

(1) Number of pages 18

(2) Date of repair 12-6-37

(3) Initials of the Referencer _____

MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. <u>847</u>	Press
<u>314</u> <u>15</u>	Mis.---
Dated <u>15-12</u>	18 <u>66</u> .

Not to be folded or roughly handled

Proceedings of the Madras Government, Public Works Department.
15th March 1866.

No. 314. Read the following Proceedings of the Government of India, in the Public Works Department, (Railway,) dated Fort William, 16th February 1866, No. 194 R :—

Apportionment of General Charges on Railways between Capital and Revenue.
Read again :—

Entry No. 19 in the Abstract Proceedings of the Government of Bombay for May 1865.

Public Works Department, No. 989 R., dated 30th October 1865.
Read also—

Letters from the Government of Bombay, Nos. 143—4, dated 15th January 1866, with enclosures.

1. OBSERVATIONS.—The Governor General in Council having observed from an entry in the Proceedings of the Bombay Government for May 1865, that it was proposed to apportion the General Agency Charges of the Bombay, Baroda, and Central India Railway in the ratio of 4 to Revenue and 1 to Capital, it was suggested to that Government, for consideration, that the apportionment should be made in the ratio of the Capital outlay to the sum of the Revenue earnings and expenditure.

2. The Government of Bombay has represented, in reply, that this principle cannot with fairness be applied to the Agent's share in the work. For, as respects Capital outlay, the Agent has only to consider whether any particular work is required, and pass the order to the Engineering or Locomotive Department, upon whom devolves the real labor of working out the design and executing the work ; whereas, as respects Revenue matters, he has to supervise the Traffic Department, and generally the whole business and correspondence of the Railway.

3. The question at issue involves a principle which is of general application to all Railways, and the Governor General in Council is desirous that an expression of opinion on the subject should be obtained from the Railway authorities throughout India. In inviting these opinions, it may be remarked that an arbitrary apportionment of the cost of general charges between Capital and Revenue is probably, under any circumstances, necessary ; for, the impossibility of ascertaining how much of the time and labor of the general establishment is devoted to matters connected with Capital or Construction, and how much to Revenue matters, may be admitted.

4. There are, however, two limits clear and defined, within which the apportionment must be made, viz. :—

1st.—When Construction outlay is going on, and before any portion of the line is opened for traffic. In this case, the general charges must of course be met from *Capital*.

2nd.—When there is no Construction outlay whatever (which may never be the case, though the outlay may become very small) and the line is open for traffic. In this case, the general charges must be met from *Revenue*.

*Proceedings of the Madras Government, Public Works Department,
15th March 1866.*

5. But when Capital and Revenue operations are mixed up, the question arises whether the transactions of the general establishments, in connection with the outlay or receipt of one Rupee, are equally laborious, whether that Rupee belongs to Capital or Revenue; and if they are not, what is the ratio that the labor in the one case bears to the labor in the other?

6. The Government of Bombay considers, in the case of the Bombay, Baroda, and Central India Railway Company, that Capital expenditure requires not more than one-fourth the labor on the part of the general establishment that Revenue transactions do; but it should be mentioned that the Agent of the Bombay, Baroda, and Central India Railway Company *apparently* is Traffic Manager as well as General Managing Agent, or if not absolute Traffic Manager, supervises that Department more closely than he does other Departments. If such be the case, the secondary apportionment of the portion of general charges against Revenue between its several sub-divisions is affected, not the primary apportionment of general charges between Capital and Revenue.

7. The Agent of the Bombay, Baroda, and Central India Railway Company, as will be seen from the letter No. 144, has proposed to apportion the "General Charges" in the ratio of Capital to Revenue expenditure. This is the system that was in force on the East Indian Railway, and in lieu of which, the Government of Bengal proposed the system suggested by the Government of India to that of Bombay, viz., division in the ratio of the Capital to the sum of Revenue expenditure and receipts.

8. The only tangible reason that has been adduced against this latter system, is in the letter of the Consulting Engineer to the Government of Bombay, viz., that Capital outlay is swelled by expensive English stores, which give the general establishment no trouble in the ordering and arranging for. But it may be remarked that the expenditure on this account is English, not Indian, and though the labor in India in connection with it is not great, it is not *nil*, whereas the apportionment, is on the Indian Capital expenditure only, or is so intended. This case, therefore, instead of being in point, rather tells the other way.

9. The Agent of the Bombay, Baroda, and Central India Railway Company, it may be remarked, is generally in favor of the apportionment of mixed charges on the expenditure under each head.

ORDER.—Ordered, that these Observations, with copies of the papers now read for the first time, be forwarded to the Governments of Madras, Bombay, Bengal, and the Punjab, with a request that an expression of opinion on the points discussed may be invited from the Railway authorities, and submitted to the Government of India with the views thereon of the Local Governments.

(Signed) C. H. DICKENS, Lieut.-Colonel, R. A.,
Secy. to the Govt. of India,

*Proceedings of the Madras Government, Public Works Department,
15th March 1866.*

Enclosure to Railway Nos. 194—6½ R of 1866.

From the Acting Secretary to the Government of Bombay, Railway Department, to the Secretary to the Government of India, Public Works Department, dated 15th January 1866, No. 143.

1. I am directed by His Excellency the Governor in Council to acknowledge your letter No. 989 R, dated 30th October 1865, relative to the apportionment of general charges between Capital and Revenue, and in reply to state that the principle laid down by the Government of India for the apportionment of charges between Capital and Revenue has already been adopted in the case of the Locomotive Department, where the labor involved may, with some fairness, be estimated according to the money expenditure.

