13

STANDING COMMITTEE ON RAILWAYS
(2016-17)

SIXTEENTH LOK SABHA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

DEMANDS FOR GRANTS
(2017-18)

THIRTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 2017/ Phalguna, 1938 (Saka)

S.C.R. No.207

THIRTEENTH REPORT

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(2016-17)

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(RAILWAY BOARD)

DEMANDS FOR GRANTS

(2017-18)

Presented to Lok Sabha on 10.03.2017

Laid in Rajya Sabha on 10.03.2017

LOK SABHA SECRETARIAT

NEW DELHI

March, 2017/ Phalguna, 1938 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON RAILWAYS (2016-17)

Shri Sudip Bandyopadhyay - Chairperson

MEMBERS

LOK SABHA

2. Vacant*
3. Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Gaurav Gogoi
6. Shri Sudheer Gupta
7. Shri Chandra Prakash Joshi
8. Shri Ramesh Kaushik
9. Shri Gajanan Chandrakant Kirtikar
10. Shri Balabhadra Majhi
11. Shri K.H. Muniyappa
12. Shri A.T. Nana Patil
13. Shri R. Radhakrishnan
14. Shri M. Raja Mohan Reddy
15. Shri Lakhanlal Sahu
16. Prof. (Dr.) Ram Shanker
17. Shri G.M. Siddeshwara
18. Shri Ganesh Singh
19. Shri Uday Pratap Singh
20. Shri Narasimham Thota
21. Shri S.R. Vijayakumar

RAJYA SABHA

22. Shri A.K. Antony
23. Shri Ranvijay Singh Judev
24. Shri Shwait Malik
25. Shri Satish Chandra Misra
26. Shri Mukut Mithi
27. Shri Garikapati Mohan Rao
28. Shri T. Rathinavel
29. Shri Bashistha Narain Singh
30. Shri Alok Tiwari
31. Shri Motilal Vora

Constituted w.e.f. 01.09.2016 vide Lok Sabha Bulletin Part II No.4105 dated 15.09.2016

* Shri E. Ahmed passed away on 01.02.2017 (Ref.: Lok Sabha Sectt. NotificationNo.24/4(1)/2017/T(B) dated 01.02.2017).

LOK SABHA SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri Arun K.Kaushik	-	Director
3.	Dr. Mohit Rajan	-	Committee Officer

INTRODUCTION

I, having been authorised by the Standing Committee on Railways (2016-17) to present the Report on their behalf, present this Thirteenth Report of the Standing Committee on Railways on 'Demands for Grants (2017-18) of the Ministry of Railways'.

2. This Report is based on facts and figures submitted by the Ministry of Railways and the depositions made by the representatives of the Ministry of Railways (Railway Board) before the Committee on 14.02.2017. The Committee considered and adopted the Report at their sitting held on 09.03.2017. Minutes of the related sittings are given in the Appendix to the Report.

3. The Committee wish to express their thanks to the officers of the Ministry of Railways (Railway Board) for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants (2017-18). They would also like to place on record their appreciation for the assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi;	**GANESH SINGH**
09, March, 2017	**Authorized Signatory**
18 Falguna, 1938 (Saka)	**Standing Committee on Railways**

PART – I

INTRODUCTORY

The first step towards a new age was initiated on 16 April, 1853 when the first train was flagged off from Bombay (Mumbai) to Thane, to cover a distance of 34 kms with 14 coaches and 400 passengers. In the year 1880 Indian Railway system had a route length of 14400 kms. Looking at the growing need, Railway Board was formed in 1901. At the time of independence, India inherited rail network of 55,000kms. Indian Railways was formed by amalgamation of 42 railways owned by the former Indian princely states. In 1952, the existing rail networks were divided into six Zones for administrative purpose. Further with prospering of the economy, 1985 onwards Indian Railway phased out steam locomotives to allow for electric and diesel locomotives in their place.

2. Today, Indian Railways is a departmental commercial undertaking of the Government of India under the overall control of the Railway Board. The Indian Railway system is managed through 17 zones and 68 operating divisions. There are eight production units engaged in the manufacture of rolling stock and other related items. The Research, Designs and Standards Organization (RDSO) is the sole research and development wing of the Indian Railways, functioning as the technical advisor and consultant to the Ministry, Zonal Railways and Production Units with the status of a Zonal Railway. The Indian Railway has several Public Sector Undertaking/affiliated organisations working under the overall control of the Ministry of Railways. A nation-wide rail infrastructure covering tracks, stations, sidings, freight terminals, locomotives, coaches, wagons and infrastructure inputs like signalling, telecom, electrical installations, maintenance workshops, etc., provide the best of railway service. The Indian Railways with their 66687 route kms of track (2015-16) is continuously widening their network.

3. Some of the vital statistics of Indian railways defining their journey since 1950 till 2015-16 are as under (as per Year Book 2015-16):

Sr. No	Item	Unit	1950-51	2015-16
1	Rail Kilometres	Kms	53,596	66,687
2.	Electrified Route Kilometre (All gauges)	Kms	388	23,555
3.	Number of Locomotives			
	Steam	(in Units)	8,120	39
	Diesel	(in Units)	17	5,869
	Electric	(in Units)	72	5,214
	Total	(in Units)	8,209	11,122
4.	Number of Wagons	(in Units)	2,05,596	2,51,256
5.	Number of Coaches	(in Units)	19,628	70,241
6.	Number of Employees	Nos.	9,14,000	13,31,000
7.	Passenger Originating	Millions	1,284	8,107
8.	Passenger Kilometres	Millions	66,517	11,43,039
9.	Average Rate per PKMs	Paise	1.48	38.74
10.	Tonnes originating	Millions	73.2	1,101.51
11.	Frieght NTKMs	Millions	37,565	6,54,481
12.	Average rate per NTKMs	Paise	3.16	163.4
13.	Gross Revenue Receipts	In crore	263.30	168379.60
14.	Working expenses including miscellaneous	In crore	215.74	149151.13
15.	Net Revenue Receipts	In crore	47.56	1922.48
16.	Operating Ratio	In percent	81.00	90.5
17.	Excess/shortfall	In crore	+15.05	+10505.97
18.	Number of Passenger trains runs daily	Nos.		13,313

19.	Number of Goods trains runs daily	Nos.		9,212
20.	Number of Passenger carried per day	Millions		22.21
21.	Earnings per million tonne	In Crore		97.09

MERGER OF RAIL BUDGET WITH UNION BUDGET

4. As a reform, the Railway Budget has now been merged with the Union Budget 2017-18 as against the convention of presenting it separately since 1924 on the basis of recommendations of the Acworth Committee. Though the Railway Budget was presented separately to Parliament, the figures relating to the receipts and expenditure of the Railways were also shown in the General Budget. While presenting the Budget 2017-18 on 1st February, 2017, Finance Minister stated as under:

"....the merger of the Railways Budget with the General Budget is a historic step. We have discontinued the colonial practice prevalent since 1924. This decision brings the Railways to the centre stage of Government's fiscal policy and would facilitate multi modal transport planning between railways, highways and inland waterways. The functional autonomy of Railways will, however, continue....."

5. During the deliberation, the representatives of the Ministry submitted before the Committee as under:-

"The Government perhaps felt that there is no need of a separate budget because some of the other ministries were having the budget which was even of larger size than that of defence. Merger of the budget is basically expected to synergize the investment in different modes of transport like roadways, waterways, railways, and civil aviation. Government has assured that by simply of merger of budget, the financial autonomy of the budget will not be affected and direct advantage to Railways would be that there would be no dividend and Government would continue to support on capital infrastructure by GBS."

6. Regarding the basis of merger, it was informed that a Committee constituted by the Ministry of Railways under the Chairmanship of Dr Bibek Debroy, Member Niti Aayog on restructuring of the Ministry of Railways recommended that the present system of a separate Budget for Railways should be phased out and merged with General Budget. The paper on 'Dispensing with the Railway Budget' prepared separately by Dr Bibek Debroy along with Shri Kishore Desai, reiterated the merger of Railway Budget. In the paper, the merger has been argued mainly on the following grounds:-

- Historical factors leading to Acworth Committee's recommendations in 1921 for separation of Railway Budget from the General Budget do not hold good now, size of Railway Budget being much smaller compared to Union Budget. (used to be more than 50% of the General Budget, has reduced in the range of 9 - 10 % presently)
- Separate Railway Budget has led to excessive populism especially in the matter of fare fixation and selection and funding of projects.
- Separate Railway Budget has failed to achieve commercialisation of Railway for generation of adequate funds for projects or make it accountable for delivery of services.

The issues raised in the above report and paper were thoroughly examined in the Ministry of Finance in consultation with the Ministry of Railways. The Joint Committee of both the Ministries constituted in this regard gave its report on 07.09.2016. The Government on 21st September, 2016 decided to merge Railway Budget with the General Budget.

7. The Committee desired to know about the arrangements for the merger, the Ministry in their written replies submitted the broad outline of merger as approved by Government as under :

- The Railways will continue to maintain its distinct entity as a departmentally run commercial undertaking as at present.
- Railways would be allowed to retain its functional autonomy. The delegation of

financial power rules, and powers to sanction works would continue as per existing guidelines.

