

ESTIMATES COMMITTEE

(1980-81)

(SEVENTH LOK SABHA)

FIRST REPORT

MINISTRY OF RAILWAYS

[Action Taken by Government on the Recommendations contained in the Twenty-first Report of the Estimates Committee (Sixth Lok Sabha) on the Ministry of Railways—Demands for Grants (Railways)—Restructuring of Form and Contents.]



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ESTIMATES COMMITTEE

(1980-81)

Shri S. B. P. Pattabhi Rama Rao—*Chairman*

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3. Shri Chitta Basu
4. Shri Manoranjan Bhakta
5. Shri Sontosh Mohan Dev
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8. Shri Era Mohan
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- *20. Shri Daya Ram Shakya
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22. Dr. Shankar Dayal Sharma
23. Shri Virbhadra Singh
24. Shri R. S. Sparrow
25. Dr. Subramaniam Swamy
26. Shri Tariq Anwar

*Elected w. e. f. 12-8-1980 *vice* Shri T. R. Shamanna resigned.

27. Shri R. L. P. Verma
28. Shri D. P. Yadav
29. Dr. Golam Yazdani
30. Shri Zainul Basher

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4. Shri A. N. Bhatla—*Senior Financial Committee Officer.*

**STUDY GROUP 'H' OF
ESTIMATES COMMITTEE
(1980-81)**

1. Shri S. B. P. Pattabhi Rama Rao—*Chairman*.
 2. Dr. Shankar Dayal Sharma—*Convener*.
 3. Shri Kumbha Ram Arya.
 4. Shri K. T. Kosalram.
 5. Shri B. R. Nahata.
 6. Shri Nawal Kishore Sharma.
 7. Shri Virbhadra Singh.
 8. Shri R. S. Sparrow.
 9. Shri D. P. Yadav.
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INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this First Report on action taken by Government on the recommendations contained in the Twenty-first Report of the Estimates Committee (Sixth Lok Sabha) on the Ministry of Railways—Demands for Grants (Railways)—Restructuring of Forms and Contents.

2. The Twenty-first Report was presented to Lok Sabha on 30 August, 1978. Government furnished their replies indicating action taken on the recommendations contained in that Report between 28 February, 1979, and 19 May, 1980. The replies were examined by Study Group 'H' of Estimates Committee (1980-81) at their sitting held on 19 September, 1980. The draft Report was adopted by the Estimates Committee (1980-81) on 15 November, 1980.

3. The Report has been divided into following Chapters:—

- I. Report.
- II. Recommendations that have been accepted by Government.
- III. Recommendations which the Committee do not desire to pursue in view of Government's replies.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Twenty-first Report of the Estimates Committee (Sixth Lok Sabha) is given in Appendix. It would be observed therefrom that all the four recommendations made in the Report (i.e. 100 per cent) have been accepted by Government.

NEW DELHI;
November 22, 1980
Agrahayana 1, 1902 (Saka)

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

CHAPTER I

REPORT

1.1. This Report of the Estimates Committee deals with action taken by Government on the recommendations contained in their 21st Report (Sixth Lok Sabha) on the Ministry of Railways—Demands for Grants (Railways)—Restructuring of Form and contents which was presented to Lok Sabha on 30 August, 1978.

1.2. Action taken notes have been received from the Ministry of Railways in respect of all the 4 recommendations contained in the Report. The Committee are glad to note that all the recommendations have been accepted by Government. The Committee have decided that the action taken notes may be categorised as "Recommendations/observations that have been accepted by Government" and included in Chapter II.

Performance Budgeting in Railway (Sl. No. 2-para 27)

1.3. The Committee had desired that a correlation on a broad basis between the financial inputs and physical outputs under the restructured sub-heads of Demands for Grants should be made available to Parliament along with budget estimates starting from the financial year 1979-80. The Ministry in their replies (February, 1979) stated that "a correlation on a broad basis between the financial inputs and physical outputs under the restructured sub-heads for Demands for Grants has been attempted in the Budget Estimates 1979-80".

1.4. In key to the Budget Documents 1980-81 (Railway Budget) it has been observed:

"To make the Budget serve as a useful tool of management and also to enable better appreciation of the functioning of the Railways in Parliament and elsewhere, a scheme of performance budgeting has been introduced with effect from the Railway Budget 1979-80. The performance budget seeks to present the budget of the Railways in terms of the important functions and activities. The correlation between the financial inputs and the corresponding physical outputs under major activities, is furnished as an annexure to the respective

Demand. Pending the evolution of norms of output Performance and unit costs which can be developed only after experience is gained over a period of years, it has been attempted to make available to Parliament specific volume of output under major activities and relate the same to the important sub-heads of Demands."

