures of Rs. 3,066 and 3,064 respectively. The averages on the Western, Northern and Southern Railways are 2,830, 2,144 and 1,773 respectively. The late B.B. & C.I. and B.N. Railways have from the very beginning been maintaining a comparatively higher figure under this head as compared with that on other railways.

Metre Gauge

Here also the Southern Railway has the lowest average of 1096 against Rs. 1,730, 1,636, 1,542 and 1,375 spent on other Railways.

VII. Cost per wagon on the line

Broad Gauge

There is not much variation between the figures of cost on four of the Railways under this head which are between Rs. 422 and 470, but the Northern Railway has the lowest figure of 320.

Metre Gauge

Here, there is wide variation between the figures of various Railways which are 349, 310, 245, 181 and 168 on the Western, Central Northern, Southern and N.E. Railways respectively. There has been heavy increase in the figures of Western Railway under this head during 1954-55.

VIII. Percentage of "General on Cost" on jobs undertaken in workshops

In accordance with the instructions in the Indian Railway Code for the Mechanical Department, Railways are required to work out the figures of "General on Cost" which are to be levied on jobs undertaken in workshops. This "General on Cost" denotes charges which are incurred in common with more than one shop or department, such as cost of electric power, water, sanitary arrangements, watch and ward etc. The "General on Cost" charges which are worked out separately for labour and stores are added to various jobs as a percentage of the total labour charges incurred thereon.

Statement A shows the percentage of "General on Cost" levied in various workshops of Railways during 1952-53 to 1954-55. It will be noticed that the percentages for 4 broad gauge workshops for which figures have been supplied vary from 18-3/4 to 27 per cent. As regards metre gauge workshops, leaving aside 5 small workshops

of the old Saurashtra Railway, on which the percentages vary from 18-3/4 to 43-3/4 per cent. the percentages in other workshops vary from 30 to 35 per cent.

The figures furnished in respect of Charbagh Workshop show the total "works on cost" percentages and not those for "General on Cost" only. As regards Alambagh Workshop, separate percentages of "General on Cost" have been given for each of the shops. But only one percentage of such charges is required to be worked out for all the shops in a workshop and not a separate percentage for each. Moreover, the percentages given vary from 150 per cent to 490 per cent. These cannot possibly be "General on Cost" percentages and probably represent "Works on Cost" percentages. Regarding Kanchrapara Workshop, it is stated that the percentage figure of "General on Cost" is not shown separately and that the percentage of "works on cost" includes both "General on Cost" as well as "Shop on Cost". But surely the Railways are required to work out percentage of "General on Cost" separately before calculating the percentages for "works on cost".

The Eastern Railway have furnished figures of "General on Cost" in respect of Lillooah Workshop but they have not been able to furnish similar figures for Kanchrapara Workshop. The percentages levied in Jamalpur Workshop, which is the biggest workshop, have also not been supplied.

IX. Percentage of absentee man hours to total man hours

Statement B shows the percentage of absentee man hours to total man hours in the various workshops during 1953-54 and 1954-55 as compared with the figures for 1938-39 or some later year since when the figures are available. The percentages which vary from 9 to 22 in various workshops show the time wasted on account of absenteeism amongst the workshop staff. It will be noticed that while in case of some workshops the position is better as compared with earlier years, in others there is deterioration. Amongst the major workshops, Ajmer, Parel, Gorakhpur, and Kanchrapara show high percentages, whereas Jamalpur, Golden Rock, Hubli and Matunga comparatively low percentages.

Statement showing percentage of "General on Cost" levied on jobs undertaken in various workshops of Railways, during 1952-53 to 1954-55

	1952-53	1953-54	1954-55
Broad Gauge—			
<i>Eastern Railway</i>			
Lillooah	19	19	20
<i>South Eastern Railway</i>			
Kharagpur	26	24	23
<i>Western Railway</i>			
Dahad	18½	12½	18½
Baroda	27	27	27

	1952-53	1953-54	1954-55
Metre Gauge—			
<i>Northern Railway</i>			
Jodhpur	30	35	30
<i>North Eastern Railway</i>			
Gorakhpur	26·37	16·54	32·33
Izatnagar	29·10	31·22	30·00
<i>Western Railway</i>			
Ajmer (Loco)	25	33½	35½
Ajmer (C&M)	15½	15	16½
Bhavnagar Para . . . . .	..	18½	18½
Gondal . . . . .	..	25	37½
Jamnagar . . . . .	..	12½	18½
Junagadh . . . . .	..	31½	43½
Rewari . . . . .	..	18½	18½