- The existing financial arrangement will continue wherein Railways meet all its revenue expenditure, including Ordinary Working Expenses and Pension, from its revenue receipts.
- Railways will be exempted from payment of dividend to Government of India and its Capital-at-charge would stand wiped off. Similarly the need for subsidy payment to Railways by Government of India would also be discontinued. The reimbursement of losses on operation of strategic lines to Ministry of Railways will also discontinue. At present (till 2016-17) operational losses on strategic lines are being reimbursed to Railways by Ministry of Finance.
- Ministry of Finance will provide Gross Budgetary Support (GBS) to Railways for incurring a part of its capital expenditure.
- Railway may raise resources through EBR to the extent agreed by the Ministry of Finance for financing its Capex.
- Social Service Obligations (SSO) would presently continue to be borne by Railways. This would be reviewed for deciding future course of action.
- A separate Statement of Budget Estimates and Demand for Grant, including both Revenue and Capital expenditure, will be created for Railways in General Budget.
- Ministry of Finance will present single Appropriation Bill including the estimates of Railways to Parliament.
- Expenditure Budget will contain section on Railways bringing out a gist of Railway financials.
- All legislative works relating to Demand for Grant and the Appropriation Bill of the Union Government will be carried out by the Ministry of Finance.

8. On being asked about the advantages of merger of the Railway Budget with the General Budget, the Ministry furnished the following points:

- The merger of Railway Budget would bring Railways to the centre stage of

Government's Fiscal Policy.

- Merger of Railway Budget would facilitate multi modal transport planning between highways, Railways and inland waterways.
- Merger of Rail Budget would reduce political pressures for financially unviable projects and would make the Railways accountable for timely delivery by avoiding thin spread of resources leading time and cost overruns.
- Railways may no longer be required to pay dividend on Capital-at-charge to the general revenues.
- Presentation of a single Budget and Appropriation Bill, including the Railways would save precious time of Parliament by not having to hold separate discussions on consideration and passing of separate Budgets and Bills.
- The estimates of MoR will also be scrutinized by MoF in greater detail for better allocation of resources.

9. The Committee enquired about the financial implications of the merger of budget, in response the Ministry put forward their submission that the Railway Budget has been merged with the General Budget with the premise that the Railways will continue to maintain its distinct entity as a departmentally run commercial undertaking as at present. Railways will retain its functional and financial autonomy. The delegation of financial power rules, and powers to sanction works would continue as per the existing guide lines.

The existing financial arrangement will continue wherein Railways meet all its revenue expenditure from its revenue receipts. The Government will provide Gross Budgetary Support (GBS) to Railways for incurring its capital expenditure, which the MOR may further supplement through its internal resources and EBR.

Chiefly, this merger has provided a saving in the Parliamentary and Legislative aspects of presenting a separate Railway Budget and provided a basis for a closer scrutiny and examination of Railway finances by the Ministry of Finance. This will also afford an opportunity to the Government to plan an integrated transport policy for the country. Thus apparently, the merger of Railway Budget with the General Budget, seems pragmatically a step in the right direction. The Railways do not see any issues with the merger per se. Apart from this, one direct financial benefit that has come to the Railways in the post merger scenario is the exemption in payment of dividend to the General Exchequer. This is likely to give a saving of about ₹4,500 crore to the Railways on continuing basis.

10. Further, the Ministry was asked to provide the information on the impact of change in Budgetary process and policies on the implementation of the schemes and infrastructure project initiatives of Railways. In their written replies to the Committee, the Ministry stated as under:

> 'Arrangements of merger as approved by Government provide that the Railways will continue to maintain its distinct entity as a departmentally run commercial undertaking as at present. Railways has also been allowed to retain its functional, and financial autonomy. The delegation of financial power rules, and powers to sanction works would continue as per the existing guidelines. Thus the merger will not in a major way affect the budgetary process and policies in implementation of the schemes and infrastructure project initiatives being undertaken by the Ministry.'

DEMANDS FOR GRANTS (2017-18)

Situation before Merger of Rail Budget with Union Budget

11. The estimates of expenditure from the Consolidated Fund included in the Budget Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants. There were 16 Demands for Grants of Railways. Demands 1 & 2 represented expenditure on Railway Board, surveys, studies, centralized training institutes, Railway Recruitment Boards and other attached and subordinate organisations, etc. Demands 03 to 13 represented mainly the Working Expenses of the zonal railways, cater to various activities. Demand 14 stood for appropriation of Railway revenue left after meeting expenditure under Demands 1 to 13 to various Railway Funds. The payment to be made to General Revenue on account of Dividend and repayment of Loan taken along with interest etc. were provided under Demand No.15. The capital expenditure on expansion & modernisation of Railways was provided under Demand No.16. Each

Demand for Grant had further been divided into Minor-heads and Sub-heads representing further division of the activity. The scheme of Demands for Grants had two way classification one representing 'activity' and the other 'unit of object of expenditure' called Primary Units.

12. The abovementioned format of Railways' Demands for Grants came into being in 1979-80 as prescribed by the Estimates Committee (1978-79) in its Twenty-First Report for the year 1978. Though the Railway finance, accounts and budget assumed separate identity for the sake of functional independence, the same also remained as integral part of the Union Finance. The Minor-heads of the Railways have also been a part of 'List of Major and Minor heads (LMMH) of CGA with some modification adopted for functionality sake with the approval of the competent authority viz. CGA, etc. like Railways' Demands for Grants are actually the sub-major heads in the Civil Accounts. The Major-heads for railways earnings Ordinary Working Expenses & Capital in the Civil Accounts are bifurcated into 'Commercial Lines' and 'Strategic Lines'. Similarly, while the Minor heads so far being used in the Railways' Demands for Grants are the same as the ones given in the Civil Accounts, their order might differ at some places.

Situation after Merger of Rail Budget with Union Budget

13. The government has since decided to merge the Railway Budget with the General Budget from the budget year 2017-18, the Railway receipts and expenditure will form part of the documents of General Budget. The expenditure of the Railways will form part of Demands for Grants of the Ministry of Finance like other Ministries/Departments of Government of India. Instead of the present 16 Demands for Grants, the entire expenditure of Railways is now covered in a single Demand for Grant, namely, 'Demand for Grant No. 80-Ministry of Railways' with sub-sections as 'Revenue' and 'Capital'. The revised format of the Railways' Demands for Grants has been prescribed by the Ministry of Finance. The Railways' 'Demand for Grant' will be presented to Parliament and got passed from there by the Ministry of Finance as is being done in case of all other Ministries. The Railways, like other Ministries/Departments, will only have to present a

'Detailed Demand for Grant' a few days after presentation of the Budget as is being done by other Ministries.

14. With the entire Railway expenditure converged into one single Demand for Grant 'Ministry of Railways' the sixteen Demands for Grants presently assigned to the Railways have become sub-major heads as provided in the 'LMMH'. The Railways have retained these Sub-Major heads in its 'Detailed Demand for Grant' in the same sequence as was being arranged up till now. Each Sub-Major Head contains the Minor-heads & Sub-heads as per the existing practice. The Detailed Demand for Grant also contain Primary-Unit wise break-up of budget provision for each Sub-Major Head. Conversion of the present sixteen Demands into one facilitates seamless spending of Railway expenditure, subject, however, to the constitutional restriction between Voted and Charged; and between Revenue and Capital.

15. Consequent upon merger of the Railway Budget, the scheme of major head, sub major head, minor head, sub-head and object head of Civil Accounts has been adopted, in as far as possible, while finalizing the DDG of the Railways for 2017-18. Apart from this, a mapping of Civil Accounts with the Railway Accounts has also been printed in the DDG for suitable guidance, wherever necessary.

16. Demands pertaining to the Ministry of Railways for the year 2017-18 was laid in the Lok Sabha on 3 February, 2017. The estimated and targeted financial performance of Railways in Revised Estimate (RE) for current Financial Year *i.e.* 2016-17 and Budget Estimate (BE) for 2017-18 have been presented that include total revenue receipts, revenue and works expenditure, distribution of excess of receipts over expenditure and position of various Funds, *viz.*, Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, Railway Liability Reserve Fund and Railway Safety Fund.

