

GOVERNMENT OF INDIA
MINISTRY OF RAILWAYS
(RAILWAY BOARD)

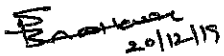
No.2019/RS(IC)/168/1Pt.1

Dated : 20.12.2019

The General Manager, All Indian Railways/Pus, NF(C), CORE
The DG/RDSO/Lucknow & NAIR/Vadodara
CAOs, DMW/Patiala, WPO/Patna, COFMOW/N.Delhi, RWP/Bela

Sub.: Expenditure reduction measures; Zero-based material planning– Review of AAC/EAR.

- 1.0 Operating Ratio (OR) of IR has been targeted at 95 % in the Budget Estimates 2019-20. Hon'ble Minister of Railways has exhorted that Railways should take all possible measures for achieving an OR of 90 % in the current year. Therefore extra efforts and additional measures are required to be made to improve the OR and to achieve the targets. Board has discussed the issue and listed the action points to achieve the targeted OR. "Zero-based material planning –Review of AAC/EAR" is one of the action points.
- 2.0 Synchronizing of procurement of items based on realistic requirement and budgetary provisions of individual indenter/user are essential to avoid extra expenditure and budgetary control. For this purpose, review of Average Annual Consumption/Estimated Annual Requirement (AAC/EAR) of Stock items should not only be undertaken on the regular basis as per the laid down guidelines but it should also be done on the basis of principle of zero- based budgeting/efficient material planning.
- 3.0 Stores Budget is not an independent budget but is derived budget. The budget for the items is prepared by the respective controlling officers under respective Primary Units (PUs) and furnished to the stores for incorporation in the stores Budget. Therefore, while fixing the AAC/EAR, it has to be ensured that total value of proposed AACs/EARs of all items is commensurate with not only with overall annual budget grant under "General purpose" and also under respective PUs.
- 4.0 However, as the budget is prepared in advance of the actual consumption period, some minimal provision for changes in requirements due to enhanced activities, supply failures, inflation etc may be kept.
- 5.0 The executive of the user department shall propose the AACs/EARs considering various factors for the period for which AACs/EARs is being proposed such as workload during the period, rolling stock holding/other assets under maintenance, changes in maintenance practices/design/ specifications, life of the item, warranty provision, trend of consumption, nature of item – whether safety/vital/must change item, any unforeseen requirement etc. Due priority and importance will be given to the safety, passenger necessity and must change items while proposing AACs/EARs. AAC of 'A' and 'B' category items should be reviewed and fixed by atleast SAG level officers of consuming department and Stores department.
- 6.0 In case of any variation in actual budget grant compared to the allotment considered for AAC/EAR fixation, necessary revision in the AACs/EARs shall be done as per the revised allotment available, ensuring the specified limits and procurement done accordingly and other appropriate action taken.
- 7.0 Immediate action as per above may be taken to undertake thorough review of AAC/EAR, expenditure done so far, current level of issues and inventories and expected issues during the year may be carried out for your Railway for the current year to achieve expenditure control. Needless to say that inventory has to be maintained at optimum levels throughout the year and not only at FY closing.
- 8.0 This exercise may be completed within a month and feedback given to Board accordingly.
- 9.0 This letter is issued with the concurrence of Finance Directorate of Railway Board.


SORS(IC)
Railway Board

No.2019/RS(IC)/168/1Pt.1

New Delhi, dated: 20.12.2019

1. PFAs, All Indian Railways & Production Units
2. The ADAI (Railways), New Delhi


for Financial Commissioner / Railways

1. The PCMMs, PCEs, CMEs, CEEs, CSTE, All Indian Railways & PUs, RCF/RBL/NDLS, COFMOW, CORE, WPO and RWP/Bela
2. The Directors-
 - a. Indian Railway Institute of Sig. Engg. & Telecom, Secunderabad.
 - b. Indian Railway Institute of Mech. & Elec. Engg., Jamalpur.
 - c. Indian Railway Institute of Elect. Engg., Nasik.
 - d. Indian Railway Institute of Civil Engg., Pune.
 - e. Indian Railway Institute of Traffic Management, Lucknow
3. Sr.Prof. (Materials Management), NAIR, Vadodara
4. MD, CRIS, Chanakya Puri, New Delhi
5. MD, RITES, RITES Bhawan, Sector -29, Gurugram
6. Director, Iron & Steel, 3, Koila Ghat Street, Kolkata.
7. Executive Director (Stores), RDSO, Manak Nagar, Lucknow.
8. Chief Commissioner Railway Safety, Lucknow.
9. Zonal Railway Training Institute, Sukadia Circle, Udaipur


SORS(IC)
Railway Board
20/12/19

Copy to:- PSOs / Sr. PPSs / PPS / PS to

1. MR, MoS(S), MoS(G), ED(Co-ordination)/MoS(G)
2. CRB, FC, ME, MTR, MRS, MS, MT, SECY., DG(RS), DG(S&T), DG(Personnel),
DG/RHS, DG/RPF
3. All AMs and PEDs & All Executive Directors of Railway Board.