2. This Government does not consider that this same principle can be made to apply fairly to the Agent's share in the work. With respect to Capital outlay, he has only to consider whether any particular work is required, and pass the order to the Engineering or Locomotive Department, upon whom devolves the real labor of working out the design and executing the work. But besides these, the Agent has to supervise the Traffic Department, and generally the whole business and correspondence of the Railway. And in this view, it must be remembered that the chief object of the Railway is to obtain Revenue to which the Capital expenditure is only a means; and that, eventually, the Revenue is charged with the maintenance of all Capital construction as well as of rolling-stock.

3. In the case of the Bombay, Baroda, and Central India Railway now under discussion, the line is open from end to end, and earning Revenue. All that is required for Capital Account is to complete Station accommodation and the Goods Terminus in Bombay, and the proportion charged to Capital, viz., one-fifth, seems to be fair enough, not the less so, that the recent system of accounts shows that Capital has been unduly saddled with maintenance charges in past years.

4. In the Engineering Department all charges for Establishment on open line after the first year's maintenance, are, in the first instance, debited to Revenue, but 5 per cent. on construction outlay is afterwards recovered from Capital on sanctioned estimates.

5. From the accompanying Statement it will be seen how very unreasonably the charges would be apportioned if the rule suggested by the Government of India were adopted.

Approximate Statement showing proportion of the Agency Establishment charged to Capital and Revenue under the existing rule, and under that proposed by the Government of India.

Half-years ending	Approximate Capital expenditure on all accounts in England and in India.	Revenue receipts and expenditure added together.	PROPORTION IN WHICH AGENCY CHARGES ARE PAID UNDER				PROPORTION PER HALF YEAR OF AGENCY ESTABLISHMENT AT Rs. 3,500 PER MENSEM.			
			EXISTING RULE.		GOVERNMENT OF INDIA.		EXISTING RULE.		GOVERNMENT OF INDIA.	
			Capital.	Revenue.	Capital.	Revenue.	Capital.	Revenue.	Capital.	Revenue.
	Rs.	Rs.					Rs.	Rs.	Rs.	Rs.
30 h June 1864.	48,00,000	13,26,125	23	37	192	53	8,050	12,950	16,458	4,542
31st December,,	19,00,000	13,57,054	23	37	38	27	8,050	12,950	12,279	8,721
30th June 1865	30,00,000	24,20,208	1	4	120	97	4,200	16,800	11,616	9,384

A. DELISLE, Lieut.-Colonel, R. E.,
Consulting Engineer for Railways.

Proceedings of the Madras Government, Public Works Department.
15th March 1866.

From the Acting Secretary to the Government of Bombay, Railway Department, to the Secretary to the Government of India, Public Works Department, dated 15th January 1866, No. 144.

With reference to my letter No. 143, dated 11th instant, I am directed to forward, in reply to your No. 989 R of 1865, copies of the accompanying papers relating to the apportionment between Capital and Revenue of the Establishments of the Bombay, Baroda, and Central India Railway.

From the Consulting Engineer for Railways, to the Acting Secretary to the Government of Bombay, Railway Department, dated 15th December 1865, No. 4,148.

1. I have the honor to submit the following points connected with the audit of the Bombay, Baroda, and Central India Railway, for the consideration of Government.

2. To the apportionments proposed by the Agent for the—

2. Chief Auditor and Account Departments,

3. Stores and Stores Audit Departments,

4. Revenue Audit Department,

5. Traffic Manager's do.

6. Chief Resident Engineer's Office and Account Department,

7. Locomotive Superintendents, Foremen, and Accounts Offices.

I have no objection to make, as in all these cases the principle on which they are based is a fair one.

3. With respect to the Agent's Office, I have already, in reply to a reference from the Government of India, stated our reasons for not charging the expenses of the present practice, the proportions being subject to revision annually.

4. Resident Engineer's Offices and Overseers', No. 7—I strongly recommend that the existing practice, as detailed by Captain Hancock in paragraph 5, be maintained, and hope before long to introduce the same system on the Great Indian Peninsula Railway.

5. The suggestion that the result of the previous half-year be taken as the basis for the apportionment for the succeeding one, will afford the means of making the necessary adjustments monthly, and save the great delay that otherwise takes place in effecting them at the end of the half-year. In the long run, it will practically be almost a matter of indifference whether they are based on the preceding half-year, or the current half. I beg to recommend this method for adoption.

6. The amounts required for the Imprest Accounts will be reported on by Mr. Kellner, and submitted for sanction.

7. There is no doubt that the Baroda Railway have not had full returns from the Bulsar and Bombay portion during the first year of opening, although this was in great measure due to the mismanagement of the late Agent; I would submit that some concession might reasonably be made. Captain Hancock proposes extending the maintenance to the 30th June next, which would give a further period of about seven months. It is convenient to make the change at the end of a complete half-year. I accordingly request the sanction of Government to this extension.

From the Deputy Consulting Engineer for Railways in Guzerat, to the Consulting Engineer for Railways, Bombay, dated 9th December 1865, No. 1,993.

1. I have the honor to forward a letter, No. 5,959, dated 1st instant, from the Managing Agent, Bombay, Baroda and Central India Railway Company, in which he proposes certain alterations in the existing system of appropriating cost of Establishments to Capital and Revenue, and also asks for a relaxation of the rule whereby Revenue becomes liable for maintenance charges after a line has been open for traffic for one year, in respect to the line from Bellasis road to Bulsar opened about this time last year.