17. The Demands for Grants of the Ministry of Railways for 2017-18 are given in the following statement:-

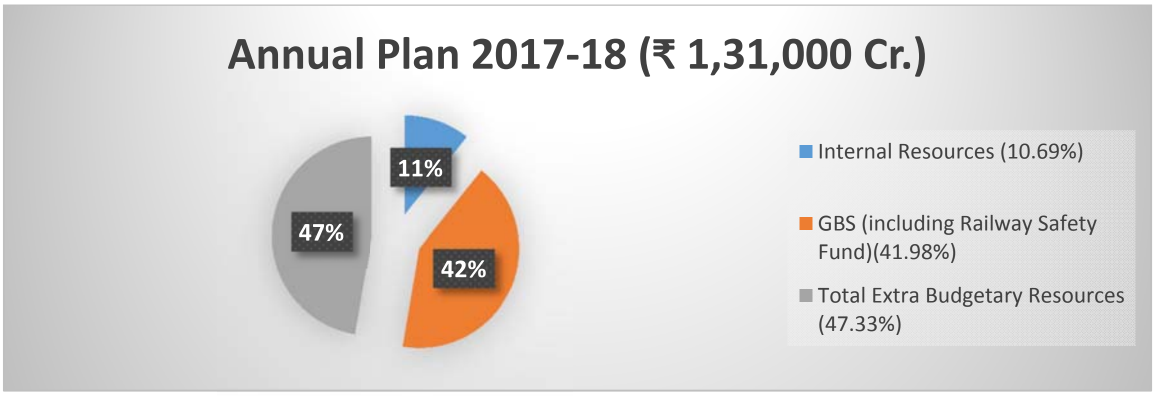
Demand No. 80 - Ministry of Railways **(In thousands of rupees)**

Sl. No.	Details	Total Demand (2017-18)	
		Voted	**Charged**
	Revenue		
1.	Railway Board	435,01,00	
2.	Miscellaneous Expenditure (General)	1662,89,00	2,11,00
3.	General Superintendence and Services on Railways	7923,99,27	3,81,90
4.	Repairs and Maintenance of Permanent Way and Works	13758,55,63	52,68
5.	Repairs and Maintenance of Motive Power	6204,16,42	-
6.	Repairs and Maintenance of Carriages and Wagons	14734,25,07	-
7.	Repairs and Maintenance of Plant and Equipment	7946,34,44	50,00
8.	Operating Expenses – Rolling Stock and Equipment	12322,81,59	50,00
9.	Operating Expenses – Traffic	25442,77,69	1,47,30
10.	Operating Expenses – Fuel	27988,96,31	-
11.	Staff Welfare and Amenities	6454,83,07	-
12.	Miscellaneous Working Expenses	6668,08,43	148,36,03
13.	Provident Fund, Pension and Other Retirement Benefits	47270,12,91	94,37
14.	Appropriation to Funds	57648,37,00	-
15.	Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over-Capitalization	-	-
	Total Revenue	**236461,17,83**	**158,23,28**
	Capital		
16	Assets – Acquisition, Construction and Replacement	194303,45,96	38,00,53
	Total	**430764,63,79**	**196,23,81**

ANNUAL PLAN 2017-18

Resources

18. An annual outlay of ₹ 1,31,000 crore comprising of Gross Budgetary Support of ₹55,000 crore, Railway Safety Fund of ₹10668 crore, internal resources of ₹14,000 crore and Extra Budgetary resources of ₹62000 crore consisting of Marketing Borrowings, Public Private Partnership (PPP) and institutional financing has been proposed for the year 2017-18. The representatives of the Ministry during the deliberation apprized the Committee that it is the highest over figure of CAPEX on Indian Railways.



19. The financing of Annual Plan proposed in 2017-18 and its comparison with 2016-17 and 2015-16 is given as under: -

(₹ in crore)

Sl. No.	Head	Annual Plan						
		2015-16			2016-17			2017-18
		BE	RE	Actuals	BE	RE	Actuals (end Jan 17)	BE
1.	Budgetary Support	40,000	32,000	35008	34,220	35575	23547	44332
2.	Railway Safety Fund	1646	2661	2601	10780	10780	6706	10668
3	**Gross Budgetary Support (GBS) [1+2]**	**41646**	**34661**	**37609**	**45000**	**46355**	**30253**	**55000**

4.	**Internal Resources**	**17,793**	**16,638**	**16845**	**16,675**	**14715**	**12657**	**14000**
5.	Market borrowing under extra budgetary support (Bonds)	17,655	11,848	14097	20,000	18000	11943	21686.37
6.	Funding through PPP	5781	27,269	15081	18,340	21000	17457	22000
7.	EBR (institutional finance)	17,136	9584	9888	20,985	20930	6098	18313.63
8.	**Total EBR (5+6+7)**	**40,572**	**48700**	**39066**	**59325**	**59930**	**35498**	**62000**
Total Plan Size (3+4+8)		1,00,011	1,00,000	93520	1,21,000	121000	78408	131000

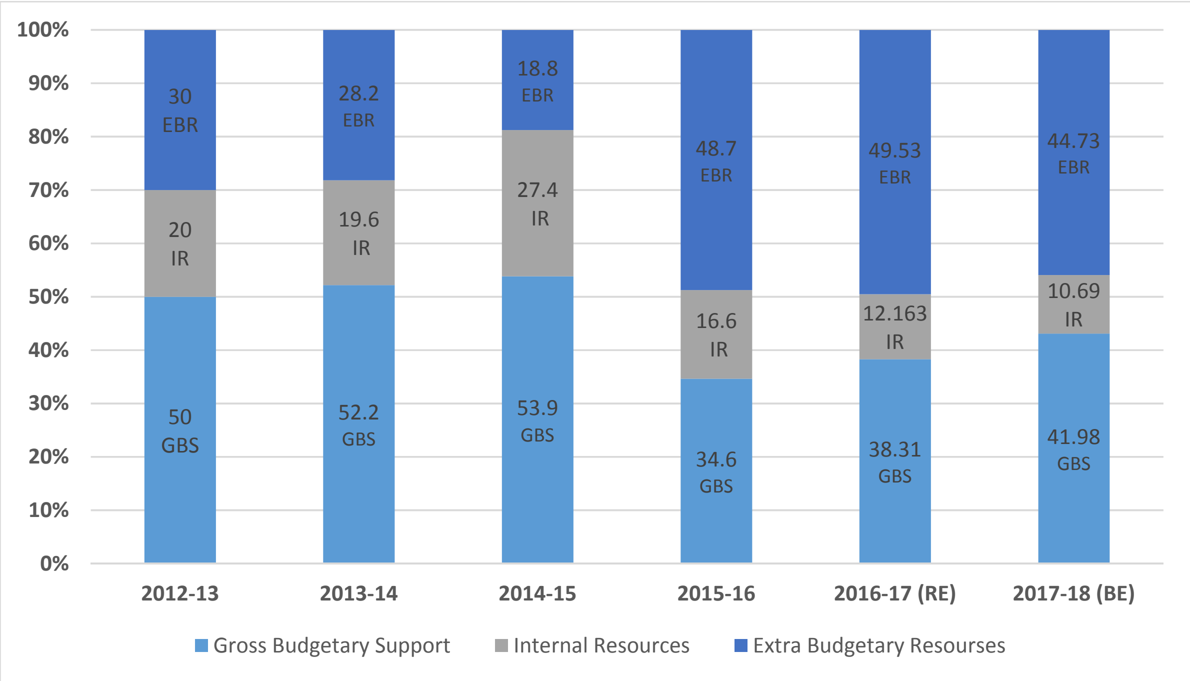
20. It may be seen from the above that BE 2016-17 for internal resources was fixed at ₹16675 which was reduced by ₹1,960 crore to ₹14,715 crore at RE 2016-17 lower than the actuals of 2015-16 i.e. ₹16,845 crore. Further, BE for 2017-18 has been kept at ₹14,000 crore even lower as compared to the RE 2016-17. When asked to explain the reason for a meager increase during 2017-18 for internal resources, it has been stated that the internal resource position is partly impacted by subdued traffic earnings and higher provision for staff cost due to the effect of implementation of 7th CPC recommendations. Further, in BE 2017-18 ₹43,600 crore has been provided for appropriation to Pension Fund as against ₹35,000 crore in RE 2016-17. This higher provisioning has also adversely impacted the internal resources.

21. In their written replies regarding the capital outlay, the Ministry informed the Committee that the overall expenditure in 2015-16 is ₹ 93,520 crore, higher than the previous year by ₹34,801 crore (59%). The Revised Estimates 2016-17 fixed at ₹1,21,000 crore were higher than Actual 2015-16 by ₹27,480 crore and accounted for an increase of 29% over 2015-16. As compared to Revised Estimates 2016-17, the Capital Outlay for 2017-18 envisages an increase of 8.3%. There is 24.6% increase in Capital (Budgetary Support). In 'extra budgetary resources' segment, which includes market borrowings by IRFC, EBR (Partnership) and the Institutional Finance, there is an increase of 3.5%. However, in Railway Safety Fund, funds for which are received from General Revenues as Railways' share of diesel cess and in Internal Resources segment there is a marginal decrease of 1% and 4.9% respectively.

22. It has been added that for 2017-18, the total capital and development expenditure of Railways has been pegged at ₹1,31,000 crores, ₹1,0000 crore higher than the actual

plan size of 2016-17. This includes ₹ 55,000 crores provided by the Government by way of budgetary support. Total Extra Budgetary Recourses (EBR) has been slightly increase to ₹62000 crore at BE 2017-18 than ₹59,930 crore at RE 2016-17. However, Extra Budgetary Resource generation through Institutional Financing is being targeted in 2017-18 at ₹18,313.63 crore against ₹20,930 crore at RE 2016-17.

23. The trend of financing the annual plan since 2012-13 has been summerised in the following figure:



24. In this context, the Committee desired to know the reason for emphasising on Budgetary Support and Extra Budgetary Resource (EBR) for sourcing the Annual Plan rather than increasing Internal Resources for capital funding. It has been informed that the Capital Budget for 2017-18 at ₹1,31,000 crore is focussed on capacity expansion and safety. The increasing allocation in Capital Outlay is planned to decongest the existing network and increase traffic throughput. These works have always been funded through Capital (Budgetary Support) and more recently with Institutional Finance. The internal resources are mainly for passenger amenity and replacement/renewal/safety works and the allocation is based on availability of overall internal resources.