Statement showing percentage of absentee man hours to total man hours worked during 1953-54 and 1954-55 as compared with 1938-39 or such other year from which the figures are available

Name of workshop	Percentage of absentee man hours to total man hours worked		
	1938-39 or earliest year for which figures available	1953-54	1954-55
<i>Central Railway</i>			
Paral	26 1946-47	18	18
Jhansi	14 1938-39	17	17
Matunga	14 1947-48	14	14
<i>Western Railway</i>			
Ajmer (Loco)	11 1938-39	16	19
Ajmer (C&W)	10 1941-42	14	22
Jamnagar	12 1948-49	11	10
Revari	13 1948-49	9	11
Bhavnagar	15 1951-52	13	14
Gondal	10 1952-53	9	13
Junagadh	8 1948-49	17	21
Baroda	11 1949-50	13	13
<i>Southern Railway</i>			
Golden Rock	11 1949-50	13	13
Hubli	10 1949-50	10	10
Perambur (Loco)	10 1938-39	13	15
Perambur (C&W)	22 1952-53	17	13
<i>Northern Railway</i>			
Loco Charbagh (Lucknow)	12 1950-51	15	16
C&W (Lucknow)	14 1948-49	16	16
Gorakhpur	13 1938-39	21	18
Izatnagar	17 1948-49	13	14
<i>S.E. Railway</i>			
Kharagpur	16 1950-51	16	15
<i>Eastern Railway</i>			
Lilloosh	13 1938-39	14	16
Jamalpur	9 1938-39	12	13
Kanchrapara	14 1949-50	15	21

APPENDIX VI

Statement showing changes effected since 1950-51 as regards adjustments on account of freight on Railway materials and other Inter Departmental and Inter-Railway adjustments.

Railway materials were being carried at Public Tariff Rates, and this position continued up to 31st March, 1952.

In April, 1952 it was decided that as the Railways were not independent financial entities and had been integrated to form a unitary Indian Railway system, it was not necessary to undertake the voluminous task of apportioning earnings between the Zones. Also, adjustments for the services rendered by one Railway to another, including carriage charges of Railway Stores and Fuel, which had the effect of inflating both the Revenue and Expenditure figures by about 15 crores, were decided to be eliminated from the financial accounts but it was decided to maintain Proforma accounts for statistical and financial control. The estimates for works were to provide for freight charges for purposes of freight control but these were to be excluded from the total cost indicated in the Works Programme.

This change was the subject of discussion in Parliament during the Railway Budget for both 1952-53, and for 1953-54 on this score that the exclusion of the cost of carriage of stores in connection with capital projects from the cost was financially undesirable and the Railway Minister agreed to review the decision. A committee of three Senior Administrative Officers was appointed to review the alterations made in the accounting procedure. The Committee made the following recommendations to the Board:—

- (1) the maintenance of Proforma accounts relating to freight charges debitable to the accounts of Works had involved more work in Railway Accounts Offices and being a basic factor of cost such changes should continue to be adjusted as expenditure on works; and
- (2) The adjustment of expenditure of carriage charges for Railway stores should be based on two principles, viz.,
 - (a) charges levied should be determined on the basis of out-of-pocket costs incurred in their transport; and
 - (b) the adjustments should represent expenditure of the departments on the one hand and reduction of operation expenses on the other instead of such charges being treated as earnings of the Railway for accounting purposes.

These recommendations were accepted by the Railway Board and the following procedure was adopted:—

Freight charges on carriage of Railway stores were, with effect from 1st April 1954, levied at the following rates:—

Coal	At Public Tariff Rates
Other Merchandise.	

(a) For wagon loads.

Per M.G. or N.G. wagon mile

4 annas

Per M.G. or N.G. wagon mile

NOTE.—The basis of charge will be the number of wagons used at the starting stations.

(b) *For smalls.*

All gauges . . . 25 pie per maund per mile.

