Public Works (1897) Department.

G.O., No. 73 R

DATED 1. February 1897

Print in text.

2/2/97

[Despatch· Abstract.]

Allocation of Expenditure: Govt. of India letters replying to certain questions regarding the — incurred on new works etc, on Guaranteed Railways between Capital and Revenue; Comtd. to the Agents, Madras and S. I. Railways and to the Examiner of Railway Accounts.

1 00/3

Te 4/2/97

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

RAILWAY.

Government (1897) of Madras.

PUBLIC WORKS.

Recd. } 1897. *Enclosures*

Regd. *Spare copies*

G.O., No. 73 R., 1st February 1897.

FEBRUARY.

Allocation of Expenditure

Government of India letter replying to certain questions regarding the — incurred on new works, &c., on Guaranteed Railways between Capital and Revenue, communicated to the Agents, Madras and South Indian Railways, and to the Examiner of Railway Accounts.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

From the Agent and Manager, Madras Railway, dated 31st March 1896, No. E. 531/261.
" Agent, South Indian Railway, dated 8th April 1896, No. 301.
" Agent and Manager, Madras Railway, dated 16th April 1896, No. E. 531/309.
To the Agent, South Indian Railway, dated 16th April 1896, No. 1196.
" Agent and Manager, Madras Railway, dated 1st May 1896, No. 1381.
From the Agent, South Indian Railway, dated 6th May 1896, No. 381.
" Agent and Manager, Madras Railway, dated 7th May 1896, No. E. 531/372.
To the Agent, South Indian Railway, dated 1st July 1896, No. 81/0.

From the Officiating Joint Secretary to the Government of Madras, Public Works Department, Railway Branch, to the Secretary to the Government of India, Public Works Department, Simla, dated Ootacamund, 15th July 1896, No. 610 R.

I am directed to refer to you the following questions for orders regarding the allocation of expenditure incurred on new works, &c., on Guaranteed Railways between Capital and Revenue.

2. *Case I.*—A new work is proposed (such as the improvement of the accommodation for booking, and sheltering passengers or goods, at a small station where traffic is developing), which involves dismantling a certain amount of existing work and building new work. Under ordinary circumstances, the original cost of the dismantled work and the cost of dismantling it would be allocated to Revenue, which would also be credited with the value of the materials obtained, and the difference between the above and the total cost of the whole work would be charged to Capital. But on making the estimate, it is found that the share chargeable to Capital under the above principle is less than Rs. 1,000, the limit fixed by Circular No. V Ry. of 26th February 1889, as that below which work should not be charged to Capital, but should be considered as new minor works and charged to Revenue. The cost of the whole work is more than Rs. 1,000. How should the expenditure be allocated ?

3. The case which gave rise to the above question occurred on the Madras Railway, and the Agent and Manager allocated the estimate thus: Capital Rs. 664, Revenue Rs. 612; total Rs. 1,276. The Government Examiner considered that the circular quoted applies equally to a separate new work, and to new works undertaken conjointly with Revenue, and that its object was to prevent petty additions to the Capital accounts, and that where a large portion of the cost of a work is admittedly chargeable to Revenue, there is rather more reason why any petty additional new work should be transferred to that account than when such work is carried out separately by itself, even if the cost of the whole exceeds Rs. 1,000.

4. The Officiating Consulting Engineer concurs in the above view; and though the wording of the circular quoted is not clear on the point, still he considers that the provision in paragraph 64 of the Contract between the Secretary of State and the South Indian Railway Company, dated 24th November 1890 (copy of extract attached in the margin) sufficiently shows the intention of the Government of India, and he desired the Agent and Manager to allocate the estimate to Revenue. That gentleman, however, objects on the ground that in time past the cost of similar works has, in certain cases, been divided between Capital and Revenue, even though the Capital share has been less than Rs. 1,000. The matter is therefore referred for the orders of the Government of India.

> Provided, nevertheless, that any item of expenditure properly chargeable to Capital in accordance with this principle on any part of the open system, shall from time to time, if not exceeding Rs. 1,000, be classed as a "minor work," and be charged to working expenses within a maximum amount in each half-year of Rs. 15 per open line of railway.

5. *Case II.*—A number of independent works of similar character are proposed simultaneously at a number of different places; these cost individually less than Rs. 1,000 at each place, but in the aggregate they amount to more than that sum. Should they be lumped together and sanctioned against Capital, or should they be considered individually (even if actually sanctioned simultaneously) and charged against Revenue ?

6. The case on which this question arose was a number of new quarters for menials required at a number of small stations on the Madras Railway hitherto insufficiently provided therewith. The Agent and Manager says that these form part of a general scheme for improving the housing of the staff at the rate of so many units per annum. But the Officiating Consulting Engineer considers that (after the completion schedule of a railway has been passed) the requirements of each station should be considered separately on its own merits, and that if at any station the cost of petty additions to existing accommodation does not exceed Rs. 1,000, it should be considered as a new minor work chargeable to Revenue. The matter is therefore submitted for the orders of the Government of India.

7. *Case III.*—It is found that the aloe fence on the Madras and South Indian Railways is not satisfactory, as gaps are frequent in it even where the soil is suitable for its growth; and in any case it always dies after flowering when about twenty-five years old and has to be renewed. Consequently, it has had to be supplemented, and is gradually being superseded, by wire-fencing. How should the cost of the wire-fencing be allocated ?

8. The original cost of the aloe-fencing is variously stated as from Rs. 2–12–0 to Rs. 4–8–0 per chain of 66 feet, one side only. The wire-fencing, five wires with rail standards, is estimated to cost about Rs. 17 per chain of 66 feet, one side only. Of course, the aloe fence takes a good deal of labour to keep in order, but as this is done by the maintenance gangs; its money value cannot be stated.