25. In this regard, the representative of the Ministry submitted during evidence as under:-

The point is well taken. But no organisation can survive like Railways without the support and the support to the Railways has been limited to the extent of whatever GBS we have been getting and for meeting the future infrastructure needs, there is no way other than going in for EBR unless we are able to generate revenue from Internal Resources. This year has been very bad because we have provided for the Seventh Pay Commission arrears to the extent of ₹ 30,500 crore and another ₹2,000 crore on account of Productivity Linked Bonus. If I was not required to pay this amount, maybe this money was available to me towards Internal Resources which I could have used for project execution instead of going in for Extra Budgetary Resources."

26. On being asked about the various steps being taken by the Railways in order to increase the Internal resources, the Ministry in their written reply submitted that enhancing Railways' internal resource generation is a continuous endeavour which is achieved by way of revenue enhancement alongside minimization of revenue expenditure. This effort is however periodically marred by the performance of the economy adversely impacting the traffic performance of the Railways. On the revenue expenditure front, while most of the expenditure in the nature of staff cost etc is non-elastic, periodic pay commissions have been responsible for their rise. Despite these setbacks, it has always been the endeavour of the Railways to maximize internal resource generation so that these can supplement Railways' capital expenditure. Revenue enhancing measures, inter alia, include targeting progressively higher traffic throughput, effective marketing strategies to capture more and more traffic, creation of additional capacity and optimum utilization of the existing rail infrastructure, enhancement in productivity and efficiency, improvement of passenger interface, periodic rationalization of fare and freight rates and focus on increasing the share of non-fare revenue sources in Railways' earnings. Expenditure control measures include strict economy and austerity measures, improved man-power planning, better asset utilization, inventory management and optimizing fuel consumption etc.

Allocation

27. The plan head-wise allocations of the Annual Plan allocation for the year 2017-18, of ₹1,31,00 crore are tabulated below:

Name of Plan Head	Outlay (Crore) (BE 2017-18)
New Lines (Construction)	21198
Gauge Conversion	3884
Doubling	18001
Traffic Facilities-Yard Remodelling & Others	3088
Computerisation	568
Railway Research	56
Rolling Stock	25653
Leased Assets-Payment of Capital Component	8000
Road Safety Works-Level Crossings	705
Road Safety Works-Road Over/Under Bridges	6212
Track Renewals	9961
Bridge Works	746
Signalling and Telecommunication Works	2331
Electrification Projects	3457
Other Electrical Works excl. TRD	898
Traction Distribution Works	542
Machinery & Plant	651
Workshops Including Production Units	3339
Staff Quarters	428
Amenities for Staff	267
Passengers Amenities	2101
Inv. in Govt. Comm. Und.-Public Und.	702
Inv. in non-Govt.Und. incl. JVs/SPVs	16790
Other Specified Works	395
Training/HRD	125

Inventories (Net)	85
Metropolitan Transport Projects	1417
New Lines (Const)-Dividend free projects	1800
Gross Capital Outlay	**133400**
Includes credits/recoveries	2400

28. The Ministry brought to the notice of the Committee the four major focus areas of Railways for the year 2017-18, namely:

(i) Passenger safety;
(ii) Capital and development works;
(iii) Cleanliness; and
(iv) Finance and accounting reforms.

29. The representatives of the Railways informed the Committee as under:

"The focus of the budget basically has been maintaining the momentum of capacity enhancement by way of improved or enhanced infrastructure. Another focus area in the budget is safety. The focus is also on improving Railways share in freight and enhancing the passenger experience and station redevelopment."

30. The Ministry further elaborated that the funds are mainly expected to be deployed on capacity augmentation and enhanced rolling stock infusion. Nearly 20% of the capital expenditure in 2017-18 will be made in rolling stock along with 17% marked for new lines, 14% for doubling, 13% for allocation to joint ventures/ special purpose vehicles. Also, sizeable amount will be invested in gauge conversion, creation of traffic facilities, railway electrification and most importantly road safety works, which includes elimination of unmanned level crossings. In the next 3 years, the throughput is proposed to be enhanced by 10%. This will be done through modernisation and upgradation of identified corridors. Railway lines of 3,500 kms will be commissioned in 2017-18, as against 2,800 kms in 2016-17. Steps will be taken to launch dedicated trains for tourism and pilgrimage.

FINANCIAL OUTLINE 2016-17 & 2017-18

31. The Budget at a Glance for the year 2017-18 pertaining to the Ministry of Railways is as follows:-

(₹ in crore)

Actuals 2015-16	Budget Estimate 2016-17	Description	Revised Estimate 2016-17	Budget Estimate 2017-18
164333.51	**184819.84**	1.Gross Traffic Receipts	**172155.00**	**188998.37**
		2. Miscellaneous Receipts		
3722.68	4300.80	(a) Subsidy from General Revenues towards dividend relief & other concessions	--	--
323.42	150.00	(b) Other Miscellaneous Receipts	150.00	500.00
4046.10	**4450.80**	(c) Total Miscellaneous Receipts	**150.00**	**500.00**
168379.61	**189270.64**	**3. Total Receipts**	**172305.00**	**189498.37**
107735.93	123560.00	4. Net Ordinary Working Expenses	122760.00	129750.00
34500.00	42500.00	5. Appropriation to Pension Fund	35000.00	43600.00
5600.00	3200.00	6. Appropriation to Depreciation Reserve Fund	5200.00	5000.00
147835.93	**169260.00**	**7. Total Working Expenses [4+5+6]**	**162960.00**	**178350.00**
		8. Miscellaneous Expenditure		
--	--	(a) O.L.W.R	--	--
1315.20	1800.00	(b) Other Miscellaneous Expenditure	1650.00	2200.00
1315.20	**1800.00**	**(c) Total Miscellaneous Expenditure**	**1650.00**	**2200.00**
149151.13	**171060.00**	**9. Total Expenditure (7+8)**	**164610.00**	**180550.00**
19228.48	**18210.64**	**10. Net Revenue [3-9]**	**7695.00**	**8948.37**

8722.51	**9731.29**	**11. Dividend Payable to General Revenues**	**--**	**--**
10505.97	**8479.35**	12. Excess/Shortfall[10-11]	**7695.00**	**8948.37**
1219.74	2515.00	13. Appropriation to Development Fund	2515.00	2000.00
5798.25	5750.00	14. Appropriation to Capital Fund	5180.00	5948.37
3487.98	214.35	15. Appropriation to Debt Service Fund	--	--
--	--	16. Appropriation to Rastriya Rail Sanraksha Kosh	--	1000.00
90.5%	**92%**	**17. Operating Ratio**	**94.9%**	**94.57%**
7.0%	**5.8%**	**18.Ratio of Net Revenue to Capital-at-Charge and investment from Capital Fund**	**2.5%**	**2.5%**

32. It may be seen from the above that total receipts at RE, 2016-17 have been revised downwards by ₹16,965.64 crore from BE of ₹1,89,270.64 crore to ₹172305 crore at RE. BE, 2017-18 for total receipts has been fixed at ₹189498.37 crore which is 9.98 per cent higher than the RE of 2016-17.

Total expenditure has also been revised downwards from ₹1,71,060 crore at BE 2016-17 to ₹1,64,610 crore at RE 2016-17 while BE 2017-18 has been fixed at ₹ 1,80,550 crore, ₹ 15,940 crore more than the RE 2016-17.

Net Revenue has also been reduced by ₹10515.64 crore (58%) at RE 2016-17 from ₹ 18,210.64 crore at BE 2016-17 to ₹7695 crore at RE 2016-17. Net Revenue of ₹8,948.37 crore has been targeted for the year 2017-18 at BE.

REVENUE RECEIPTS

33. The Revenue receipts of the Railways consist of earnings from goods traffic, passenger traffic, other coaching earnings, including parcels, luggage and sundry other earnings like rent, catering receipts, interest and maintenance charges from outside bodies, commercial utilisation of land and air space and commercial publicity on rolling stock and station buildings, etc. Further, there are Miscellaneous receipts like receipts of Railway Recruitment Boards from sale of application forms and examination fees, etc.,

and the Government's share of surplus profits (which includes receipts from subsidised Railway companies) in which the Government has no capital interest. The subsidy from General Revenues in respect of dividend reliefs forms part of the Miscellaneous receipts. The total of Revenue and Miscellaneous receipts makes up the total receipts of the Railways. The portion of the earnings which is due to the Railways during the financial year but has not actually been realised is held in a 'Suspense' account.