1.5. Referring to the recommendation of the Committee the Railway Minister in his budget speech in Lok Sabha on 16 June, 1980 stated:

"Estimates Committee (1978-79) in their 21st Report stressed that the detailed performance budgeting system should be introduced at the earliest. I have directed the Railway Board that a beginning in this direction should be made from this year."

1.6. The Committee are glad to note that a beginning has been made by the Ministry of Railways towards introduction of detailed performance budgeting and a separate annexure to the respective Demands for Grants (Railways) indicating the correlation between the financial inputs and corresponding physical outputs under major activities has been included in the Railway Budget documents. The Committee hope that the norms of output/performance and unit costs would be evolved as early as possible so as to make the performance budgeting more meaningful. The Committee also hope that the Ministry of Railways would start bringing out at the earliest a separate volume on Performance Budget, as is done by other Ministries, to facilitate an appraisal of their performance at once place.

Implementation of recommendations

1.7. The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should ensure expeditious implementation of the recommendations accepted by them. In case where it is not possible to implement the recommendation in letter and spirit, the matter may be reported to the Committee in time with reasons for non-implementation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation No. 1, Para No. 23

Restructuring the Demands for Grants on the basis of Reports of the Task Force.

23. The Committee note that in pursuance of the recommendation of the Railway Convention Committee, the Ministry of Railways propose to restructure the Demands for Grants (Railways) on the basis of the reports of the Task Force appointed by them. The restructured Demands for Grants are based on function-oriented analysis of the working expenses and plan head-wise analysis of works expenditure. The scheme of revised Demands for Grants makes each Grant distinguishable by the main activity to which it relates and the related objectives of expenditure under the Grant. The Committee have also been informed that the proposed restructuring of the Demands does not envisage any dilution in the extent of control at present being exercised by Parliament in fact; it has, it is stated, strengthened the Parliamentary Control. The Committee have further been assured that the Demands for Grants will include all the statements and annexures which are at present being included in the Demands. The Committee have no objection to the proposed restructuring of the Demands for Grants (Railways) and to their presentation in the restructured form as given in Appendix I to this Report subject to the following:

- (i) As recommended by the Task Force, Demand—No. 15 should contain an explanatory note showing separately the element of 'Interest' and 'Contribution' in the dividend paid by the Railways to General Revenues.
- (ii) The expenditure incurred on 'hospitality and entertainment expenses' by the Railway Board and the Zonal Railways should be shown separately under the respective Demands.

- (iii) As suggested by the Estimates Committee (1977-78) in their 10th Report on 'Passenger Amenities' the expenditure incurred on passenger amenities should be shown separately from that incurred on providing amenities to 'other railway users' under the relevant Demand. (LSS O.M. No. 29/2/2/EC-78 dated 30-8-1978).

Reply of the Government

The Railway Budget Estimates for 1979-80 are being presented to Parliament in the restructured Demands for Grants. The Estimates Committee's recommendations regarding "Dividend to General Revenues" "Hospitality and Entertainment Expenses" and "Outlay on Passenger Amenities" have been acted upon and the stipulated details incorporated in the Demands for Grants. (Min. of Rlys. O.M. No. 78-BC-EC/VI/21. dt 28-2-1979).

Recommendation No. 2, Para No. 27

Introduction of Performance Budgeting in Railway in the interest of Accountability to Parliament and the Public.

27. The Committee note that the Railway Convention Committee 1971 in their First Report had recommended the introduction of Performance Budgeting in Railways in the interest of proper accountability to Parliament and the public. While stressing the introduction of performance Budgeting, the Task Force, observed that the system should be so devised that "a unit of output or a number of units of output for each sub-head of Demand is established so that Performance Budgeting is integrated to the overall Demands structure. As recognised by the Task Force, the Committee agree that direct correlation of expenditure with performance might not be possible for all the Demands at present as the norms of output/performance and the unit costs can be developed only after experience has been gained over a period of years. But, as suggested by the Task Force, pending the evolution of such norms, the specific volume of output budgeted for under each sub-head of Demands should be made available to Parliament as part of the budget documents to provide a reasonable insight into the financial allocation corresponding to the work load from year to year. The Committee hope that as proposed by the Ministry, no further time will be lost in starting the practice of showing a correlation on a broad basis between the financial inputs and physical outputs under the restructured sub-heads of Demands for Grants and this information made available to Parliament along

with budget estimates starting from the financial year 1979-80. (LSS O.M. No. 29/2/2/EC/78 dt. 30-8-1978).

Reply of the Government

As desired by the Committee a correlation on a broad basis between the financial inputs and physical outputs under the re-structured sub-heads of Demands for Grants has been attempted in the Budget Estimates 1979-80. For this purpose, a separate Annexure tabulating the volume of output of the relevant performance units, railway-wise, has been incorporated to Demands 4 to 12, in Part II of the Demand Book. It has been ensured that the performance data relating to the sub-heads accounting for the bulk of expenditure under each of the above Demands are furnished in the Annexures.