The freight charges would be reflected in the accounts of the spending departments, but instead of being credited to earnings would be taken in reduction of operation expenses and booked under Abstract 'G' separately on Coal and Railway Stores.

For purposes of budgeting, the figures of freight charges chargeable to 'Works' as well as those on "Revenue account" estimated by the spending departments will be shown separately under the various Demands against the Detailed-Heads.

Inter departmental adjustments

Inter departmental transactions between the various sub-administrative units, departments or divisions of each Railway zone broadly fall under the following heads:—

- (1) Freight charges.
- (2) Wharfage and demurrage charges.
- (3) Cost of work done in the Shops and outside.
- (4) Cost of stores.
- (5) Printing charges.
- (6) Compensation claims on departmental traffic.
- (7) Adjustment on account of advances of pay and T.A. of staff transferred.
- (8) Adjustment of Provident Fund in respect of staff transferred.
- (9) Adjustment of Transfer of Pay Orders issued.
- (10) Freight charges on grainshop stores and deposit works.

Even after the changes introduced in financial accounts with effect from the financial year, 1952-53, all the inter departmental adjustment referred to above except those for carriage of Railway stores other than grain shops and catering—stores, were not cancelled. As a corollary to the recommendations relating to freight charges on the carriage of Railway stores with effect from the financial accounts of 1954-55, inter-departmental adjustments on account of freight charges on the carriage of Railway materials have been re-introduced.

Inter-railway adjustments

Inter-Railway adjustments may be broadly classified under the following headings:—

- (1) Through traffic balances as a result of apportionment of earnings.
- (2) Freight charges adjustable between the Railways on carriage of Railway stores and fuel.
- (3) Adjustment for repair work done to Rolling Stock in the Railway Workshops.

- (4) Conference hire and penalty charges.
- (5) Hire and haulage of Rolling Stock.
- (6) Damages and deficiencies in interchanged stock.
- (7) Cost of coal and fuel and other stores including cost of components manufactured in Workshops.
- (8) Adjustment for the cost of manufacture of Rolling Stock by one Railway for another.
- (9) Debits in respect of Rolling Stock received against bulk orders placed by the Railway Board.
- (10) Traffic compensation claims payable by another Railway.
- (11) Erroneous remittance of cash earnings.
- (12) Adjustment regarding Provident Fund balance and security deposits of staff transferred from one Railway to another.
- (13) Adjustment on account of advances of pay and T.A. of staff transferred from one Railway to another.
- (14) Adjustment in respect of recoveries of Co-operative Credit Society dues from staff on deputation to other Railways.
- (15) Miscellaneous adjustments such as analytical work carried out at the laboratories or printing work in Railway Presses, electric energy supplied to other Railways, charges for I.R.C.A. share of expenditure and other publications, Railway Service Commission charges and sale of application forms, publicity expenses, interest charges on Provident and other funds, Customs Duty and Port Clearance Charges.

With the completion of integration of Indian Railways into a unified financial undertaking, it was considered that inter-railway adjustments could be abolished substantially. As a result of this decision, orders were issued abolishing inter-railway adjustments from 1952-53 but only to the extent indicated below:—

- (1) Abolition of earnings on Foreign traffic.
- (2) Freight charges for carriage of Railway stores and fuel etc., (other than grainshop and catering stores).
- (3) Charges for POH, IOH and other repairs done in Workshops for other Railways.
- (4) Conference hire and penalty charges.
- (5) Hire and haulage of locos and Rolling Stock.

The Committee appointed by the Board to review the questions referred to above also made their recommendations on the subject to the Board and as a result the following changes in accounting and financial structure of Railways have been made from 1st April 1954:—

- (1) Apportionment of earnings in respect of inter zonal traffic has been reintroduced for determining the earnings attributable to each Zone. The process has, however, been simplified by apportioning the earnings for

each Railway without segregating terminal, transshipment or short distance charges in the case of Goods and Parcels traffic and by apportioning the earnings for each class by each via *as one item* in the case of Passenger traffic.