34. A table indicating the segment-wise earnings targeted at BE 2017-18 and BE & RE 2016-17 is as under:

(₹ in crore)

Sl. No.	**Head**	**BE 16- 17**	**RE 16- 17**	**Change (RE-BE) (%)**	**Actuals till Jan 2017**	**BE 17-18 (Target)**	**Change (BE 17-18 - RE 16-17 (%)**
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**(vii)**	**(viii)**
1	Total passenger earnings	51012.00	48000.00	-3012 (-5.9%)	34535.72	50125.00	4.42
2	Other Coaching earnings	6184.00	5000.00	-1184 (-19.1%)	3249.86	6949.04	38.98
3	Goods earnings	117932.75	108900.00	-9032.75 (-7.65%)	74925.55	118156.50	8.5
4	Sundry other earnings	9590.29	10100.00	509.71 (5.31%)	4051.71	14122.83	39.83
5	Total traffic earnings (1+2+3+4)	184719.84	172000.00	-12719.8 (-6.88%)	116762.84	188898.37	9.82
6	Suspense	100.00	155.00	55 (55%)	---	1000.00	-35.48
7	Gross traffic receipts (GTR)	184819.84	172155.00	-12664.8 (-6.85%)	--	188998.37	9.78

8	Total Misc. receipts	4450.00	150	-4300 (-96.62%)	1543.84	500.00	233.33
9	Total receipts	189270.64	172305.00	-16965.6 (-8.96%)	118306.68	189498.37	9.97

35. Details of Gross Traffic Receipts (GTR) since 2015-16 has be tabulated as under:

(₹ in Cr)

Sl.No.	Year	BE	RE	Actuals
1	2015-16	183578	167834	164333.51
2	2016-17	184819.84	172155.0	
3	2017-18	188998.37		

It may be seen from above that the actual for Gross Traffic Receipts (GTR) during 2015-16 has been ₹1,64,333.51 crore i.e. ₹3,500.49 crore and ₹ 19,244.49 crore less than RE & BE respectively for the same year. Same trend was followed in 2016-17 where RE was revised downward to ₹ 172155 crore *i.e.,* ₹ 12664.84 crore (-6.9 %) from ₹ 184819.84 crore at BE 2016-17. Now, again a target of ₹ 1,88,998.37 crore i.e. 9.8% higher than RE 2016-17 has been projected for the year 2017-18.

36. The Committee made inquiries about the under- achievement of targets w.r.t GTR during 2015-16 & 2016-17 despite revising them downwards in revised estimates. The Ministry furnished their submission as under:

"The downward revision in targets over that of B.E. 2016-17 was based on trends upto December'16 and also on the input received from the zonal railways. A 5.9% reduction in passenger earnings target in RE over BE was due mainly to the earnings trend to end of December 2016 which was 4.4% against a BE target of 15.2% attributable to a negative growth of 2.17% in non-suburban (non-PRS) passenger segment mainly on account of improvement in road connectivity in short lead passenger traffic. In Goods earnings, the decline of 7.7% over B.E. 2016-17 was due to downward revision of Tonnage and Net Tonnage Kilometre (NTKM) by 5.5% and

10.6% respectively over B.E. 2016-17 targets. Downward revision of freight traffic target had to be resorted to in the face of an unprecedented negative growth of 0.8% in loading and drop of average freight lead to 564 km to end of December 2016 from 603 km achieved during the corresponding period last year. Coal which constitutes about 50% of Railways' loading reported a shortfall of 37 million tonne over proportionate budget target to end of December 2016 and also 19 million tonne less over corresponding period last year. The poor loading in coal was due to over capacities in power sector and operation of new power plants near coal mines. Leads all across the commodity baskets have been decreasing as production centres have come closure to the places of consumption (also with pit-head plants, merit order system, reducing cost of power transmission, etc.). While the Sundry Earnings target has been raised in the RE *vis-a-vis* the BE, the target for Other Coaching earnings has been adjusted downwards based on the trend to end of December 2016 and also the inputs received from the zonal railways. As far as 2015-16 is concerned, the Gross Traffic Receipts in Actuals were ₹1,64,333.51 crore which were short of the RE target by ₹3,500.49 crore. While the other coaching earnings exceeded the RE target by ₹46 crore, passenger, goods and sundry earnings fell short of respective RE targets by ₹1,092.89 crore, ₹2,645.07 crore and ₹ 301.09 crore respectively. While the continuing negative growth in non-suburban (non-PRS) passenger segment adversely impacted the passenger earnings, shortfall of 5.49 million tonne in loading *vis-a-vis* the RE target of 1,107 million tonne and drop in average freight lead to 594 km in Actuals from the RE target of 603 km contributed to the shortfall in goods earnings."

37. On being asked about the rationale behind keeping the targets at higher side at BE which have to be revised to lower side at RE and finally not achieving them and problem in keeping the targets realistic at BE level only, the Ministry in their written reply explained that BE target of traffic receipts for a year is decided taking into consideration the traffic plan as also other tariff and non-tariff measures, if any, proposed to be taken during the year. Further, the targets are also kept at a reasonably challenging level so as to encourage the entire set up to achieve it by mobilizing itself. As far as the total traffic receipts target in BE 2017-18 is concerned, the same at ₹1,88,898.37 cr is higher than the BE 2016-17 target by 4,179 crore. But the same is higher than the RE 2016-17 figure by ₹16,989 crore. The

growth has thus been kept at a reasonable level of 9.8% over RE 2016-17 anticipating an improvement in freight traffic throughput which is dependent on the overall performance of the economy as a whole and a very moderate growth expectation in passenger booking. It may however be appreciated that BE targets are basically estimates built upon certain assumptions before the commencement of the year which are subsequently modified at RE stage taking into account the trends during the year as a part of budgeting exercise to make them realistic as far as possible.

38. The Committee have observed that the targets for 2016-17 for total passenger earnings has been fixed at ₹51012 crore at BE 2016-17 which were reduced to ₹48000 crore at RE 2016-17. For the year 2017-18, it has been slightly increased to ₹50125 crore at BE but remained less than BE 2016-17.

39. Sundry other earnings have been estimated to rise by 47.26% in BE 2017-18 in comparison to BE 2016-17 *i.e.* ₹14122.83 crore from ₹9590.29 crore. The Committee asked the Ministry to furnish the details of new sources which Indian Railways is exploring for achieving such target during 2017-18, the Ministry forwarded their reply as under:

> "Railways have identified several new sources of income especially in the digital area like Rail Display Network (RDN), Content on Demand (COD), Integrated Mobile App etc which are likely to generate substantially large revenue from untapped sources by monetizing the captive time the passengers spend on stations and trains.
>
> Railways have launched a series of new initiatives in the conventional areas like Out of Home (OOH) advertising, Train Branding in 2016-17 which will generate substantial higher revenue in 2017 -18.
>
> Indian Railways are also proposing to launch a new policy for App based Cab Services all over Indian Railways as the initial trials have shown encouraging results. Indian Railways are also now scaling up initiatives like installation of increased number of ATMs at all 2175 A1, A, B, C and D categories of stations for

a period of 10 years by one Tendering Authority which will improve the ease of business and lead to increase passenger convenience and higher revenue.

Procedures for granting of Right of Way/Way Leave charges and land lease are also being improved and regularly monitored for increased monetization."

40. As regards to Goods earning, the Railways have furnished as under:-

(₹ in Cr.)

Sl.No.	Year	BE	RE	Actuals
1	2015-16	121423	111852.72	109207.65
2	2016-17	117932.75	108900	
3	2017-18	118156.50		

It is evident from above that for the year 2015-16, the actuals for the goods earning were ₹1,09,207.65 crore, ₹12,215.35 crore and ₹2,645.07 crore less than the expected at BE and RE respectively. The targets for 2016-17 for goods earnings has been fixed at ₹1,17,932.75 crore at BE 2016-17 which were reduced by ₹9,032.75 crore to ₹1,08,900 crore at RE 2016-17. For the year 2017-18, it has been slightly increased to ₹1,18,156.50 crore at BE.

41. The Committee have observed that there has been hardly any growth in the goods earning despite comprising the major part of Railway Revenue. When inquired about the reasons for not achieving the required targets, the Ministry submitted that of late Railways has seen a slump in the freight business due to slowing down of the demand from core sector of the economy adversely affecting the freight earnings that contributes about 65% of the traffic earnings of Railways. In 2015-16, Railways' freight loading was 1,107.51 million tonne against 1095.26 million tonne loaded in the previous year, with one of the lowest incremental loading of 6.25 million tonne in recent years. The average freight lead depicting the average distance one million tonne of freight is carried has dropped from 622.4 km in 2014-15 to 594.2 km in 2015-16. During 2016-17, the Railways have been witnessing an unprecedented negative growth of 0.8% in loading as per the trend witnessed to end of December 2016. The average freight lead has also further dropped to 564 km to end of December 2016 compared to 603 km during the corresponding period last year. In Goods

earnings, the decline of 7.7% over B.E. 2016-17 was due to downward revision of Tonnage and NTKM by 5.5% and 10.6% respectively over B.E. 2016-17 targets. Downward revision of freight traffic target had to be resorted to in the face of an unprecedented negative growth of 0.8% in loading and drop of average freight lead to 564 km to end of December 2016 from 603 km achieved during the corresponding period last year. Coal which constitutes about 50% of Railways' loading reported a shortfall of 37 million tonne over proportionate budget target to end of December 2016 and also 19 million tonne less over corresponding period last year. The poor loading in coal was due to over capacities in power sector and operation of new power plants near coal mines. Leads all across the commodity baskets have been decreasing as production centres have come closure to the places of consumption (also with pit-head plants, merit order system, reducing cost of power transmission, etc). All these factors are responsible for short achievement of targeted earnings or for revision of goods earnings target downwards.

42. Regarding the decline in freight revenue, the representatives of the Ministry deposited their submission before the Committee as under:-

> *"……about decline in revenue, I would like to submit that there has been a decline in our freight revenue to the extent of Rs.9,000 crore. Basically it has been on two accounts. One is, the total loading itself has gone down. Our 50 per cent of loading comes from coal. The bulk of the coal is used for power generation in thermal power plants. There has been a change in the policy as far as the Government is concerned on account of thermal power generation. Now, more emphasis is put on power generation from the plants which are either on pitheads or on ports and the Government feels and rightly so that it is cheaper to transmit the power by transmission lines rather than transporting the coal all the way from the eastern side to the northern side and that is how those plants are operating at a lower plant load factor than other plants. That is how the coal loading has been affected.*
>
> *Food grain has been affected largely on account of decentralised procurement now as per the policy of the Government. Cement loading is down because of the lull*

in infrastructure sectors. So, these are the major commodities where the loading is down and it has resulted in a shortfall of around 50 million tonnes….."