2. As regards appropriation of cost of Establishments, I am now guided generally by Government Resolution No. 2,282, dated 14th November 1863.

Proceedings of the Madras Government, Public Works Department.
15th March 1866.

The following Table exhibits the existing rules side by side with those proposed by Mr. Currey:—

Department.	Existing rule for apportioning charges.	Proposed rule for apportioning charges.	Remarks.
1. Agency.	To Capital and Revenue in the proportion of mileage under construction to mileage open.	To Capital and Revenue, in the proportion of total Capital and Revenue expenditure of all the other Departments added together in each half-year.	Modified as regards Bombay, Baroda, and Central India Railway, $\frac{1}{3}$ th and $\frac{2}{3}$ ths present sanctioned proportion.
2. Offices of Chief Auditor and General Accounts.	Same as for the Agency.	To Capital and Revenue, in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half-year except the Agent.	Ditto ditto.
3. Stores Department and Stores Audit.	To Capital and Revenue, in proportion of the value of the stores consumed in each half-year on each account.	To Capital and Revenue, in the proportion of the value of the stores consumed in each half-year on each account.	Sanctioned from 1st July 1865, and partially carried out.
4. Revenue Audit Department.	Entirely to Revenue.	Entirely to Revenue.	
5. Traffic Manager's Office Line and Station Staff.	Entirely to Revenue.	Entirely to Revenue.	
6. Chief Resident Engineer's Office Establishment and Accounts Office.	To Capital and Revenue, in proportion to line under construction (including line on which maintenance is chargeable to Capital) to open line on which maintenance is chargeable to Revenue.	To Capital and Revenue, in the proportion of the total expenditure on each account in the Engineering Department in each half-year in all the Districts.	
7. Resident Engineer's Office Establishment and Superintending Overseer.	On open line on which maintenance is chargeable to Revenue, wholly to Revenue, an allowance being made for superintendence of works in progress on Capital Account on such open line at the rate of 5 per cent. on passed expenditure. On unopen line to Capital.	To Capital and Revenue, in proportion to the total expenditure on works on each account in each half-year in each respective District.	
8. Locomotive Superintendent, Foreman, and Locomotive.	To Capital and Revenue, in proportion to the total expenditure on works on each account in each half-year.	To Capital and Revenue, in proportion to the total expenditure on work on each account in each half-year.	

*Proceedings of the Madras Government, Public Works Department,
15th March 1866.*

3. It will be seen that in the Departments numbered 3, 4, 5, and 8, no alteration is suggested. With regard to the Audit and Accounts Departments (No. 2), and the Chief Resident Engineer's Office, &c., (No. 6), I consider Mr. Currey's proposed rules give a fairer apportionment of charges than the existing rules. With regard to the Agency (No. 1), I give the preference to the existing system for the following reasons:—

4. The total expenditure on Capital and Revenue is not, at present, in my opinion, by any means a fair measure of the work done by the Agent on each account. For example, all the most expensive store or (very nearly all) which are being sent out from England, such as iron-bridge materials, permanent way, locomotive engines, machinery, and such like, the cost of which is paid from the Capital, give the Agent no trouble at all, while they increase very largely the Capital expenditure.

5. The Resident Engineers' Establishments are formed of the remains of the original Department Staff, and require reduction. By limiting the cost of superintendence on Capital account on open line to a fair per-centage on work executed, and making Revenue chargeable with whatever establishment is maintained in excess, we shall soon, I hope, reduce the Railway authorities to the necessity of economizing expenditure in this branch, and I should be sorry to give up this means of control until the Establishments are reduced.

6. I recommend therefore that, for the present, the existing system be maintained as regards the apportionment of charges in the Agency, and in the Resident or District Engineers' Establishments. The others can all be sanctioned as proposed; but I should suggest the expenditure of the previous half-year being taken as a basis for settling the apportionment in order to prevent delay. This will practically make no difference.

7. Arrangements will have to be made for opening an Imprest Account with a view to provide funds for the payment of salaries, the adjustment of the charges being finally made at the close of the half-year, instead of being as now made on the monthly pay-sheets.

8. As regards the maintenance of the line from Bellasis Road to Bulsar, although I do not concur with Mr. Currey in all his arguments, I think as it has been so lately opened for goods, and as the practice on all Railways on the Bengal side is to allow maintenance to be charged to Capital for two years, it will be fair to concede the point, and allow maintenance to fall on Capital until 30th June 1866.

From the Managing Agent, B. B., and C. I. Railway Company, to the Deputy Consulting Engineer of Railways, Guzerat, dated 1st December 1865, No. 5,959.

1. With reference to your No. 1,814 of 1865, I have the honor to state that I propose that the cost of the Establishments of this Railway be appropriated to Capital and Revenue in the following manner:—

2. *Agency*—to Capital and Revenue in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half-year.

Offices of the Chief Auditor General, Accounts, and Cashier—to Capital and Revenue in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half-year, except the Agent's. The General Account's Office will be reduced, as some of the Clerks will be transferred to the new Engineering Accounts Office.

Stores Department, Stores Audit—to Capital and Revenue in the proportions of the value of the stores consumed in each half-year on each account.

Revenue Audit Department—entirely to Revenue.

Traffic Manager's Department, Line and Station Staff—entirely to Revenue.