- (2) Inter-railway adjustments are being made in respect of all transactions except the following:—
- (a) Petty adjustments not exceeding Rs. 500 are not required to be made between one Railway and another, save those relating to transfer of deposits or recoveries from staff or outsiders and receipts or issues from Stores and Manufacture suspense.
 - (b) No financial adjustments are required to be carried out between Indian Railways in respect of the following:—
 - (i) Hire and haulage and penalty on Rolling Stock (other than Conference Hire on Goods Wagons).
 - (ii) Damages and deficiencies in inter-changed stock.
 - (iii) Analytical work done in Laboratories.
 - (iv) Sale of application forms on behalf of Railways Service Commission.
 - (v) Publicity and advertisement charges.
 - (c) All other adjustments which had been eliminated prior to 1st April 1952 such as, Joint Station Agreements, Running Power Agreements, etc.
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APPENDIX VII

*Statement of expenditure on Passenger Amenities from Development Fund
for the year 1953-54*

(In thousands of Rs.)

	Central	Eastern	Northern	North-Southern Eastern	Western	Total
Water supply at stations	6,13	4,68	3,69	2,59	66	18,88
Waiting rooms and festival sheds	69	7,97	2,69	2,51	1,83	21,35
Refreshment rooms, retiring rooms and vendor's stall of all description	3,48	54	1,40	1,00	1,94	8,69
Provision and improvement of latrines	59	68	56	53	75	4,13
Extending, raising, widening, surfacing, covering and other improvements including provision of seats plantation, etc. at platforms	8,83	15,45	17,37	8,98	5,57	71,27
Provision of new over-bridges and sub-ways and extension	82	83	2,93	34	1,65	7,44
Provision of bathing facilities at stations	16	3	11	76	2	1,19
Improved station approaches including improved lighting	1,26	53	1,09	99	2,06	7,57
Improvement to existing carriages such as fans	86	17,94	1,43	4,21	17,05	49,50
Improved lighting and provision of fans for stations, platforms, waiting halls, festival sheds and vendor's stalls	2,39	3,21	2,56	23	3,80	13,26
Works coming under all these heads provided in connection with trams	6	6	8	16	—2	34
Any other works considered essential	4,12	2,47	4,65	13,82	14,00	43,25
TOTAL	29,39	54,39	38,56	36,12	49,33	2,46,87

APPENDIX VIII

*Statement showing the summary of conclusions/recommendations
Estimates Committee relating to the Ministry of Railways—
Finance and Accounts.*

S. No.	Reference to para. No. in the Report	Summary of conclusions/recommendations
1	2	3
1	6	The Committee recommend that for purposes of assessing the exact cost of the Accounts and Financial organisation, the expenditure booked thereon should be separately maintained.
2	19—20	The Committee consider that the procedure adopted for the control of expenditure on the Railways is unsatisfactory and requires improvement. In respect of revenue expenditure, the scrutiny of the money spent and control are at present limited to seeing that the budget allotments are not exceeded, that the expenditure has been properly sanctioned and that the canons of financial propriety are observed. Control is, therefore, exercised largely with a view to fulfilling the requirements of Appropriation Audit. The expenditure actually incurred is not correlated to performance and scrutiny and control are not exercised so as to see whether an increase or decrease in performance is reflected in the related items of expenditure. The Committee would observe that the services rendered by the Railways, namely transport, have a commercial value, and are measurable in quantitative terms. Moreover, they earn a revenue directly related to the quantum of the services. Managerial control would, therefore, reveal wastage and inefficiency and would also help in a flexible adjustment of expenditure almost simultaneously with changes in performance.
3	21—22	The first requirement of an efficient system of managerial control is a satisfactory system for analysing and compiling the various statistics of performance. A correlation of the expenditure with performance is the next step necessary. A mere comparison of the total expenses under any particular head either of the various units for the same period or of the same unit for different periods serves no useful purpose since these expenses are affected by very many varying factors.

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4 23 All expenditure should, as far as possible, be expressed in terms of cost per unit of service. No satisfactory unit of comparison can perhaps be evolved in most cases but that an attempt has already been made in this direction in the published Statistics Vol. II of the Annual Report on Railways wherein various service units have been adopted depending in each case on the nature of the expenditure.