9. The practice on the Madras Railway has hitherto been to do the wire-fencing gradually, and to charge it to Revenue. The Officiating Consulting Engineer considers this practice correct. The Agent, South Indian Railway, however, considers that the difference between the present cost of the new fence and the original cost of the old one (*i.e.*, approximately Rs. 14 per chain of 66 feet, one side only), should be charged to Capital. The Officiating Consulting Engineer considers this to be inadvisable, as the work is simply a substitution of one form of fence for another, and although the second form costs more than the first, still it is of a more permanent character and less costly to maintain. The matter is therefore submitted for the orders of the Government of India.

10. I am directed to add that it appears to His Excellency the Governor in Council that the tendency which is often displayed by Railway administrations in endeavouring to charge to Capital many things which, as in the above examples, might very reasonably be borne by Revenue, indicates a short-sighted policy; and, further, that it would be better if Railway administrations would use their revenue for the improvement of their property more largely than is customary in India, rather than increase their Capital account (except of course for *real extensions*, and not mere *improvements*, of the original project, *e.g.*, additions to plant, rolling stock, sidings, &c., called for by increase of traffic) for all future time.

From the Agent, South Indian Railway, dated 2nd September 1896, No. 797.

From the Secretary to the Government of India, Public Works Department (Account—Railway), to the Joint Secretary to the Government of Madras, Public Works Department, Railway Branch, dated Calcutta, the 11th January 1897, No. 27 A.R.

I am directed to acknowledge the receipt of your letter, No. 610 R., dated 15th July 1896, referring, for the orders of the Government of India, certain questions regarding the allocation of expenditure incurred on new works, &c., on Guaranteed Railways, between Capital and Revenue.

2. In reply, I am to observe as follows :—

Case I.—The view taken by the Government Examiner and Consulting Engineer is correct, as the limit of Rs. 1,000 below which works of a capital nature are chargeable to Revenue as new minor works, should be applied to the Capital share of the estimate in such cases and not to the total cost of the work.

3. *Case II.*—The question of the extent to which grouping of works in one estimate for the purpose of allocation of the cost between Capital and Revenue is permissible depends so much on the circumstances of each case that the decision to a very great extent must be left to the discretion of the sanctioning authorities on a consideration of the connection of the several works with one another. As a general indication of the principle to be followed, I am to say that similar works, whether at the same station or at several stations, may properly be grouped, as, for instance, additional signalling arrangements required at the same time and at a number of stations, also additional sleepering of bridges where the cost for each bridge may be small but in the aggregate amounts to a large sum. The grouping of items is also permissible at times in the case of works not of a similar kind, but connected by the same general idea, as, for instance, the construction of additional quarters for staff and additions to station buildings rendered necessary by the growth of traffic. It should, however, be understood that while the Government of India will not insist on the separation of items of work which can be shown to have a reasonable connection with one another, there must not, on the other hand, be any undue grouping of items which are clearly chargeable to Revenue. There is no objection to this discretion being exercised by the Consulting Engineer in respect of estimates within his power of sanction, on the understanding that in any case which seems open to doubt, or, in which the Government Examiner does not concur in the Consulting Engineer's view, the matter should be referred for the orders of the Government of Madras, or, if necessary, for the orders of Government of India.

4. *Case III.*—As the substitution of wire-fencing for the aloe-fencing appears to be a substantial improvement, the increased cost of the former on the original cost of the latter is a legitimate charge to Capital, but at the same time the Government of India consider that the practice stated to have hitherto been followed on the Madras Railway of putting up the new fencing gradually at the cost of Revenue is a good one, which might well be continued. Where, however, the substitution is made on a large scale which would involve an excessive charge against Revenue, Capital may be debited with the increased cost of the improvements.

Order—No. 73 R., dated 1st February 1897.

Communicated to the Agents, Madras and South Indian Railways, and to the Examiner of Railway Accounts for information and guidance.

(True Extract.)

(Signed) F. D. FOWLER,
Offg. Joint Secy. to Govt.,
Railway Branch.

To the Agent and Manager, Madras Railway.
„ Agent, South Indian Railway.
„ Examiner of Railway Accounts.

Exd. T. K. Narayana Aiyangar.

(A. & M. 1.)

No E531
261

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 31st March 1896.

From

The Ag. Agent and Manager,
M.R. Coy:

To

The offg. Consulting Engineer for Railways,
Madras.

Sir,

I have the honour to forward herewith an estimate with plan No. 3588 for the proposed booking office and third class waiting room at Patchur and to request that the sanction of Government may be conveyed to me for the required outlay Rupees 1,276/-, chargeable in the proportion of Rupees 664/- to Capital and Rupees 612/- to Revenue.

2. The Company's Traffic Manager writes that the want of a Booking office and third class waiting room at Patchur is much felt at present.

3. The matter was discussed at a meeting of Officers held in my office on the

15th

13th instant and approved.

4. Information, as to provision in the Budget and date on which sanction will lapse is given, on the estimate.

I have the honour to be,
Sir,
Your most Obedient Servant,

Ag: Agent & Manager.

Encl/2.

C. No. 1375
Recd. 1/4/96

7302

MADRAS RAILWAY.

From
The Agent and Manager

To
The Consulting Engineer
for Railways.

Dated

Recd.

No.

Letter to Am no 1111
9-4-96

FORM No. 21.
500—5-3-96.

EXAMINER, 133, 4-APR.96, RAILWAY ACCOUNTS, MADRAS.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 1st April 1896.

No. 1038

OFFICE NOTE.

Letter from the Agent, & Manager, Madras Railway, No. E. 531/261, dated 31st March 1896, forwarded to the Examiner of Railway Accounts, for favour of check as to allocation and budget provision.

for E. R.