3. With respect to the Locomotive and Engineering Establishments, Government having agreed that the sanctioned Establishments shall be limited to the "Office Establishment," and

*Proceedings of the Madras Government, Public Works Department,
15th March 1866.*

"superintendence proper;" all the remainder of the staff, being considered as working establishment, will be charged to Capital or Revenue according to the work done.

The Chief Resident Engineer will submit estimates of the "Office Establishments" and "Superintendence proper" both at Head Quarters and in each District, and the appropriation of them will be as under:—

Chief Resident Engineer's Office Establishment and Accounts Office—to Capital and Revenue in the proportion of the total expenditure on each account in the Engineering Department in each half-year in all the Districts.

Resident Engineer's Office Establishment and Superintending Overseers—to Capital and Revenue in the proportion of the total expenditure on works on each account in each half-year in each respective District.

Locomotive Superintendents, Foremen, and Locomotive Accounts Offices—to Capital and Revenue in proportions of the total expenditure on work on each account of the Locomotive and Carriage Department.

4. It will be obvious that the appropriation of most of the charges to Capital and Revenue cannot be made until the close of each half-year, and an "Imprest" Account will therefore be necessary both for Capital and Revenue; as to the amount required to be advanced under each of which head, a Report shall be sent hereafter for further consideration.

5. With respect to Minute No. 90 of the Meeting on the 9th instant, relating to the maintenance of the line between Bombay and Bulsar, which, according to the present rule, should devolve upon revenue from 1st December 1865, being one year from the date of its opening, which period it may be remarked is short, and is, as I infer from the last paragraph of Sir Charles Wood's Despatch to His Excellency the Governor General, of the 9th March 1864, two years with some Indian Railways, I beg to represent that the portion of the line in question was but partially open, *i. e.*, for passenger traffic only, on the 1st December 1864, and not for goods traffic until, say, 1st October 1865, the Company having been prevented from opening earlier for goods by the unfinished state of their goods premises in Bombay and south of Bulsar, want of engine-power, &c., which causes even now render us unable to carry all the traffic we could command from our Districts. Also that the chief reason for the rule, almost universal on Railways, that maintenance is to fall on Capital for a certain period after the opening of a line is, I apprehend, in order to avoid undue pressure upon Revenue at the outset, and give a little time after the line is reasonably completed for the traffic to get a fair start. And I therefore submit that it would be an equitable arrangement, under the exceptional circumstances of the case, not to charge the maintenance south of Bulsar to Capital from so early a date as the 1st December 1865, but to defer it for a period, say, until the 1st July 1866, which, being the commencement of a half-year, would be a convenient date to carry out the change in the accounts.

The preceding observations apply to the line from Bulsar to Bellasis Road, Passenger Station inclusive; the maintenance of the line and works south of the latter point will not become chargeable to Revenue so soon, and an arrangement shall be proposed with respect to that when the works are further advanced.

6. I shall be glad, if the foregoing appropriations to Capital and Revenue meet with the sanction of Government, to carry them out in dealing with the accounts for the current half-year.

Resolution by the Government of Bombay, in the Railway Department, dated 15th January 1866, No. 142.

From the Consulting Engineer for Railways, No. 4,148, dated 15th December 1865. Submits certain points for consideration of Government in reference to the existing system of appropriating cost of Establishments of the Bombay, Baroda, and Central India Railway to Capital

Proceedings of the Madras Government, Public Works Department.
15th March 1866.

and Revenue, and to a relaxation up to 30th June 1866 of the rule, whereby Revenue becomes liable for maintenance after a line has been opened for traffic for one year, in respect of the line from Bellasis Road to Bulsar.

RESOLUTION.—The points submitted by the Consulting Engineer for the consideration and orders of Government, are the apportionment between Revenue and Capital of the following Establishments kept up by the Railway :—

1. Agent's Office.
2. Offices of the Chief Auditor.
3. Chief Resident Engineer and his Establishment.
4. District Engineers and their Establishments.

2. The Agent proposes the charge for his own Office should be apportioned in the proportion of total Capital and Revenue expenditure of all the Departments added together in each half-year, and the same with reference to that of the Chief Auditor, omitting the adding of the Agent's Department. Government see no reason to change the present practice under which one-fifth is charged to Capital, and four-fifths to Revenue.

3. The Agent further proposes that the Chief Resident Engineer and his Establishment be charged to Capital and Revenue in the proportion of the total expenditure on works on each account in the Engineering Department in each half-year in all the Districts. And the same proportion to be observed with reference to the District Engineers and their Establishments, except that it be limited to their respective Districts.

4. Government consider that the existing rule should be continued, under which the Chief Engineer's pay is charged to Capital and Revenue, in proportion of line under construction, to open line in which maintenance is charged to Revenue. For the District Engineers on open line, on which maintenance is chargeable to Revenue, wholly to Revenue, an allowance being made for the superintendence of work on Capital Account.

5. To enable the Consulting Engineer to audit and classify charges rapidly, the suggestion that the results of the previous half-year be taken as the basis for the apportionment of the succeeding half-year's charges, is approved, and should be adopted.

6. Under the circumstances explained in these papers, Government sanction the relaxation to end of June 1866 of the rule, whereby Revenue becomes liable for the maintenance after a line has been opened for traffic for one year, in respect of the line from Bellasis Road to Bulsar.

No. 315. ORDER THEREON, 15th March 1866, No. 849.

RAILWAY, No. 37.

Communicated to the Consulting Engineer for Railways, who will obtain and submit with his own opinion, the

views of the Railway authorities on the points referred to.

(True Extract.)