43. The Committee further asked the Ministry to specify the reason for huge gap between freight earnings and passenger earnings. In replies, it was submitted that There are separate freight and fare structure for goods and passenger segments and the same are strictly not comparable. Moreover the passenger earnings are impacted to a large extent by social service obligations which is responsible for the variations. The principle has been to charge the two different segments as per 'what the traffic can bear' given the overall economic outlook and needs of society.

44. Regarding the passenger earnings and freight earnings, the representatives of the Ministry of Railways put forth their submission before the Committee as under:-

"Freight is a very important. There has been tepid growth in economy and freight. Uptil now, bulk of our traffic was restricted to 10 commodities. Now, we are going ahead and looking for increasing the basket size to almost 40 commodities. Our freight rates are very rates and that is how freight is moving to road. Our average cost of service is ₹0.99 per ten kms. whereas I am charging from my users around ₹1.60 which I use for cross-subsidising my passenger traffic where I am charging around 50 per cent of cost of our service. This trend is not good for the economy in the sense that goods are used for production, consumption and if the cost of transportation of goods which ultimately is the logistic cost, which is perhaps highest in India at around 13 per cent of the cost of the goods as against developed countries is only around 4 to 5 per cent. There is enough justification for reducing the freight charges. Today I am not able to do it because I have to match the budget and cross-subsidize the passenger traffic which are at substantially lower rate."

45. The Committee was informed about the various new initiatives/schemes/avenues identified by Indian Railways in order to increase total receipts of Indian Railways in 2017-18 in view of persistent negative growth trend as under:

The following steps have been taken by Railways to increase the Railway Revenue output:

(i) Removal of dual pricing of iron-ore by which additional traffic of iron fines lying surplus at mines head and iron ore pellets for exports could be offered for exports.

Iron Ore (Export)	Tonnage (in Million Tonnes)			Earnings (in Crores)		
	2015-16	2016-17	Increase	2015-16	2016-17	Increase
Apr-Dec	1.10	5.35	4.25 MT	154.76	446.38	+291.62 Cr

The above figures indicate the massive boost to export are loading. The emphasis on exports will be continued during 2017-18

(ii) Proliferation of 25T axle load routes to increase throughput per train.

(iii) Encouraging longer lead traffic by permitting movement from Talcher to Southern Power houses through All rail route (earlier more than 50% of the traffic was moving by coastal shipping).

In 2016-17, various steps were taken to increase revenue of Indian Railways. Some of the policy decisions taken to rationalise the tariff structure are as following:

(i) Policy guidelines on Merry-Go-Round system.
(ii) Withdrawal of Port Congestion Charge.
(iii) Withdrawal of busy season charge for traffic loaded in covered wagons.
(iv) Liberalised Automatic Freight Rebate Scheme in empty flow direction.
(v) Withdrawal of dual freight policy for iron ore.
(vi) Proliferation of Roll-on-Roll-off service on Indian Railways.
(vii) Re-introduction of short lead concession and reduction in minimum distance of charge.
(viii) Rationalisation of coal tariff.
(ix) Guidelines for station to station rates.
(x) Discount for loading of bagged consignments in open and flat wagons.
(xi) Rationalisation of classification of commodities.
(xii) Distance for mini rake increased from 400 km to 600 km.

(xiii) Two point / multi point rake policy liberalised.

In 2017-18, rationalisation of tariff structure will continue in order to make rail traffic more competitive in comparison to other modes of transportation and thereby increase the share of rail in total volume of traffic.

Besides tariff rationalisation, following new initiatives will be launched shortly which will increase revenue in 2017-18:

(i) Long Term Agreement / Contract at pre-determined /pre-agreed price escalation rate with volume based / incremental traffic linked incentives for long term traffic commitment given by the customer.

(ii) New delivery models of rail transportation to increase railways' share in freight traffic such as

(a) Running of dwarf containers

(b) Proliferation of RORO services

46. Expressing their concern on the lowering down the rail users both freight and passenger segment, the Committee sought the steps taken by the Ministry to impede the trend. In reply, the Ministry enumerated the following steps:

Steps taken by Railways to encourage more rail users in freight:

1. (i) Introduction of time-tabled freight trains to shift traffic to rail.

(ii) Automatic freight rebate on Traditional Empty Flow Direction to attract additional traffic.

(iii) Provision of value added services at Railway freight terminals.

(iv) Long term contracts with customers.

2. New delivery models of transportation are being launched such as

(i) Dwarf container

(ii) RORO

(iii) Long Term Agreement / Contract at pre-determined /pre-agreed price escalation rate with volume based / incremental traffic linked incentives for traffic commitment given by the customer.

(iv) Integrated and holistic approach to provide key customers with first mile and last mile connectivity through expansion of containerised services to attract traffic from other modes.

(v) Special incentive based and tariff rationalisation based policy to increase long lead traffic.

(vi) Innovative policies to increase ease of doing business such as simplifying rules and procedures, efficient weighment system and shift to digital and e-based procedures including cashless payment system.

To improve the passenger traffic and earnings, various steps have been taken towards optimal utilisation of existing resources and capacity augmentation, viz.:-

(i) Attachment of additional coaches, running of special trains during festivals and holidays, running of Suvidha trains, etc. for the convenience of passengers.
(ii) Organising intensive ticket checking drives, including fortress checks, etc. to discourage ticketless travel.
(iii) Augmentation of ticket selling capacity through operation of Automatic Ticket Vending Machines (ATVM), utilising the services of ticketing agents like Jan Sadharan Ticket Booking Sewaks (JTBS), Station Ticket Booking Agents (STBA), Yatri Ticket Suvidha Kendra (YTSK) etc.
(iv) Introduction of Alternate Train Accommodation Scheme known as VIKALP on pilot basis to provide confirmed accommodation to waitlisted passengers in the alternate trains based on the choice exercised by them and to ensure optimum utilization of available accommodation.

(v) Facility of ticketing through internet has been provided for convenient booking of reserved tickets. Service charge on booking of e-tickets/i-tickets has been withdrawn.

(vi) Facility of booking of unreserved tickets through mobile phones has been provided on certain suburban sections Central, Western, Eastern, South Eastern, Southern, South Central and non-suburban section (Delhi-Palwal) of Northern Railways. This project is being expanded further to cover more Zonal Railways and more sections.

(vii) Facility of cashless transactions at PRS/UTS counters (including suburban) through Point of Sale (POS) machines to enable payment through credit/debit cards is being provided to cover all PRS/UTS locations. An arrangement has been made to install 10,000 POS machines through SBI.

47. It has been observed that the total Miscellaneous Receipts for the year 2016-17 at BE was ₹4450.80 crore which was revised downwards at RE to ₹150 crore. When asked about such a sharp decline in the Miscellaneous Receipts, the reason was given that due to merger of Railway Budget with Union Budget, there would not be any subsidy from General Revenues towards dividend relief and other concessions which was earlier targeted at ₹ 4300.80 crore at BE 2016-17.

RAILWAY EXPENDITURE

48. The expenditure incurred by the Railways is on Revenue account and on Works account. The Revenue account consists of Ordinary Working Expenses incurred by various Departments of the Railways in their day-to-day working and other miscellaneous expenditure like the expenditure on Railway Board, Audit, Surveys and other miscellaneous establishments, payments as regulated by contracts to worked lines which are not owned by the Railways and are either worked by the Indian Railways or companies concerned. The Revenue account also includes appropriation to the Depreciation Reserve Fund and Pension Fund. Appropriation to the Pension Fund is to finance Pension and Death-cum-retirement gratuity payments to the Railway staff. The

excess of receipts over expenditure remaining is appropriated to the Development Fund, the Capital Fund, the Debt Service Fund and the Railway Safety Fund. These Funds are meant to finance part of the Plan requirements.

49. Works expenditure is financed from capital borrowed from the General Revenues and also from internal resources, *viz.* Capital Fund, Depreciation Reserve Fund, Development Fund and Railway Safety Fund. The overall budgetary support of the general finances of the Government of India consists of capital loans and the sums temporarily loaned to meet the deficient amount, if any, in the Capital Fund and the Development Fund. A part of the investment in Railway assets, covered by the Railway Plans, is also made by the Indian Railway Finance Corporation which raises funds through market borrowing. All the revenue earnings of the Railways are credited to the Consolidated Fund of India and expenditure is also incurred there from. No amount can be withdrawn from the Fund without authorization by the Parliament.