1/4

EXAMINER'S REPLY.

The Capital portion of the estimate being less than Rs 1000/- the amount now allocated to that head should be dealt with as outlay on account of Revenue New Minor Works. With this modification the correct allocation of the estimate would be:—

Revenue A.IV.1 Repairs of Stations & buildings Rs 612
Revenue A.VI New Minor Works Rs 664
Total Rs 1276

(The estimate is within E.R's powers of sanction)

C.R. 6/4

Return with E.R's note
6/4

6/4

FORM No. 4

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 9 April 1896.

To

AGENT AND MANAGER, M. R.

No. 1/1111 Reply No. E531/309, dated 16.4.96

Reminders.

Encl. the Estimate refd to

SIR,

With reference to your letter No E531/261 dated 31st March 1896, I have the honor to forward the following note by the Examiner Railway Accounts Madras and to request that the estimate herewith returned, may be revised accordingly.

"The Capital portion - - - -
- - - - - - - - - - - - - -
- - - - - - Total Rs 1,276

7/4

Subject.

7/24

Serial No. 2

No. 301

South Indian Railway Co., Ld.
AGENT'S OFFICE.

TRICHINOPOLY, 8th April 1896.

From

THE AGENT,
SOUTH INDIAN RAILWAY,

To

THE Offg. CONSULTING ENGINEER
FOR RAILWAYS,
MADRAS.

Sir,

With reference to para 37 of the Inspection Report for the half year ended 30th June 1895, it is proposed, as a first instalment, to substitute wire fencing for aloe hedges at various places between miles 139/17 to 343/5 on the main line, where the aloe hedge is defective, and I have the honor to forward for sanction an estimate, No. 1778, amounting to Rs15,226/-, chargeable in the proportions of Rs12,758 to Capital and Rs2,468 to Revenue for providing 11·22 miles of wire fencing.

CR
CM 9/4

R 15226 for 11.22 mile
i.e. R 1360/. per mile.
i.e. R 17/. per chain of 66 ft
(one side only)

I have the honor to be
Sir
Your most obedient Servant
A. W. G. Shelley
Captn. R.E.,
Agent

1 Enclosure by Ry parcel

MGS

No. 1470
Recd. 9/4/96

Esh regd

GR
4/6

From
The Agent,
South Indian Railway,
Trichinopoly.

To
The Consulting Engineer for
Railways,
Madras.

Dated }
Received }

No. 189

Enclosure.

~~Letter~~ to A in No 1196
16/4/96

Form No. 21.
500—5-3-96.

SERIAL
No. 3

EXAMINER,
No. 155
11 APR. 96
Enclosures
RAILWAY ACCOUNTS, MADRAS.

Office of the Consulting Engineer for Railways,
Madras, 10th April 1896.

No. 1119

OFFICE NOTE.

Letter from the Agent, South Indian Railway, No. 301, dated 8th April 1896, forwarded to the Examiner of Railway Accounts, for favour of check as to allocation and budget provision.

10/4

for E. R.

EXAMINER'S REPLY.

14/4.

The amount allocated to Revenue in this estimate as representing the original cost of 11.22 miles of aloe fence to be removed viz Rs 2468 seems to me to be altogether inadequate. I think it is doubtful whether there would be so great a difference between the first cost of providing an aloe fence and the first cost of providing a wire fence of the ordinary type as to warrant an estimate of this kind for replacing one fence by the other being treated other than as a pure substitution, the cost of which should be borne wholly by Revenue.

E R might ask for additional information as to how the original cost of the aloe fence has been arrived at/, or if he accepts the view that this replacement ought to be treated as a pure substitution he may recommend

GR

the estimate for sanction of Govt. against Revenue. The estimate is within the powers of sanction of the Local Govt., but has not yet been approved of by the Board. It is for the Local Govt. to decide whether the estimate may be sanctioned in anticipation of the Board's approval, which has been applied for by the Agent

H Wallace
C.R. 11/4

EM

I think we may sanction the work in anticipation of Boards approval & at the same time make the enquiry suggested

CR.

H.S.F. 14/4

It seems to me that the charge to Revenue is very small. Before [illegible] CE's note [illegible] should [illegible] & ask why the Revenue should not bear the whole [illegible] [illegible] for given [illegible]

C.E.B.

(A. & M. V. c.)

Enclosures

Madras Railway Company,
AGENT & MANAGER'S OFFICE,
RAYAPURAM TERMINUS,

No. E/531

309

Madras, 16th April 1896.

From

The Ag. Agent and Manager,
Madras Railway Company.

To

The Offg. Consulting Engineer for Railways,
Madras.

Sir,

With reference to your letter No. 1111 of the 9th instant returning for revision the estimate for a booking office and third class waiting room at Patchur, I have the honour to state the Company's Chief Auditor writes as follows:-

"Government of India Circular No. V of 26th February 1889 "rules that 'works costing Rs. 1,000 each, or under, shall be "classed as Minor Works.'"

"The estimated cost of the work now in question is Rs. 1,276 "and it is correctly allocated to 'Capital' and 'Revenue' accord-"ingly as the expenditure is to be incurred upon new work and upon "alterations."

The estimate is accordingly resubmitted for sanction with the original allocation.

I have the honour to be,
Sir,
Your most obedient Servant,

Henry C West

Ag. Agent & Manager.

C.R.

C. No. 1614
Recd. 17/4/96

309

Letter to Acc. in No 1581
1-5-96

OL538

Form No. 21.
509—5-3-96.

Regn. No. 171
20 APR. 96
RAILWAY ACCOUNTS, MADRAS

Office of the Consulting Engineer for Railways,
Madras, 17th April 1896.