[Min. of Rlys. O.M. No. 78-BC-EC/VI/21 dt. 28-2-1979]

Please see comments in para 1.6 of the Report.

Recommendation No. 3 Para No. 28

Placing of detailed performance Budget before Parliament with the Budget documents every year.

28. The Committee note that the evolution of norms of output/performance and unit costs and the detailed performance budgeting system is expected to take 3-4 years more. They feel that the completion of this process should not take so long. They stress that the detailed performance budgeting system providing meaningful data correlating costs to results should be introduced at the earliest and the detailed performance budget placed before Parliament along with the budget documents every year.

[LSS O.M. No. 29/2/2/EC/78 dt. 30-8-1978]

Reply of the Government

As stated above data regarding budgeted quantum of physical output have been furnished on a broad basis in the Budget for 1979-80. The evolution of norms of output/performance and unit costs will be attempted now in order to implement the directive regarding introduction of detailed performance budget in a phased manner.

[Min. of Rlys. O.M. No. 78-BC-EC/VI/21 dt 28-2-1979]

Recommendation No. 4 Para No. 34

Training of Staff for introduction of new reporting system from the year, 1979-80.

34. The Committee are surprised to find that in the Railways no operating targets are set for the various responsibility centres for which Railway Managers could be held accountable. The need for fixing financial and physical targets for each responsibility centre and to have a proper management reporting system to monitor and evaluate the performance against the set targets cannot be over-emphasised. It is therefore essential that the management reporting system as suggested by the Task Force in Paras 5.33 and 5.34 of its Second Report is introduced expeditiously. The committee have been informed that the Ministry of Railways consider it of utmost importance that the changes should be brought about only after the staff and officers who are at present under training are properly trained, and they therefore, propose to consider introduction of the management reporting system as recommended by the Task Force with effect from the financial year 1979-80 when the budget estimates will be fully in the new formats. The Committee would like the Ministry of Railways to ensure that the training of staff is completed well in time and the new reporting system is actually introduced from the year 1979-80).

[LSS O. M. No. 29/2/2/EC/78 dt. 30-8-1978].

Reply of the Government

The details of an integrated scheme of management reporting on the lines envisaged by the Committee are being examined and it is expected that the same will be implemented commencing with the financial year 1979-80.

[Min. of Rlys. O.M. No. 78-BC-EC/VI/21 dt. 28-2-1979]

Further information asked for

In reply to above recommendation, it has been stated that the details of an integrated scheme of management reporting on the lines envisaged by the Committee are being examined and it is expected that the same will be implemented commencing with the financial year 1979-80'.

Please state:

- (1) whether financial and physical targets for each responsibility centre have been fixed as suggested by the Estimates Committee.
- (2) whether management reporting system has been introduced with effect from this year (1979-80) and if so, whether it is on the lines of reporting system suggested by the Task Force in Paras 5.33 and 5.34 of its Second Report.

[LSS O.M. No. 29/2/78 dt. 6-2-1980]

Further reply of Government

- (1) Physical and financial targets were set on a Zonal Railway basis in 1979-80. In the current year this is being further extended to the Division, which is the basic responsibility centre, as recommended by the Task Force.
- (2) Although efforts were made to finalise a comprehensive management reporting system for the Railways, this could not be completed and the system introduced in 1979-80. In the meantime, certain further reports have been introduced so as to fill in the gaps in the existing reporting system.

Further, the recommendations of the Task Force on Budgetary Accounting and Management Practices on the Railway in regard to exception reporting and reports of performance and cost control, are being scrutinised by the respective departments for evolving suitable pro-formae and stipulating the frequency of reports to be called for. It is expected that the examination will be completed shortly and the unified reporting system introduced during the current financial year.

[Min. of Rlys. O.M. No. 78-BC-EC/VI/21 dt. 19-5-1980]

CHAPTER III

**RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES.**

NIL

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE**

NIL.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

NIL.

NEW DELHI;
November 22, 1980
Agrahayana 1, 1902 (Saka).

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

APPENDIX

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE 21ST REPORT OF ESTIMATES COMMITTEE (SIXTH LOK SABHA)

I. Total Number of recommendations.	. . . . .	4
II. Recommendations that have been accepted by Government.		
Number.	. . . . .	4
Percentage to total :—	. . . . .	100%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies.		
Number.	. . . . .	{Nil.
Percentage.	. . . . .	—
IV. Recommendations in respect of which replies of Government have not been accepted by Committee.		
Number.	. . . . .	Nil.
Percentage.	. . . . .	—
V. Recommendations in respect of which final replies of Government are still awaited.		
Number.	. . . . .	Nil.
Percentage.	. . . . .	—