(Signed) CHARLES A. ORR, Colonel, R. E.,
Secretary to Government.

To the Consulting Engineer for Railways.

Exd. S. T. Agnustin.

Enclosure to Railway Nos. 194—6th R of 1866.

No. 143, dated 15th January, 1866.

From—COLONEL W. KENDALL, R. E, Acting Secy. to Govt. of Bombay, Railway Dept.,
To—Secretary to Government of India, P. W. Dept.

I am directed by His Excellency the Governor in Council to acknowledge your letter No. 989 R, dated 30th October 1865, relative to the apportionment of general charges between Capital and Revenue, and in reply to state that the principle laid down by the Government of India for the apportionment of charges between Capital and Revenue has already been adopted in the case of the Locomotive Department, where the labour involved may, with some fairness, be estimated according to the money expenditure.

2. This Government does not consider that this same principle can be made to apply fairly to the Agent's share in the work. With respect to Capital outlay, he has only to consider whether any particular work is required, and pass the order to the Engineering or Locomotive Department, upon whom devolves the real labour of working out the design and executing the work. But besides these, the Agent has to supervise the Traffic Department, and generally the whole business and correspondence of the Railway. And in this view, it must be remembered that the chief object of the Railway is to obtain Revenue to which the Capital expenditure is only a means, and that, eventually, the Revenue is charged with the maintenance of all Capital construction as well as of rolling-stock.

3. In the case of the Bombay, Baroda, and Central India Railway now under discussion, the line is open from end to end, and earning Revenue. All that is required for Capital Account is to complete Station accommodation and the Goods Terminus in Bombay, and the proportion charged to Capital, viz, one-fifth, seems to be fair enough, not the less so, that the recent system of accounts shews that Capital has been unduly saddled with maintenance charges in past years.

4. In the Engineering Department all charges for Establishment on open line after the first year's maintenance, are, in the first instance, debited to Revenue, but 5 per cent. on construction outlay is afterwards recovered from Capital on sanctioned estimates.

5. From the accompanying Statement it will be seen how very unreasonably the charges would be apportioned if the rule suggested by the Government of India were adopted.

Approximate Statement shewing proportion of the Agency Establishment charged to Capital and Revenue under the existing rule, and under that proposed by the Government of India.

HALF-YEARS, ENDING	APPROXIMATE CAPITAL EXPENDITURE ON ALL ACCOUNTS IN ENGLAND AND IN INDIA	REVENUE RECEIPTS AND EXPENDITURE ADDED TOGETHER	PROPORTION IN WHICH AGENCY CHARGES ARE PAID UNDER				PROPORTION PER HALF YEAR OF AGENCY ESTABLISHMENT AT Rs 3,500 PER MENSEM.			
			EXISTING RULE.		GOVERNMENT OF INDIA.		EXISTING RULE.		GOVERNMENT OF INDIA.	
			Capital.	Revenue.	Capital.	Revenue.	Capital.	Revenue.	Capital.	Revenue.
30th June 1864	Rs. 48,00,000	Rs. 13,26,125	23	37	192	53	8,050	12,950	16,458	4,542
31st December "	19,00,000	13,57,054	23	37	38	27	8,050	12,950	12,279	8,721
30th June 1865	30,00,000	24,20,208	1	4	120	97	4,200	16,800	11,616	9,384

A. DELISLE, Lieut.-Col., R. E.,
Consulting Engineer for Railways.

(2)

No. 144, dated 15th January, 1866.

From—COLONEL W. KENDALL, R. E., Acting Secy. to Govt. of Bombay, Railway Dept.
To—Secretary to Government of India, P. W. Dept.

With reference to my letter No. 143, dated 1st instant, I am directed to forward, in reply to your No. 989 R of 1865, copies of the accompanying papers relating to the apportionment between Capital and Revenue of the Establishments of the Bombay, Baroda, and Central India Railway.

No. 4148, dated 15th December, 1865.

From—LIEUT.-COL. A. DELISLE, R. E., Cons. Engr. for Railways,
To—Acting Secretary to Government of Bombay, Railway Dept.

I have the honour to submit the following points connected with the audit of the Bombay, Baroda, and Central India Railway, for the consideration of Government.

2. To the apportionments proposed by the Agent for the—
2. Chief Auditor and Account Departments,
 3. Stores and Stores Audit Departments,
 4. Revenue Audit Department,
 5. Traffic Manager's
 6. Chief Resident Engineer's Office and Account Department,
 8. Locomotive Superintendents, Foremen, and Accounts offices.

I have no objection to make, as in all these cases the principle on which they are based is a fair one.

3. With respect to the Agent's Office, I have already, in reply to a reference made by the Government of India, stated our reasons for not charging the expenses according to the relative expenditure on Revenue and Capital, and recommend that the present practice be maintained for the present, the proportions being subject to revision annually.

4. Resident Engineer's Offices and Overseers', No. 7—I strongly recommend that the existing practice, as detailed by Captain Hancock in para. 5, be maintained, and hope before long to introduce the same system on the Great Indian Peninsula Railway.

5. The suggestion that the result of the previous half-year be taken as the basis for the apportionment for the succeeding one, will afford the means of making the necessary adjustments monthly, and save the great delay that otherwise takes place in effecting them at the end of the half-year. In the long run, it will practically be almost a matter of indifference whether they are based on the preceding half-year, or the current half. I beg to recommend this method for adoption.