50. A table indicating the segment-wise earnings targeted at BE 2017-18 and BE & RE 2016-17 is as under:

Sl. No.	**Head**	**BE 16-17**	**RE 16-17**	**Change (RE-BE) (%)**	**Actuals till Jan. 2017**	**BE 17-18**	**Change (BE 17-18-RE16-17)(%)**
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**(vii)**	**(viii)**
1	Ordinary working expenses	123560.00	122760.00	-800 (-0.6%)	106896.97	129750.00	5.69
2	Appropriation to Depreciation Reserve Fund	3200.00	5200.00	2000 (62.5%)	3337.37	5000.00	-3.84

3	Appropriation to Pension Fund	42500.00	35000.00	-7500	32158.65	43600.00	24.57
4	Total working expenses (1+2+3)	169260.00	162960.00	-6300 (-3.72%)	142393	178350.00	9.44
5	Total Misc. expenditure	1800.00	1650	-150 (-8.33%)	1177	2200.00	33.33
6	Total expenditure (4+5)	171060.00	164610.00	-6450 (-3.77%)	143570	180550.00	9.68
7	Net revenue (Total receipt-Total expenditure)	18210.64	7695.00	-10515.6 (-57.74%)	--	8948.37	16.28
8	Dividend payable to general revenues	9731.29	--	-9731.29	--	--	--
9	Excess or shortfall (7-8)	8479.35	7695.00	-784.35 (-9.25%)		8948.37	16.28

51. It has been observed that during 2016-17, the total expenditure at BE of ₹1,71,060 crore has been revised downward to ₹1,64,610 crore at RE. However, BE 2017-18 has been kept at a higher side at ₹1,80,550 crore which is ₹15,940 crore higher than RE, 2016-17. The Ministry of Railways have informed that in the Ordinary Working Expenses (O.W.E.), there is an increase of ₹ 6,990 crore at B.E. 2017-18 fixed at ₹1,29,750 crore, over R.E., 2016-17 of ₹1,22,760 crore. Net revenue has been revised downward to ₹7,695 crore at RE 2016-17 by ₹10,515.6 crore (57.74 per cent) from BE, 2016-17 of ₹18,210.64 crore. The BE, 2017-18 for Net Revenue has been kept on a lower side at ₹8,948.37 crore.

52. Net Revenue for the past three years has been given as under:

(₹ in Cr.)

Sl.No.	Year	BE	RE	Actuals
1	2015-16	25076.45	19897.84	19228.48
2	2016-17	18210.64	7695	
3	2017-18	8948.37		

53. The Committee asked the Ministry to explain the main reason for shortfall of 23% in the Net Revenue in the year 2015-16 and reduction by almost 58% at RE from BE 2016-17 while the dividend liability has also been taken away from the Railways. The Ministry in their written replies submitted that the drop in Net Revenue from BE to RE to Actual in 2015-16 was mainly due to drop in traffic earnings. The drop in Net Revenue from BE to RE in 2016-17 has been mainly due to downward revision in traffic earnings vis-a-vis BE, nil provision of subsidy from General Revenues under miscellaneous receipts in RE as against a provision of ₹4,300.80 crore in BE and enhancement of appropriation to DRF from ₹3,200 crore in BE to ₹5,200 crore in RE. Dividend is paid out of the Net Revenue. Hence, the waiver of dividend liability in RE 2016-17 in no way enhances the Net Revenue. However, because of the waiver, resources were available to be appropriated to DF & CF.

54. The Committee further inquired that in the past, how many times the Revised Estimate of Net Revenue of Railways has been reduced by more than 50% from the Budget Estimate. The Ministry furnished the reply to the query as under:

The Net Revenue position from 2010-11 is given below.

(₹ in cr)

Year	**BE**	**RE**
2010-11	9781.55	9021.86
2011-12	11993.13	7144.39
2012-13	22233.07	15748.91

2013-14	19396.00	15782.82
2014-15	15198.74	16452.59
2015-16	25076.46	19897.84
2016-17	18210.64	7695.00

As can be seen from the above table that only during 2016-17, Net Revenue in RE has got reduced by more than 50% over BE.

55. Further, the Ministry convoluting the various measures taken by Indian Railways in order to check the downfall in Net Revenue of Railways, stated that Measures to check the decline in Net Revenue of Railways are by the way of enhancement of revenue and control of revenue expenditure. Revenue enhancing measures, inter alia, include targeting progressively higher traffic throughput, effective marketing strategies to capture more and more traffic, creation of additional capacity and optimum utilization of the existing rail infrastructure, enhancement in productivity and efficiency, improvement of passenger interface, periodic rationalization of fare and freight rates and focus on increasing the share of non-fare revenue sources in Railways' earnings. Expenditure control measures include strict economy and austerity measures, improved man-power planning, better asset utilization, inventory management and optimizing fuel consumption etc.

DIVIDEND TO GENERAL REVENUES

56. Consequent upon the merger of Railway Budget - Union Budget from 2017-18, the Railways have been exempted from payment of dividend from the year 2016-17 on the recommendation of RCC (2014). Initially ₹9,731.29 crore were allocated for paying dividend in BE 2016-17 which were waived off in RE 2016-17. The Committee asked the Ministry to specify the adjustment of ₹ 9731.29 crore for the year 2016-17. In response, the Ministry submitted as under:

'The dividend payable of ₹9,731.29 crore has been waived off in 2016-17 (RE). However, an amount of ₹4,301 crore, which was expected to be received from Ministry of Finance as subsidy in payment of dividend has not been given. Thus, the net benefit of waiving the dividend is ₹5,430 crore in 2016-17 (RE).

Since the traffic earnings of Railways has shown a decline during 2016-17, resulting in a shortfall assessed at ₹12,665 crore in the Revised Estimates, the above benefit of ₹ 5,430 crore has partly met the gap.'

57. For the same, when the Committee in their sitting asked the Ministry to explain, the representatives of the Ministry submitted their reply as under:-

"You said that ₹ 9,500 crore that we save. Around ₹ 5,000 crore subsidy that we used to get has also gone away now. So, the net saving to Railways is not ₹ 9,500 crore, but the actual net saving to Railways is basically around ₹ 5,000 crore and this money goes basically into the surpluses. Since there has been a shortfall in the total earnings, to that extent the excess or surplus which I used to use for appropriating to various has gone down."

RAILWAYS FUNDS

58. The Development Fund, the Capital Fund, the Debt Service Fund and the Safety Fund are appropriated through the excess of receipts over expenditure that remains after discharging the dividend liability. These Funds are meant to finance part of the Plan requirements. While the Development Fund is meant to finance expenditure on Passenger and other Railways Users' Amenities Works, Staff Welfare Works, un-remunerative operating improvements, etc., the Capital Fund is used for works chargeable to Capital and for making payment of principal component of the lease charges payable to Indian Railway Finance Corporation. The Railways Safety Fund is used for financing works relating to Conversion of unmanned level crossings and for construction of ROBs/RUBs at busy level crossings. This Fund is financed through the Railway revenues, transfer of Funds by the Central Government from the Central Road Fund and the aforementioned

part of dividend which, until 2000-01, was appropriated to the Railway Safety Works Funds. The Debt Service Fund has been created to make provision for future committed liabilities like debt service payment for loans taken, future Pay Commissions/awards, etc. In case there is no 'Excess' or not enough 'Excess' remains to be transferred to the Capital Fund and Development Fund, temporary loan is obtained from the General Revenues to finance expenditure to be met out of these Funds.

59. The Ministry informed the Committee that the avenues to finance the replacement and renewal works have gradually been expanded. The rolling stock is predominantly being replaced from the IRFC funding. Of late, the safety related works and other works have been permitted to be provided from the Railway Safety Fund. Further, to clear the back log of over-aged assets, the Government has created a Rashtriya Rail Sanraksha Kosh with a committed funding of ₹1 lakh crore in 5 years. In 2017-18, this Kosh has been appropriated with ₹20,000 crore. As the renewal requirements are being partly met through the above and also with constraint of resource generation, the appropriation to the DRF has been reduced. Despite the reduction in appropriation to DRF, the replacement and renewal of the Railway assets is being carried out on need basis.

60. Appropriation to various funds and withdrawal from various funds for the year 2016-17 and 2017-18 are as under:

(₹ in Crore)

S. No.	**Name of Fund**	**Appropriation to**			**Appropriation from**			**Balance for 2017-18**
		BE 16-17	**RE 16-17**	**BE 17-18**	**BE 16-17**	**RE 16-17**	**BE 17-18**	
1	Pension Fund	42900	35400	44000	45500	40000	45000	58
2	Depreciation Reserve Fund	3400	5400	5200	3160	5200	5000	433

3	Railway Development Fund	2515	2515	2000	2515	2515	2000	390
4	Capital Fund	5750	5180	5948	7000	5000	6000	1036
5	Debt Service Fund	214	0	0	3000	3000	0	803
6	Railway Safety Fund	10783	10783	10668	10780	10780	10668	18
7	RRSK*	0	0	20000	0	0	20000	0

It may be seen from the above that in the case of Pension Fund and Capital Fund, the amount of withdrawal from these funds is more than appropriation to be made to them for the year 2017-18.

61. Regarding keeping the appropriation to Capital Fund and Development Fund on a lower side and no allocation to Debt Service Fund, the Ministry stated that besides inadequate availability of internal resource for appropriating sufficiently to the above two funds, certain works which hitherto were being financed out of Development Fund now qualify for being provided to Rashtriya Rail Sanraksha Kosh and hence have been shifted to the Kosh. The Debt Service Fund has not been provided funds due to inadequate availability of internal resources. Railways do not foresee any immediate committed liability for debt service payment for loans taken. The balance in the fund would be built up once the resource position improves.