No. 1206.

OFFICE NOTE.

Letter from the Agent & Manager Madras Railway, No. E/531 309 dated 16th April 1896, forwarded to the Examiner of Railway Accounts, for favour of remarks.

F. Fowler
for E. R.

To Acc. No 1581
1/5/96

EXAMINER'S REPLY.

22/4.

1. The Circular in question deals with new work which under the ordinary rules of allocation would be chargeable to Capital Acct., and the limit of Rs 1000 therein laid down appears to apply equally to separate new works, or to new work undertaken conjointly with other ordinary Revenue repairs & renewals.

2. The object of the Revenue New Minor Works rules is to prevent petty additions to the Capital Acct., and where the bulk of an estimate is already chargeable to Revenue there seems to be rather more reason why any petty additional new work should be transferred to that Acct. than when such work is carried out separately by itself.

3. The allocation advised in this case was considered to be in accordance with the existing practice on the

Madras Railways see Note I to para 6(a) of the on page 18 of the Special Orders Manual [though I must admit that the practice on the Bombay Railway is different in this respect]

Omit

4 Attention is invited to Agent's letter No $\frac{6280}{1248}$ dt 8.11.89 communicating the acceptance of his Board to the New Minor Works rules, from which it appears that the Board would have had no objection to the New Minor Works limit being retained at the higher figure of Rs 2000, and from which it is to be inferred that the Board would not now object to the interpretation of the rule which would make the limit of Rs 1000 applicable to the Capital portion of a joint Estimate.

These views might be again put before the Agent & if he still objects to this reading of the New Minor Works rules E.R. might decide whether the Bombay practice may be adopted here or whether the question should be referred for a definite ruling of the Govt. of India

E W Allen
C.R. 21/4

Form No. 10.

Railway Department.

Office of the Consulting Engineer for Railways,
Madras, 16 april 1896.

To

A

No. 1196 Reply No. 381, dated 6.5.96

Reminders.

Sir,

With reference to your letter No 301 dt 8.4.96, I have the honor to forward herewith, for remarks, copy of a note× thereon by C.E. & to inquire why the whole cost should not be debited to Revenue.

× down to line—

2. In the meanwhile, the work can be put in hand.

Except C.E.'s note refd

3. The Approval of the Board of Drs is awaited JB 15/4

15/4

C.R.

FORM No. 4.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 18th May 1896.

To

AGENT AND MANAGER, M. R.

No. 1381 Reply No. E531/372, dated 7-5-96

Reminders.

× paras 1 & 4 except the portion of 13, marked to be omitted

C

27/4

Encs/2. Ch. note & Esti

Subject.

SIR,

With reference to your letter No. 309 of 16th April 1896, I have the honor to forward herewith copy of the a following note by the Examiner Rly. Accts Madras and to ~~re-~~ state that I concur in the Exr.'s views ~~[illegible] that the estimate~~ and shall be glad if you will ~~[illegible]~~ revised the Estimate, herewith returned ~~[illegible]~~ as suggested in Exmr's No. 1111 of 9th April 1896.

If however you still object to the ~~(paras 1 to 4)~~ (views taken by the ~~[illegible]~~) I shall be happy to refer the ~~matter~~ for orders of the Govt. of ~~[illegible]~~

C

W D I No. 24/4
22/4

ER

27/4

P.B. 22 A

GK

No. 381 **South Indian Railway Co., Ld.** 5

AGENT'S OFFICE,

TRICHINOPOLY, 6th May 1896.

From

THE AGENT,
SOUTH INDIAN RAILWAY,

To

THE Offg CONSULTING ENGINEER
FOR RAILWAYS,
MADRAS.

Sir,

In reply to your letter No. 1196 dated 16th April I have the honor to inform you that the cost of the aloe fencing was Rs. 2-12-0. per chain of 22 yards made up as under.

Earthwork	Rs. 1-6-0
Cost of purchasing and planting aloes.	1-6-0
	Rs. 2-12-0

2. I do not see on what grounds the new wire fence should be entirely debited to Revenue. It is a very decided improvement on a fencing which is liable to injury by fire, dies naturally after a limited life, and requires constant renewal when planted in unsuitable soil. The allocation of the estimate as first submitted is further justified by the great difference in cost between aloe and wire fencing.

I have the honor to be,
Sir
Your most obedient Servant
A. D. G. Shelley
Captain R. E.,
Agent.

MCS

Offg Agent & Manager.
13.5.96.

CK

Recd. 7/5/96

From
The Agent,
South Indian Railway,
Trichinopoly.

To
The Consulting Engineer for
Railways,
Madras.

Dated
Received
No. 189
Enclosure.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAY

Madras, 7th May 1896.

EXAMINER, RAILWAY ACCOUNTS, MADRAS.
Regr. No. 206
8 - MAY. 96
Enclosures.........

No. 1423.

OFFICE NOTE.

Letter from the Agent, South Indian Railway, No. 381, dated 6th May 1896, forwarded to the Examiner of Railway Accounts, for favour of remarks.

F. D. Forb

for E. R.

16/5.

EXAMINER'S REPLY.

ER
CMU. 8/5.

The Madras Railway Co's Chief Engineer in reporting recently on Aloe fencing gave the cost at Rs 3/8 to Rs 4/8 per chain. If however E.R is satisfied that the rate per chain as given for the S.I.R is correct, and that there is such a substantial improvement in adopting wire fencing as would warrant the difference of cost being put to Capital Acct, the allocation of the estimate may be accepted."

EWaller
CR 15/5

What is the practice on the S.I. Ry
C
21/5

Ag Agent & Manager.
13.5.96.

CR

(No. I.)
No. E531

4/5 372

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 7th May 1890.