6. The amounts required for the Imprest Accounts will be reported on by Mr. Kellner, and submitted for sanction.

7. There is no doubt that the Baroda Railway have not had full returns from the Bulsar and Bombay portion during the first year of opening, although this was in great measure due to the mismanagement of the late Agent; I would submit that some concession might reasonably be made. Captain Hancock proposes extending the maintenance to the 30th June next, which would give a further period of about seven months. It is convenient to make the change at the end of a complete half-year. I accordingly request the sanction of Government to this extension.

No. 1993, dated 9th December, 1865.

From—CAPTAIN H. F. HANCOCK, R. E., Depy. Cons. Engr. for Railways in Guzerat,
To—Consulting Engineer for Railways, Bombay.

I have the honour to forward a letter, No. 5959, dated 1st instant, from the Managing Agent, Bombay, Baroda and Central India Railway Company, in which he proposes certain alterations in the existing system of appropriating cost of Establishments to Capital and Revenue, and also asks for a relaxation of the rule whereby Revenue becomes liable for maintenance charges after a line has been open for traffic for one year, in respect to the line from Bellasis Road to Bulsar opened about this time last year.

2. As regards appropriation of cost of Establishments, I am now guided generally by Government Resolution No. 2282, dated 14th November 1863.

(3)

The following Table exhibits the existing rules side by side with those proposed by Mr. Currey:—

DEPARTMENT.	EXISTING RULE FOR APPORTIONING CHARGES.	PROPOSED RULE FOR APPORTIONING CHARGES.	REMARKS.
1. Agency.	To Capital and Revenue in the proportion of mileage under construction to mileage open.	To Capital and Revenue, in the proportion of total Capital and Revenue expenditure of all the other Departments added together in each half-year.	Modified as regards Bombay, Baroda, and Central India Railway, 1/4th and 1/4th the present sanctioned proportion.
2. Offices of Chief Auditor and General Accounts	Same as for the Agency.	To Capital and Revenue, in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half year except the Agent.	Ditto ditto.
3. Stores Department and Stores Audit.	To Capital and Revenue, in proportion of the value of the stores consumed in each half-year on each account.	To Capital and Revenue, in the proportion of the value of the stores consumed in each half-year on each account.	Sanctioned from 1st July 1865, and partially carried out.
4. Revenue Audit Department.	Entirely to Revenue.	Entirely to Revenue.	
5. Traffic Manager's Office, Line and Station Staff.	Entirely to Revenue.	Entirely to Revenue.	
6. Chief Resident Engineer's Office Establishment and Accounts Office.	To Capital and Revenue, in proportion to line under construction (including line on which maintenance is chargeable to Capital) to open line on which maintenance is chargeable to Revenue.	To Capital and Revenue, in the proportion of the total expenditure on each account in the Engineering Department in each half-year in all the Districts.	
7. Resident Engineer's Office Establishment and Superintending Overseer.	On open line on which maintenance is chargeable to Revenue, wholly to Revenue, an allowance being made for superintendence of works in progress on Capital Account on such open line at the rate of 5 per cent. on passed expenditure. On unopen line to Capital.	To Capital and Revenue, in proportion to the total expenditure on works on each account in each half-year in each respective District.	
8. Locomotive Superintendent, Foreman, and Locomotive.	To Capital and Revenue, in proportion to the total expenditure on works on each account in each half-year.	To Capital and Revenue, in proportion to the total expenditure on work on each account in each half-year.	

3. It will be seen that in the Departments numbered 3, 4, 5, and 8, no alteration is suggested. With regard to the Audit and Accounts Departments (No. 2), and the Chief Resident Engineer's Office, &c. (No. 6), I consider Mr Currey's proposed rules give a fairer apportionment of charges than the existing rules. With regard to the Agency (No. 1), I give the preference to the existing system for the following reasons:—

4. The total expenditure on Capital and Revenue is not, at present, in my opinion, by any means a fair measure of the work done by the Agent on each account. For example, all the most expensive store or (very nearly all) which are being sent out from England, such as

iron-bridge materials, permanent-way, locomotive engines, machinery, and such like, the cost of which is paid from the Capital, give the Agent no trouble at all, while they increase very largely the Capital expenditure.

5. The Resident Engineers' Establishments are formed of the remains of the original Department Staff, and require reduction. By limiting the cost of superintendence on Capital account on open line to a fair percentage on work executed, and making Revenue chargeable with whatever establishment is maintained in excess, we shall soon, I hope, reduce the Railway authorities to the necessity of economizing expenditure in this branch, and I should be sorry to give up this means of control until the Establishments are reduced.

6. I recommend therefore that, for the present, the existing system be maintained as regards the apportionment of charges in the Agency, and in the Resident or District Engineers' Establishments. The others can all be sanctioned as proposed; but I should suggest the expenditure of the previous half-year being taken as a basis for settling the apportionment in order to prevent delay. This will practically make no difference.

7. Arrangements will have to be made for opening an Imprest Account with a view to provide funds for the payment of salaries, the adjustment of the charges being finally made at the close of the half-year, instead of being as now made on the monthly pay-sheets.

8. As regards the maintenance of the line from Bellasis Road to Bulsar, although I do not concur with Mr. Currey in all his arguments, I think as it has been so lately opened for goods, and as the practice on all Railways on the Bengal side is to allow maintenance to be charged to Capital for two years, it will be fair to concede the point, and allow maintenance to fall on Capital until 30th June 1866.

No. 5959, dated 1st December, 1865.

From—C. CURREY, Esq., *Managing Agent, B., B., and C. I. Railway Company,*
To—Deputy Consulting Engineer for Railways, Guzerat.