5 24—29 The Committee have noticed that though voluminous statistics are available in the Railway Board's statistical publication, they do not appear to have been put to any substantial use in the control of expenditure. The Committee have, themselves undertaken a study of expenditure statistics for the year 1953-54 and have examined some 48 items pertaining both to the Broad Gauge and Metre Gauge. Certain general conclusions arrived at by the Committee as a result of this study are as shown below :—

- (i) There are wide variations in the cost of service under all the heads between the various railways during the year 1953-54.
- (ii) A comparison of the cost per unit of service during 1953-54 with 1938-39 revealed that while in the case of some services the increase has been only about 50% or so, in others the increase has been of the order of 400 to 500%.
- (iii) In almost all cases immediately after the integration of the Zonal Railways, the level of expenditure has generally risen to correspond to that of the less efficient integrated units. It appeared that steps were not taken at the time of integration to make a comparative examination of the cost of service in the integrated units to ascertain the reasons for the better performance of some of the units, and thereafter to see that the standard of performance for the better units became the standard for the integrating railways as a whole.
- (iv) Some of the railways have consistently poor performances to their credit in certain services. Attention has, therefore, particularly to be focussed on these railways and on these items of services to ascertain the particular conditions prevailing on those railways with a view to seeing how far they could be rectified.

After considering the explanations offered by the Railway Board the Committee have come to the conclusion that a completely satisfactory explanation would only

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be possible by a detailed examination of the corresponding figures at lower levels of organisation, and that a detailed examination by an expert is necessary so as to work out deviation factors for these causes by the application of which actual performance could be compared with standards.

- 6 30 The Committee consider that the present statistics comparing expenditure with performance are insufficient for an effective review since they are compiled for the Zonal Railways as a whole. They, therefore, consider that unless attention is given to performance at all levels including the lowest level, review at the highest level by itself would be practically useless.
- 7 31 The Committee realise that a number of steps, as indicated below, will have to be taken before it is possible to institute a managerial control of expenditure under Ordinary Working Expenses :—
- (i) The items of expenditure will have to be separately analysed as “controllable” and “non-controllable”.
 - (ii) It will be necessary to ascertain which statistics of performance should be correlated to the various items of expenditure.
 - (iii) An exhaustive study of the various causes affecting each of these correlated performance units will have to be carried out and a procedure for making a quantitative assessment of their effect, as far as possible worked out.
 - (iv) To facilitate expenditure control for many items of expenditure, units, such as major sheds, marshalling yards, stations etc. will have to be separately considered and individual attention paid to them.
- 8 32 The Committee wish to make it clear that they do not propose that the procedure of managerial control should be adopted in substitution of the existing system of Appropriation Control which will have to continue so long as the present form of Budget continues. They, therefore, suggest that pending reforms in the latter, the new procedure would be an addition necessary in the interests of economy of expenditure and efficiency of working.
- 9 35 The Committee are of the opinion that the Productivity Tests of capital works sanctioned on financial grounds which were held in abeyance during the war, should be reintroduced and that the application of these tests should not be confined only to items that come up now in the ordinary course, but should also apply to Works which would have come for scrutiny after 1950 if the rules had not been held in abeyance.

- 10 36 The Committee desire that Productivity Tests should be undertaken in respect of the construction of quarters for officers in the officers colony in the Diplomatic Enclave in New Delhi, which were constructed at a cost of Rs. 21.23 lakhs but the rent on which is expected to be only Rs. 12,534 per annum, that is, less than 3/4% of the capital cost. The Committee feel that this is a very low return on the capital invested and desire that a review should be undertaken of the expenditure on all such officers' quarters where the return at present is very low.
- 11 41—42 The Committee desire that a Productivity Review of expenditure on new works undertaken on grounds other than financial and charged to open Line Works (Revenue) and Development Fund should also be carried out. They further desire that the results of such reviews should be mentioned in the Reports of the Railways and where the anticipations expected at the time of incurring the expenditure are not realised, the reasons therefor and the action proposed to be taken in the matter should also be mentioned.
- 12 46—47 The Committee are very much concerned to note the very great increase in the costs of construction of new lines. They are not satisfied that the scope for economy and for reducing the cost of construction to a reasonable level is entirely limited. They, therefore, recommend that a cost analysis of some of the new lines recently constructed should be undertaken to see what positive steps could be taken to reduce costs of construction. The Committee would also like the form of Construction Accounts maintained at present to be examined by an experienced Accounts officer to see what improvements could be effected therein for the efficient control of materials consumed and labour employed. The Committee consider that such an examination would be worth while since a reduction of even two per cent in costs would mean a saving of over a crore in the Second Five Year Plan.
- 13 50 A regular analysis of Workshop statistics, not merely with reference to the performance in varying periods but also comparing the performance with that of another similar unit, should be very useful in effecting economies and improving efficiency.
- 14 51 The Committee learnt with surprise that the statistics for some of the major workshops were not readily available and it took some considerable time for the Railway Ministry to supply the information. Even then the information has not been complete.