CR

From

The Ag Agent and Manager.
Madras Railway.

To

The Offg Consulting Engineer for Railways.
Madras.

SIR,

With reference to your letter No. 1381 dated 1st May 1890 forwarding copy of a note by the Examiner Railway Accounts in regard to allocation of the Estimate for the proposed booking office and 3rd class Waiting Room at Patchur, I have the honor to subjoin a further note from the Company's Chief Auditor:—

"Replying first to para 4 of the Government "Examiner's note it may be remarked that "although the Board expressed a preference for "the practice in force previous to 1889 they agreed "at the request of the Government of India to "adopt the procedure laid down in P.W.D. "Circular No. V Railway dated 26th February 1889 "and there is no reason to suppose that they "desire other than that the latter procedure

should

(with estimate)

Henry C. Walsh
Ag Agent & Manager.

13.5.90.

CR

shoul consistently worked to.

"The following are some instances in "which sanction has been accorded to w "where "Capital" has been charged with its "share amounting to less than Rs1,000 in ea "case:-

	Works	Total Cost	Capital	Revenue	Reference to C Engineer's sanc	
					Nº	da
		Rs	Rs	Rs		
F	Extension of Platform at Pudi.	1,112	995	117	332	28.4
F	- Do - Kodur.	1,713	377	1,336	332	
K	- Do - Nandalur	1,199	684	515	"	"
H	Alteration of sidings at West end of the yard at Royapuram	1,836	562	1,274	342	3.5.9
K	Alterations & additions to Station house at Gooty	1,373	672	701	830	26.9.9
					2,709	24.8.9

"These cases show that the Estimate now in question "has been prepared in accordance with the views hither "held by Government officers as well as with the views "expressed in my letter Nº $\frac{336}{410}$ of 15th Ultimo."

2. If in the light of the additional explanation now afforded you are still unable to accept the estimate as submitted in its original form, I shall feel much obliged if you will refer the matter for the orders of the Government of India.

3. The original estimate is accordingly returned with this letter.

I have the honor to be,
Sir
Your most obedient Servant.
Henry Walsh
Ag Agent & Manager.

(with estimate)

13.5.90.

CR

1936
8/5/96

MADRAS RAILWAY.

No. 188

From
The Agent and Manager.

To
The Consulting Engineer
for Railways.

Dated
Recd.

Sanctioned in No 695 / 23.2.97

FORM No. 21.
509—5-3-96.

EXAMINER, RAILWAY ACCOUNTS, MADRAS
No. 212
11 MAY

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 9th May 1896.

No. 1451

OFFICE NOTE.

Wd
11/5

Letter from the Agent, & Manager Madras Railway, No. $\frac{E.531}{372}$, dated 7th May 1896, forwarded to the Examiner of Railway Accounts, with reference to his remarks on this ~~office~~ office Note No: 1206 of 17th April 1896.

[illegible]
for E. R.

EXAMINER'S REPLY.

S/93 R 1/2/97

13/5.

ER
CRA. 15/5

As the Company is not prepared to adopt the procedure suggested, E. R should now decide whether the Companys proposed practice, which is in keeping with that followed on the Bombay Railways, should be accepted or whether the question should be referred for the orders of the Government of India.

E Walne
13.5.96.

ER
[illegible]

OLS 116

Form No. 10.

Railway Department.

Office of the Consulting Engineer for Railways, 9
~~Madras,~~ Ooty 1st July 1896

To

Agent S.I.R.

No. 81/O Reply No. 797, dated 2/9

Reminders.

Sir,

With ref. to your No. 381 of 6.5.96 I beg to state that I find that the practice on the M. Ry. is to ~~charge~~ cost charge the cost ~~the~~ of replacing the old fence by wire or stone wall ~~to~~ ~~charged~~ to Revenue and I consider that this is the correct procedure as the work is simply a substitution of one form of fence for another and although the new form of fence ~~is more costly~~ costs more than the original one, still it is of a more permanent character & less costly to maintain in an efficient condition.

(2. I also beg to ~~[illegible]~~ remark ~~that the~~ ~~that the cost of the~~ that the Estimate for the work

(Enclo: one Estimate)

fences seem high. They state Rs 1360/- per mile ~~[illegible]~~ whereas Rs 1000/- would seem sufficient. This would appear to be largely due to the ~~high~~ prices at which the ~~old~~ materials are rated. If there are, as is presumed, old surplus materials that are lying in stores, it ~~[illegible]~~ would seem desirable to reconsider their prices.

(3, Also I would suggest for your consideration whether ~~the adoption~~ ~~of this option~~ the system of making the standard of "split rails" as adopted with much success on the M. Ry. would not be found economical on your line also.

(4, I therefore return the estimate for revision in accordance with the above remarks

28/6

Despatched on 3-7-96

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73 R 1/2

To
H.E. the Governor
Hon. Mr. Bliss
Hon. Mr. Grose.

I concur in the views expressed in paras. 2, 3, 4 and 5, which I think might be embodied in the letter to the Govt. of India.

A.S.H
~~7.6.96~~
1.7.96

Recirculated to
H.E. the Governor
Hon Mr Bliss
Hon Mr Grose
for approval to para 10 of the draft, which has been added in compliance with the above note by H.E.

CWM
8/7/96

A.S.H
11.7.96

H
14/7/96

14/7/96

Allocation between Revenue & Capital.

The general principles under which the cost of new works on Productive Public Works, particularly Railways, are to be allocated between Revenue and Capital are very illdefined, and differences of opinion on the subject often arises. Such rulings as ~~these are~~ there are, are collected in Chapter I pages 3 to 7 of the Manual of Special Orders (attached).