With reference to your No. 1814 of 1865, I have the honour to state that I propose that the cost of the Establishments of this Railway be appropriated to Capital and Revenue in the following manner :—

2. *Agency*—to Capital and Revenue in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half-year.

Offices of the Chief Auditor General, Accounts, and Cashier—to Capital and Revenue in the proportions of the total Capital and Revenue expenditure of all the other Departments added together in each half-year, except the Agent's. The General Account's Office will be reduced, as some of the Clerks will be transferred to the new Engineering Accounts Office.

Stores Department, Stores Audit—to Capital and Revenue in the proportions of the value of the stores consumed in each half-year on each account.

Revenue Audit Department—entirely to Revenue.

Traffic Manager's Department, Line and Station Staff—entirely to Revenue.

3. With respect to the Locomotive and Engineering Establishments, Government having agreed that the sanctioned Establishments shall be limited to the "Office Establishment," and "superintendence proper;" all the remainder of the staff, being considered as working establishment, will be charged to Capital or Revenue according to the work done.

The Chief Resident Engineer will submit estimates of the "Office Establishments" and "superintendence proper" both at Head Quarters and in each District, and the appropriation of them will be as under :—

Chief Resident Engineer's Office Establishment and Accounts Office—to Capital and Revenue in the proportion of the total expenditure on each account in the Engineering Department in each half-year in all the Districts.

Resident Engineer's Office Establishment and Superintending Overseers—to Capital and Revenue in the proportion of the total expenditure on works on each account in each half-year in each respective District.

Locomotive Superintendents, Foremen, and Locomotive Accounts Offices—to Capital and Revenue in proportions of the total expenditure on work on each account of the Locomotive and Carriage Department.

4. It will be obvious that the appropriation of most of the charges to Capital and Revenue cannot be made until the close of each half-year, and an "Imprest" Account will therefore be necessary both for Capital and Revenue; as to the amount required to be advanced under each of which head, a Report shall be sent here after for further consideration.

5. With respect to Minute No. 90 of the Meeting on the 9th instant, relating to the maintenance of the line between Bombay and Bulsar, which, according to the present rule, should devolve upon revenue from 1st December 1865, being one year from the date of its opening, which period it may be remarked is short, and is, as I infer from the last para. of Sir Charles Wood's Despatch to His Excellency the Governor General, of the 9th March 1864, two years partially open, i. e., for passenger traffic only, on the 1st December 1864, and not for goods traffic until, say, 1st October 1865, the Company having been prevented from opening earlier traffic for goods by the unfinished state of their goods premises in Bombay and south of Bulsar, want of engine-power, &c., which causes even now render us unable to carry all the traffic we could command from our Districts. Also that the chief reason for the rule, almost universal on Railways, that maintenance is to fall on Capital for a certain period after the opening of a line is, I apprehend, in order to avoid undue pressure upon Revenue at the outset, and give a little time after the line is reasonably completed for the traffic to get a fair start. And I therefore submit that it would be an equitable arrangement, under the exceptional circumstances of the case, not to charge the maintenance south of Bulsar to Capital from so early a date as the 1st December 1865, but to defer it for a period, say, until the 1st July 1866, which, being the commencement of a half-year, would be a convenient date to carry out the change in the accounts.

The preceding observations apply to the line from Bulsar to Bellasis Road, Passenger Station inclusive; the maintenance of the line and works south of the latter point will not become chargeable to Revenue so soon, and an arrangement shall be proposed with respect to that when the works are further advanced.

6. I shall be glad, if the foregoing appropriations to Capital and Revenue meet with the sanction of Government, to carry them out in dealing with the accounts for the current half-year.

No. 142, dated 15th January, 1866.

RESOLUTION,—By the Govt. of Bombay, in the Railway Dept.

From the Consulting Engineer for Railways, No. 4148, dated 15th December 1865. Submits certain points for consideration of Government in reference to the existing system of appropriating cost of Establishments of the Bombay, Baroda, and Central India Railway to Capital and Revenue, and to a relaxation up to 30th June 1866 of the rule, whereby Revenue becomes liable for maintenance after a line has been opened for traffic for one year, in respect of the line from Bellasis Road to Bulsar.

RESOLUTION.—The points submitted by the Consulting Engineer for the consideration and orders of Government, are the apportionment between Revenue and Capital of the following Establishments kept up by the Railway :—

1. Agent's Office.
2. Offices of the Chief Auditor.
3. Chief Resident Engineer and his Establishment.
4. District Engineers and their Establishments.

2. The Agent proposes the charge for his own Office should be apportioned in the proportion of total Capital and Revenue expenditure of all the Departments added together in each half-year, and the same with reference to that of the Chief Auditor, omitting the adding of the Agent's Department. Government see no reason to change the present practice under which one-fifth is charged to Capital, and fourth-fifths to Revenue.

3. The Agent further proposes that the Chief Resident Engineer and his Establishment be charged to Capital and Revenue in the proportion of the total expenditure on works on each account in the Engineering Department in each half-year in all the Districts. And the same proportion to be observed with reference to the District Engineers and their Establishments, except that it be limited to their respective Districts.

4. Government consider that the existing rule should be continued, under which the Chief Engineer's pay is charged to Capital and Revenue, in proportion of line under construction, to open line in which maintenance is charged to Revenue. For the District Engineers on open line, on which maintenance is chargeable to Revenue, wholly to Revenue, an allowance being made for the superintendence of work on Capital Account.