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| 15 | 53 | The Committee note that the costs of operation in certain workshops are less than elsewhere. They consider that advantage of this lower cost of production should be taken by undertaking work for other Zonal Railways in these workshops, wherever possible. This point should also be borne in mind when locating workshops, especially those which are likely to have spare capacity after meeting the actual requirements of a particular Zone, so that, as far as possible, they might be located in those areas where costs of working are comparatively lower. |
| 16 | 54 | The Committee find that there is at present no uniformity in the statistics regarding performance maintained in the various workshops, and that full use is not being made of the information that is available. They are of the view that a detailed comparative examination of the nature proposed by them could lead to effective economies and increased efficiency. The Committee recommend that in addition to the present budgetary appropriation control, expenditure in workshops should also in future be subjected regularly to performance control, and the results for each of the major workshops indicated in the various individual Administration Reports. A general survey should also be included in the Railway Board's Annual Report. |
| 17 | 55 | The Committee suggest that the extent to which the installation of additional machinery has increased the output, efficiency and capacity of the particular machinery as well as of the workshop as a whole should be constantly watched. For this purpose the value of additional machinery installed in each of the various workshops year by year, especially where new machinery is being bought for the first time or where substantial improvements are anticipated, should be maintained separately and it should be compared with the increase in output, efficiency and capacity wherever such a comparison is possible. The results of such a comparison should also be indicated in the various Administration Reports for each of the workshops. |
| 18 | 56—57 | The Committee suggest that the principles of Productivity Test should also be applied to the expenditure on additional equipment also and, thereafter, when the work is brought into commission, the outturn should be watched to see that the anticipations in this regard have been fulfilled.

They also suggest that the results of such an analysis in each of the major workshops should also be indicated in the various Administration Reports and Report of the Railway Board. |

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- 19 58—62 The Committee would observe that it is very necessary to know in any competitive industry or commercial organisation, the cost incurred on each separate activity of the organisation and the returns accruing from it primarily for assessing efficiency. They, therefore, recommend that, before the Railways are faced with competition from other modes of transport, they ought to set about reorganising the techniques of their accounting and to adapt the modern refinements to the extent suitable to their conditions of working.
- The Committee recommend that a procedure should be worked out by an experienced Accounts Officer to implement the recommendations regarding the necessary refinements in accounting techniques.
- 20 63 The Committee would stress that the recommendation made by them regarding refinements in accounting techniques do not necessarily involve a conflict with the present requirements of Appropriation Audit. The Committee feel that the changes necessitated by application of modern Cost Accounting ideas can well be undertaken along with the present forms of accounting until such time as it may be found to be possible to modify the latter also.
- 21 64 The Committee are of opinion that there are many services for which the total costs including indirect charges could and should be worked out even within the framework of the present structure of account. They are further of opinion that the results of working should be shown in the Administration Report of the Zonal Railway as well as of the Railway Board.
- 22 65—68 The Committee observe that although the need for applying costing principles to Railway workshop accounting was stressed as long ago as 1924 by Sir Arthur Dickinson and successive Committees of Inquiry, such as the Raven Committee in 1929, the Wedgwood Committee in 1937 and the Kunzru Committee in 1947, not much progress has been made in this regard so far. The Railway workshops constitute a service department where rolling stock are repaired and maintained and considerable amounts of spare parts valued at approximately over Rs. 5 crores manufactured. For all these purposes reliable estimates of costs are necessary in order that rationalisation of methods could be adopted and inefficiency and waste could be traced and eliminated. The Committee note that an officer has been placed on special duty in October, 1955 to examine *inter alia* the procedure to be adopted for introducing a satisfactory system of costing in workshops.