2. The Managers of the Railways naturally try to show the best results for their working, and are consequently inclined to charge things to Capital rather than to Revenue, and thus make the future pay rather than the present.

3. In my opinion this is a very short-sighted policy. In my opinion a railway should endeavour to improve its property more largely at the cost of Revenue than is usually ~~does~~ done in India, and to charge to Capital only the cost of such improvements as are either too large to be borne by Revenue, or which are undoubtedly extensions of the original project, e.g. large additions to Plant, Rolling Stock, Sidings, &c &c called for by large increase of traffic.

4. The practice of the Government of

of India does not however seem to go so far as this, and, generally, the -- principle appears to be that in all cases of improvements, Capital should bear the additional value of the improved structure or appliance (over - and above what the original value was), and Revenue the value of the work dismantled or condemned to scrap in order to make way for the improvement.

5. But there is a notable exception to this principle viz: that any new work which costs less than Rs. 1,000/- should be charged to Revenue, even if under the above principle it would - otherwise be charged to Capital.

6. Cases have arisen in which the Agent Madras Railway tries to avoid this rule and to charge things to Capital ~~while~~ which, under it, should I think be charged to Revenue. Personally I would prefer even to strain it in the opposite direction, and use it to charge things to Revenue which might otherwise be considered fairly chargeable to Capital.

7. I think it would be well to get a Government of India ruling on the subject and I put up a draft for approval by His Excellency and Honble Members It will be observed that I have made no expression of opinion on the part of this Government, but only of that - of the Consulting Engineer., but if H.E. the Govr. in Council wish to express an opinion it can be added

30/6/96

R. Form No. 12.

No. 610 R

B/

Government of Madras. 15-P

PUBLIC WORKS DEPARTMENT,
RAILWAY BRANCH.

To

The Secy. to the Govt. of India,
P. W. Department.
Simla.

Ooty, the 15th ~~June~~ July 1896.

For approval
H.E. the Governor
Hon. Mr. Blair
Hon. Mr. Grose

4/7/96

7/7/96

11.7.96

14/7

Sir,

I am directed to refer to you the following questions for orders regarding the allocation of expenditure incurred on new works &c, on - Guaranteed Railways between Capital and Revenue:-

2. Case I. A new work is proposed - (such as the improvement of the accommodation for booking, and sheltering passengers or goods, at a small station where traffic is developing) which involves dismantling a certain amount of existing work and building new - work. Under ordinary circumstances - the original cost of the dismantled work and the cost of dismantling it would be allocated to Revenue, which would also be credited with the value of the materials obtained, and the - difference between the above and the total cost of the whole work would - be charged to Capital. But on ~~checking~~ making the estimate it is found that the -- share chargeable to capital under the above principle is less than Rs. 1000 the

the limit fixed by Circular No. V.Ry: of 26th February 1889, as that below which work should not be charged to Capital, but should be considered as new minor works and charged to Revenue. The cost of the whole work is more than Rs.1,000/. How should the expenditure be allocated?.

3. The case which gave rise to the above question occurred on the Madras Railway, and the Agent and Manager allocated the estimate thus, Capital Rs.664/-Revenue Rs.612/-, total Rupees 1,2~~64~~76. The Government Examiner considered that the circular quoted applies equally to a separate new work, and to new works undertaken conjointly with Revenue, and that its object was to prevent petty additions to the Capital accounts, and that where a large portion of th~~is~~e cost of a work is admittedly chargeable to Revenue, there is rather more reason why any petty additional new work should be transferred to that account than when such work is carried out separately by itself, even if the cost of the whole exceeds Rs.1,000.

4. The Offg Consulting Engineer concurs ~~with~~ in the above view, and though the wording of the circular quoted is not clear on the point, still he considers that the provision in para 64 of the Contract between the Secretary of State and the South Indian Railway Company dated 24th November 1890, x (copy of extract attached in the margin) sufficiently shows the intention of the Government of India, and he desired the Agent and Manager to allocate the estimate to Revenue. That gentleman however objects on the ground that in time past the cost of similar works has ~~been~~, in certain cases, been divided between Capital and Revenue even though the Capital share has been less than Rs.1000. ~~and~~ The matter is therefore referred for the orders of the Government of India.

> x
>
> Provided nevertheless, that any item of expenditure properly chargeable to capital in accordance with this principle on any part of the open system, shall from time to time if not exceeding Rs.1000 be classed as a "minor work" and be charged to working expenses within a maximum amount in each half year of Rs.15 per open line of railway.

5. Case II. A number of independent works of similar character are proposed simultaneously at a number of different places; these cost individually less than Rs.1000 at each place, but in the aggregate they amount to more than that sum. Should they be lumped together and sanctioned against capital, or should they be considered individually (even if actually sanctioned simultaneously) and charged against Revenue?

6. The case on which the question arose was a number of new quarters for menials required at a number of small stations on the Madras Railway hitherto insufficiently provided therewith. The Agent and Manager says that these form part of a general scheme for improving the housing of the staff at the rate of so many

units per annum. But the Offg Consulting Engineer considers that (after the completion schedule of a railway has been passed) the requirements of each station should be considered separately on its own merits, and that - if ~~that~~ at any station the cost of petty additions to existing accommodation does not exceed Rs.1000, it should be considered as a New Minor work -- chargeable to Revenue. The matter is therefore submitted for the orders of the Government of India.

7. Case III. It is found that the - Aloe fence on the Madras and South Indian Railways is not satisfactory, as gaps are frequent in it even where the soil is suitable for its growth; and in any case it always dies after flowering when about 25 years old, - and has to be renewed. Consequently, it has had to be supplemented, and is - gradually being superseded by wire - fencing. How should the cost of the wire fencing be allocated?