5. To enable the Consulting Engineer to audit and classify charges rapidly, the suggestion that the results of the previous half-year be taken as the basis for the apportionment of the succeeding half-year's charges, is approved, and should be adopted.

6. Under the circumstances explained in these papers, Government sanction the relaxation to end of June 1866 of the rule, whereby Revenue becomes liable for the maintenance after a line has been opened for traffic for one year, in respect of the line from Bellasis Road to Bulsar.

113/11

152

27/9/86

No. 194 R.
GOVERNMENT OF INDIA,
PUBLIC WORKS DEPARTMENT.
Railway.

FORT WILLIAM, FEBRUARY 16, 1866.

Apportionment of General Charges on Railways between Capital and Revenue.

Read again:—

Entry No. 19 in the Abstract Proceedings of the Government of Bombay for May 1865.
Public Works Department No. 989 R, dated 30th October 1865.

Read also—

Letters from the Government of Bombay, Nos. 143—4, dated 15th January 1866, with enclosures.

OBSERVATIONS.—The Governor General in Council having observed from an entry in the Proceedings of the Bombay Government for May 1865, that it was proposed to apportion the General Agency Charges of the Bombay, Baroda, and Central India Railway in the ratio of 4 to Revenue and 1 to Capital, it was suggested to that Government, for consideration, that the apportionment should be made in the ratio of the Capital outlay to the sum of the Revenue earnings and expenditure.

2. The Government of Bombay has represented, in reply, that this principle cannot with fairness be applied to the Agent's share in the work. For, as respects Capital outlay, the Agent has only to consider whether any particular work is required, and pass the order to the Engineering or Locomotive Department, upon whom devolves the real labour of working out the design and executing the work; whereas, as respects Revenue matters, he has to supervise the Traffic Department, and generally the whole business and correspondence of the Railway.

3. The question at issue involves a principle which is of general application to all Railways, and the Governor General in Council is desirous that an expression of opinion on the subject should be obtained from the Railway authorities throughout India. In inviting these opinions, it may be remarked that an arbitrary apportionment of the cost of general charges

between Capital and Revenue is probably, under any circumstances, necessary; for, the impossibility of ascertaining how much of the time and labour of the general establishment is devoted to matters connected with Capital or Construction, and how much to Revenue matters, may be admitted.

4. There are, however, two limits clear and defined, within which the apportionment must be made, *viz.* :—

1st.—When Construction outlay is going on, and before any portion of the line is opened for traffic. In this case, the general charges must of course be met from *Capital*.

2nd.—When there is no Construction outlay whatever (which may never be the case, though the outlay may become very small) and the line is open for traffic. In this case, the general charges must be met from *Revenue*.

5. But when Capital and Revenue operations are mixed up, the question arises whether the transactions of the general establishments, in connection with the outlay or receipt of one Rupee, are equally laborious, whether that Rupee belongs to Capital or Revenue; and if they are not, what is the ratio that the labor in the one case bears to the labor in the other?

6. The Government of Bombay considers, in the case of the Bombay, Baroda, and Central India Railway Company, that Capital expenditure requires not more than one-fourth the labor on the part of the general establishment that Revenue transactions do: but it should be mentioned that the Agent of the Bombay, Baroda and Central India Railway Company *apparently* is Traffic Manager as well as General Managing Agent, or if not absolute Traffic Manager, supervises that Department more closely than he does other Departments. If such be the case, the secondary apportionment of the portion of general charges against Revenue between its several sub-divisions is affected, not the primary apportionment of general charges between Capital and Revenue.

7. The Agent of the Bombay, Baroda and Central India Railway Company, as will be seen from the letter No. 144, has proposed to apportion the "General Charges" in the ratio of Capital to Revenue expenditure. This is the system that was in force on the East Indian Railway, and in lieu of which, the Government of Bengal proposed the system suggested by the Government of India to that of Bombay, *viz.*, division in the ratio of the Capital to the sum of Revenue expenditure and receipts.

8. The only tangible reason that has been adduced against this latter system is in the letter of the Consulting Engineer to the Government of Bombay, *viz.*, that Capital outlay is swelled by expensive English stores, which give the general establishment no trouble in the ordering and arranging for. But it may be remarked that the expenditure on this account is English, not Indian, and though the labour in India in connection with it

is not great, it is not *nil*, whereas the apportionment is on the Indian Capital expenditure only, or is so intended. This case, therefore, instead of being in point, rather tells the other way.

9. The Agent of the Bombay, Baroda, and Central India Railway Company, it may be remarked, is generally in favour of the apportionment of mixed charges on the expenditure under each head.

ORDER.—Ordered, that these Observations, with copies of the papers now read for the first time, be forwarded to the Governments of Madras, Bombay, Bengal and the Punjab, with a request that an expression of opinion on the points discussed may be invited from the Railway Authorities, and submitted to the Government of India with the views thereon of the Local Governments.

(Signature) Lieut.-Col., R. A.,
Secy. to the Govt. of India.

To
The Secretary to Govt. of Madras
11 Dept. (Railway)

GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

RAILWAY.

To my dear friend

P. H. S. - Na.

No 494 B.

Dated February 16, 1866.

Received 3 March -

84: Dec

Order 1534/66

Apportionment of General Charges on Railways between Capital and Revenue.

3/4 - 3/5

2109819-155 March 1866

With an Ouelen -

Communicated to the Consulting
Engineer for Railways who will obtain
and submit with his own opinion
the views of the Railway authori-
ties on the points referred to.

21078719