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23	69	<p>The Committee suggest that in order to hasten the work of the officer placed on special duty to examine <i>inter alia</i> the procedure to be adopted for introducing a satisfactory system of costing in workshops, the following steps should be taken :—</p> <p>(i) the officer should be assisted by other officers in his work, particularly by officers who were deputed recently to undergo special courses in cost accounting etc., in workshops.</p> <p>(ii) The Implementation of their recommendation should be carried out simultaneously with the work as and when the interim reports are received.</p>
24	78	<p>The Committee have examined the present system of classification of expenditure in Railway Accounts. They find that in many respects the analysis is not sufficient and requires improvement.</p>
25	81	<p>The Committee consider that for an appreciation of the nature of improvements effected by the expenditure on Staff Amenities and Labour Welfare, it should be further classified into Hospitals, Dispensaries, Schools, Institutes etc. Similarly, the expenditure under Unremunerative Operating Improvements should be classified under Marshalling Yards, Transshipment Yards, Lengthening of Loops etc.</p>
26	82-83	<p>The Committee would point out that at the time of presenting the budget the works expenditure is shown in the Rolling Stock, Works and Machinery Programme under certain broad categories. But due to the insufficiency of classification of expenditure the actual expenditure cannot be brought out under the same detailed heads as shown in the Programme. The Committee consider this a defect which should be rectified early.</p>
27	84	<p>The Committee desire that detailed information regarding works expenditure should be shown separately for each of the Railways in the Administration Reports of the concerned Railways and of the Railway Board. To the extent possible, it should also be shown separately for each unit of working, such as the District, Division, Major Stations, Marshalling Yards etc.</p>
28	85	<p>The Committee consider that there are many minor matters in which changes in classification are required and that an examination of all such matters should be undertaken in detail and necessary changes in classification rules effected early.</p>

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29	88	The Committee consider that the main defect in the Railway Budget at present is that the funds provided are not correlated to performance. They are, therefore, of the opinion that the budget for a commercial organisation like the Railways should be a flexible one, with the estimates of expenditure closely linked with estimates of performance.
30	89	The Committee appreciate that a number of accounting changes are necessary before the form of the Railway Budget could be changed from a financial to a managerial one. Nevertheless they desire that the Ministry should undertake without delay an examination of the matter and take suitable preliminary steps to that end.
31	90	The Committee consider that there is no reason why information regarding anticipations of performance should not find a place in the Explanatory Memoranda even now, when such information is utilised to a large extent in framing the budget.
32	91	The Committee desire that the periods covered in the Explanatory Memoranda should be increased so that the trends of expenditure over a longer period under the Demands and their Sub-Heads are readily available for comparison purposes. They consider that the number of years preceeding the year under review to be covered in the Memorandum should be at least five.
33	92	The Committee would state that the present procedure for financial scrutiny and expenditure control requires vast changes with a view to improving the efficiency of working, reducing the incidence of expenditure and increasing the earnings of the Railways. They consider that the Accounts Department on whom this responsibility devolves should adopt modern techniques for this purpose, which are being constantly evolved elsewhere, with the necessary modifications to suit conditions on the Indian Railways. They realise that the changes cannot be introduced all at once but nevertheless a beginning should be made without delay.
34	93	The Committee have examined whether the present organisation on the Zonal Railways for the compilation of budget and accounts, and for rendering financial advice to the administrations is satisfactory, and have noticed that the organisation on the Zonal Railways has not been geared to meet the conditions arising from the two Five Year Plans.
35	96—100	The Committee doubt the wisdom of placing the entire burden of compiling the accounts, framing the budget and rendering financial advice on a single officer. They are, therefore, of the view that the functions at present attached to the office of the Financial Adviser and Chief

Accounts Officer should be bifurcated, and there should be two separate heads of departments ; the Chief Accounts Officer being concerned only with the compilation of accounts and for effecting the necessary check on the receipts and expenditure etc. and the Financial Adviser with the prompt compilation of budget, making available financial advice to administration, close control and review of expenditure, and to the application of improved techniques and introduction of changes in forms and procedure pertaining to accounting and finance etc.

The Committee hope that with this major organisational change the Departments would be in a position to effect an improvement in the control of expenditure etc. They consider that if one per cent. of economy of expenditure and increase in earnings could be accomplished, the total gain to the Railways would be over Rs. 5 crores annually.