8. The original cost of the aloe -- fencing is ~~variably~~ variously stated as from Rs.2/12 to Rs.4/8 per chain of 66 ft: one side only. The wire fencing, 5 wires with rail standards, is estimated to -- cost about Rs.17/ per chain of 66 ft: one side only. Of course the aloe fence takes a ~~great~~ good deal of labour to keep in order, but as this is done by the - maintenance gangs, its money value -- cannot be stated.

9. The practice on the Madras Railway has hitherto been to do the wire fencing gradually, and to charge it - to Revenue. The Offg:Consulting Engineer considers this practice correct. The Agent South Indian Railway, however considers that the difference - between the present cost of the new fence, and the original cost of the - old one (i.e. approximately Rs.14/- per chain of 66 ft:one side only), -- should be charged to Capital. The -- Offg:Consulting Engineer considers - this to be inadvisable, as the work - is simply a substitution of one form of fence for another, and although -- the second form costs more than the- first still it is of a more permanent character and less costly to maintain. The matter is therefore submitted -- for the orders of the Government of India.

(10) I am directed to add that it appears to H.E. the Governor in Council that the tendency which is often displayed by Railway administrations in endeavouring to charge to Capital many things which, as in the aloe example, ought very reasonably to be ~~charged~~ borne by Revenue. indicates a short-sighted

policy; and, further, that it would be better if railway administrations would use their revenue ~~more largely~~ for the improvement of their property more largely than is customary ~~usual~~ in India, rather than increase their Capital account (except of course for real extensions, and ~~not~~ ~~mere~~ not mere improvements, of the original project, e.g. additions to Plant, Rolling Stock, sidings &c to be called for by increase of traffic) for all future time

C.E.W.

8/7/96

15.7.96

Documents accompanying:

-Nil-

Director of Railway Construction.

Simla, March 1 1899.

Papers FWS
6/3/99

My dear Spring

When I was at Madras in 1896, I began drafting a note on the principles upon which works should be allocated to Revenue or Capital & endeavoured to embody them in the form of an algebraical formula and I think made it over to

Waller for scrutiny.

Has anything further been done in the matter & can you let me have it (if not required by you) and if. You can add a note of your own views on the subject I shall be glad

Yours sincerely

C. Woolens

Send with the S.O. & Mr Hodson F.J.S.O. 11/3/16

Madras
11/3/99

My dear Hodson

I send you your original Note, with Waller's comments thereon. It seems to me from a somewhat casual inspection that you had not read the letter or embodied the information therein contained in your own Note. You will therefore perhaps wish to revise the Note, so I send it without comment of my own. Waller will be with you by this time. Should you complete the Note please let me have a copy, and I should be interested in going into it.

But I do not quite agree with you about its being the right policy of Government to keep our old Guaranteed Railways' earnings as near as possible to the guarantee, in order that as low a price as possible may be paid for the line in the end. I believe in keeping down the price of the shares by preventing neglect of maintenance, but it is right to go in for anything in the form of improvement or extensions which will permanently benefit the line, for if Govt. pays a higher price in the end it is only paying for what is worth paying for, and meanwhile it is getting a fair share of the results of the improvement. I refer of course to lines which have some years yet to run. If a line was within a year or two of purchase I would lie low so as to give the investing public no idea that there was a chance of an immediate improvement of earnings likely to cause a run on the shares and a rise in their market value.

When a line has still some years to run, I cannot ignore Government's share of indirect general prosperity due to extension and improvement; and in making up Government's debit and credit account I mentally add this to its direct railway earnings and balance both against the enhanced price, if any, to be paid.

So long, of course, as net earnings do not exceed the guarantee, the price will fluctuate only with Consols and similar securities, except so far as it may be influenced by *expectation* of surplus profits. Once surplus profits begin to be paid a few shillings over the guarantee will not effect much of a rise until an extra ¼ or ½ or ¾ per cent is paid.

Yours sincerely

Francis J. E. Spring

D 13/3/99 E.

8

B/ No. 610 R dated 15.7.96
Allocation of charges between Capital and Revenue on railway works.

W3/2. 1/8

[illegible] 30.6.96 R. 27 again H.E. 9.7. R. 13/7
17.7 R. 817 [illegible] 14.7 R 14/7

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717 2/9

11

No. 797

South Indian Railway Co., Ld.

AGENT'S OFFICE,

TRICHINOPOLY, 2nd September 1896

From

THE AGENT,
SOUTH INDIAN RAILWAY,

To

THE CONSULTING ENGINEER
FOR RAILWAYS,
MADRAS.

[illegible] 7/9
[illegible] 7/9

await est.
717 7/9

Sir,

In reply to your letter No. 81/C dated 1st July, 1896, I have the honor to inform you that the rates charged for the material in stock are book rates and are but little more than half the cost of new materials. If book rates are not charged, it will be necessary for sanction to be given for the write off of the difference between the book and issue rates. Your suggestion to use split rail standards will be adopted where new materials have to be used and it is estimated that a saving of Rs 1992 will result. The estimate will therefore be reduced to Rs 13,234, and an amended estimate will be submitted.

2. As regards the question of allocation, I understand that the matter has been x referred to the Government of India for a decision, and should its ruling uphold the view you have taken I regret I shall be obliged to refer the question for the orders of my Board before I can accept the allocation of the work entirely to Revenue.

x Please see paras 7, 8 & 9 of letter to Govt. of India No. 610 R ~~[illegible]~~ 96.

73 R
1/2/97

I have the honor to be, Sir,
Your most obedient Servant

A.D.G. Shelley
Capt R.E.
Agent

M.G.S.

R. No. 3798
Recd. 3/4/96

From
The Agent,
South Indian Railway,
Trichinopoly.

To
The Consulting Engineer for
Railways,
Madras.

Dated
Received

No.
189

Enclosure.

Hlas. 14.7 R14/7

Public Works (1897) Department.

CURRENT No. 502

Order

From
The Govt. of India
P.W.D.

No. 27 AR

Dated 11th January 1897
Received 16.1.97
Enclosures
Spare copies

SUBJECT.

Allocation of expenditure incurred on new works &c on Guaranteed Rys. between Capital and Revenue

---

Passing orders on certain questions re: the

BACK PAPERS.

G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.

16/1/97

2P

All communications should be addressed to Secretary.

No. 27 A.R.

GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

ACCOUNT.

Railway.

To

The Joint Secretary to the Government of Madras,
Public Works Department, Railway branch.

Calcutta, the 11th January, 1897.

Sir,

I am directed to acknowledge the receipt of your letter No. 610 R. dated 15th July 1896, referring for the orders of the Government of India certain questions regarding the allocation of expenditure incurred on new works etc on Guaranteed Railways, between Capital and Revenue.

2. In reply, I am to observe as follows:

Case 1. The view taken by the Government Examiner and Consulting Engineer is correct, as the limit of Rs. 1,000 below which works of a Capital nature are chargeable to Revenue as new Minor works, should be applied to the Capital share of the estimate in such cases and not to the total cost of the work.

3. Case 11 The question of the extent to which grouping of works in one estimate for the purpose of allocation of the cost between Capital and Revenue is permissible depends so much on the circumstances of each case that the decision to a very great extent must be left to the discretion of the sanctioning authorities on a consideration of the connection of the several works with one another. As a general indication of the principle to be followed, I am say that similar works, whether at the same station or several stations, may properly be grouped, as, for insta

additi

additional signalling arrangements required at the same time and at a number of stations, also additional sleepering of bridges where the cost for each bridge may be small but in the aggregate amounts to a large sum. The grouping of items is also permissible at times in the case of works not of a similar kind, but connected by the same general idea, as for instance the construction of additional quarters for staff and additions to station buildings rendered necessary by the growth of traffic. It should however be understood that while the Government of India will not insist on the separation of items of work which can be shewn to have a reasonable connection with one another, there must not, on the other hand be any undue grouping of items which are clearly chargeable to Revenue. There is no objection to this discretion being exercised by the Consulting Engineer in respect of estimates within his power of sanction, on the understanding that in any case which seems open to doubt, or in which the Government Examiner does not concur in the Consulting Engineer's view, the matter should be referred for the orders of the Government of Madras, or, if necessary, for the orders of the Government of India.

4. Case 111. As the substitution of wire fencing for the aloe fencing appears to be a substantial improvement, the increased cost of the former on the original cost of the latter is a legitimate charge to Capital, but at the same time the Government of India consider that the practice stated to have hitherto been followed on the Madras Railway of putting up the new fencing gradually at the cost of Revenue is a good one, which might well be continued. Where however the substitution is made on a large scale which would involve an excessive charge against Revenue, Capital may be

debited

debited with the increased cost of the improvements.

I have the honour to be,

Sir,

Your most obedient servant,

W.S.Bisset Colonel, R.E.,

Secy. to the Govt. of India.

12.1.96

Documents accompanying:-

Nil.

P.W.C. No. 502

His Excellency the Governor
The Hon'ble Mr. Bliss, C.I.E.
The Hon'ble Mr. Grose, C.I.E.

Af/- No. 73. R dated 1.2.97.

P. W. **DEPARTMENT.**

Print Urgent

PROCEEDINGS OF THE MADRAS GOVERNMENT.

READ the following

7302 ✓

1 Letter from the agent and manager
2 Madras Railway ... ... No. $\frac{E 531}{261}$ d/ 31. 3. 96. R
3 Letter from the agent, S. I. Ry. No. 301. d/ 8. 4. 96. S2
4 — Do — Agent and manager
5 Madras Railway - ... No. $\frac{E 531}{309}$ d/ 16. 4. 96. G
6 Letter from the Cons. Engr. for Rys
7 to the agent S. I. Ry ... No. 1196 d/ 16. 4. 96. S4
Quote
8 Do — Do — to the Agent & Mana-
ger Madras Railway — No. 1381 d/ 1. 5. 96. Q
9 Letter from the agent S. I. Ry No. 381 d/ 6. 5. 96 S5
10 Letter from the Agent & Manager
11 Madras Ry — No. E $\frac{531}{372}$ d/ 7. 5. 96. L
12 Letter from the Cons. Engr. for Rys
14 to the agent S. I. Ry — No. $\frac{81}{0}$ d/ 1. 7. 96. S9
Print
Letter from the Joint Secretary
to the Govt of Madras P.W.D.
Ry branch to the Secretary
to the Govt of India P.W.D. No. 610 R. d/ 15. 7. 96 S10
Guide
Print
19 Letter from Agent S.I.R. - - - - - No. 757 d/ 2nd Septr 96 S11
Letter from — Do — No. 27. A.R. d/ 11. 1. 97 S12

Order

P. W. 40.
1,000—11-11-96.

21.1.97
22.1.97.
22.1.97
R. 29.1.97

22 P

Order thereon. H. E. Ro. R. 7 Jan 97.

J. S. H.
20.1.97

Communicated to the Agents
Madras & S. M.
^ Railway ~~Administrations~~
and to the Examiner of Rly
Accounts for information
and guidance.

Jg
26/1/97

HH 19/1/97

WBR

ER

Please say if this may be
circulated to H.E. the Governor & H.M.s

certainly HH 19/1/97

Del
18/1

To

The Agent & Manager Md Rly
" " S. M. Rly
" Examiner of Rly Accts

P 1/2/97