RASHTRIYA RAIL SANRAKSHA KOSH (RRSK)

62. The Ministry informed the Committee that for passenger safety, a Rashtriya Rail Sanraksha Kosh has been created with a corpus of ₹ 1 lakh crores over a period of 5 years. Besides seed capital from the Government, the Railways will arrange the balance resources from their own revenues and other sources. Proceeds of the Safety Fund will be used to leverage technology and carry out infrastructure upgrades apart from re-training and skilling its staff. RRSK will augment resources to fund following:

- Track renewals/Track safety;
- Strengthening of bridges;
- Elimination of unmanned LCs’
- Upgradation of maintenance facilities;
- Signaling improvement; and
- Complete switchover to crashworthy LHB/coaches/retro fitment of CBC couplers in ICF coaches.

63. On being asked about the need to create separate fund and its difference from Railway Safety Fund, the Ministry stated that Railway Safety Fund funded from Central Road Fund has been utilized for road related safety works pertaining to Level Crossings and Road Over/Under Bridges. Since 2016-17 following amendment to the Central Road Fund Act through Finance Act 2016, this Fund was also utilized to finance railways safety works, including the construction of road either under or over the railways by means of a bridge and erection of safety works at unmanned rail-road crossings, new lines, conversion of existing standard lines into gauge lines and electrification of rail lines. ‘RRSK’, aimed at replacement/renewal of critical safety related assets, is utilized to finance safety works under Capital Heads Traffic Facilities, Rolling Stock, Bridge Works, Signalling & Telecom Works, Electrical Works including TRD Works, Machinery & Plant, Workshops, Training/HRD, Level Crossing, ROB/RUBs and Track Renewals.

64. Railway Safety Fund is a non-lapsable fund and will continue to finance safety related activities including New Lines etc. In BE 2017-18, an amount of ₹10,668 crore has been received from Ministry of Finance towards Railway Safety Fund as Railways’ share out of Central Road Fund. After transferring ₹10,000 crore out of this to ‘RRSK’, the balance amount of ₹668 crore (₹683.14 crore in Gross) has been provided to New Lines (₹668.37 crore) and Gauge Conversion (₹14.77 crore).

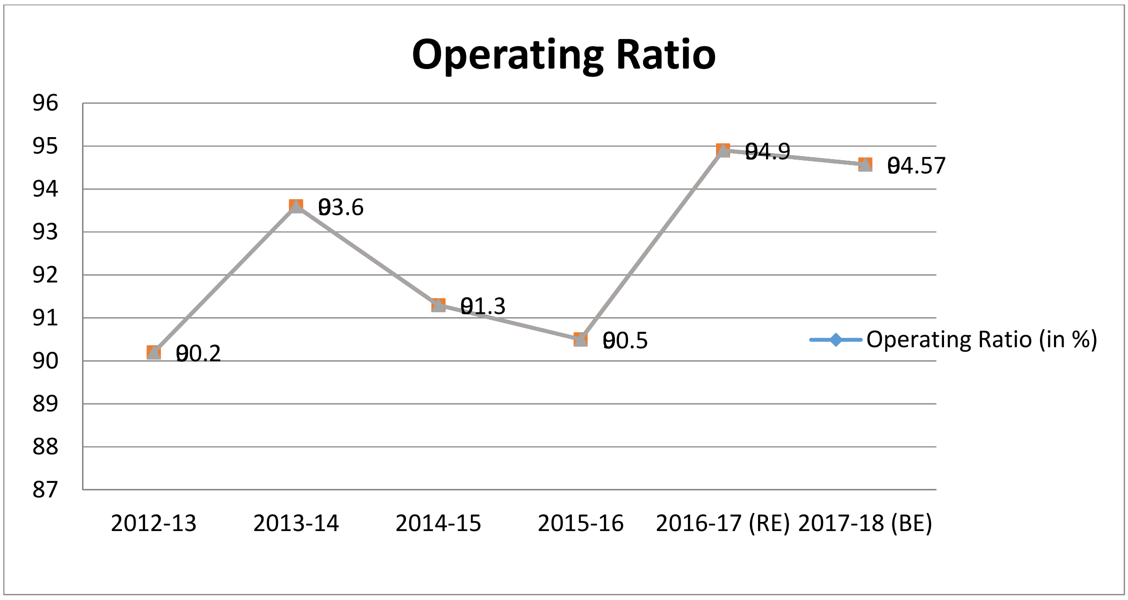
65. In BE 2017-18 the total outlay for Capital Expenditure from ‘RRSK’ is ₹20,000 crore. The Fund will be financed in the following manner –

(Rs in cr)

	Source	Amount
1.	Capital (Budgetary Support)	5000
2.	Railway Safety Fund(Railways' share out of Central Road Fund)	10000
3.	Amount met from Depreciation Reserve Fund	4000
4.	Appropriation to 'RRSK' fromRevenue Surplus	1000
		20000

OPERATING RATIO

66. The position with regard to Operating Ratio during the last five years is shown below –



67. It has been observed that the Operating Ratio for the year 2015-16 was fixed at 88.5% at BE which was revised upward at RE at 90.0 percent while the actual remained at 90.50%. Again, it was fixed 92% at BE 2016-17 and revised to 94.9% at RE 2016-17. Operating Ratio for the year 2017-18 has been targeted 94.57% at BE.

68. With regards to the increasing value of Operating Ratio, the representatives of the Ministry submitted before the Committee as under:

> *"The operating ratio in the current year has somewhat deteriorated basically because we have not been able to move enough freight than we had envisaged for different reasons. basically on account of the burden of Pay Commission which has been to the extent of over ₹30,000 crore and the productivity linked bonus – the Bonus Act was amended – and we were required to pay additional PLB of around ₹2,000 core.*
>
> *Let me submit for the consideration of the Committee, as and when Pay Commission has been implemented the Railways operating ratio in the next subsequent years had deteriorated. Like when the Pay Commission came in 1996-97, it deteriorated from 86.2 to 90.9 per cent; when it came in 2007-08, it deteriorated from 75.9 to 90 percent. Of course, this year we have tried to contain that slide from 90 per cent which was in 2015-16, which will go up to 95 per cent in 2016-17."*

69. The Committee asked the Ministry to forward their comment on growing value of Operating Ratio and measure taken by them to prevent the rise in the value of Operating Ratio year after year. The Ministry furnished the following information the downward revision of traffic earnings in RE *vis-a-vis* BE keeping in view the trend of earnings in various segments and higher appropriation to DRF have led to upward revision of Operating Ratio. In BE 2017-18, Operating Ratio is 94.57% which is better than RE 2016-17 figure of 94.9%. This is considering the moderate growth in traffic earnings and a much higher appropriation to Pension Fund. Operating Ratio is function of total working expenditure to total traffic earnings. Any effort to improve the same revolves around maximising the traffic earnings and minimizing the controllable working expenses.

PLAN HEADS: FINANCIAL PERFORMANCE

70. The financial allocations vis-a-vis achievements for the activities under plan head since 2014-15 is shown as under:

(₹ in crore)

Plan Heads	Actual 2014-15	Actual 2015-16	BE 2016-17	RE 2016-17	BE 2017-18
New Lines (Construction)	7139	20225	15586	18561	21198
Gauge Conversion	3664	3735	4342	5224	3884
Doubling	3881	10497	25119	20510	18001
Traffic Facilities-Yard Remodelling & Others	785	1324	1226	1372	3088
Computerisation	204	239	337	355	568
Railway Research	19	25	37	22	56
Rolling Stock	16490	19548	27278	26183	25653
Leased Assets-Payment of Capital Component	5449	6325	7000	7000	8000
Road Safety Works-Level Crossings	442	470	555	679	705
Road Safety Works-Road Over/Under Bridges	1792	4198	8685	9658	6212
Track Renewals	5372	5586	4000	6740	9961
Bridge Works	441	520	589	592	746
Signalling and Telecommunication Works	1006	894	958	954	2331
Electrification Projects	1391	2278	3396	3527	3457
Other Electrical Works excl. TRD	108	106	681	664	898
Traction Distribution Works	200	187	276	253	542
Machinery & Plant	462	398	512	508	651
Workshops Including Production Units	1681	1530	3680	3328	3339
Staff Quarters	242	283	376	371	428
Amenities for Staff	272	289	297	263	267
Passengers Amenities	859	1081	1838	1921	2101
Inv. in Govt. Comm. Und.-Public Und.	554	4563	2643	514	702
Inv. in non-Govt.Und. incl. JVs/SPVs	4584	5394	8410	8265	16790
Other Specified Works	341	1983	348	556	395
Training/HRD			6	19	125
Inventories (Net)	1194	-471	-14	71	85
Metropolitan Transport Projects	996	1345	1402	1535	1417
New Lines (Const)-Dividend free projects	1294	2580	1500	1500	1800
Gross Capital Outlay	**60862**	**95132**	**121063**	**121145**	**133400**
Includes credits/recoveries	*2141*	*1614*	*4060*	*2144*	*2400*

71. The Committee asked the Ministry to comment on the major areas of shortfalls during 2016-17 for plan heads and reason for shortfall. The Ministry in their written replies submitted that there are no appreciable shortfall expected in the year 2016-17, however, it has been assessed that Railways will be able to utilize the projected capital expenditure for 2016-17. Accordingly, the total Capital Outlay in Revised Estimates 2016-17 has been retained at the level of BE 2016-17, i.e. ₹1,21,000 crore. There are certain Capital heads like Doubling, Rolling Stock, Workshops and Investment in PSU/JV/SPVs where the targets have been reviewed and reduced in view of lesser requirement projected. However, the targets have been reviewed and higher requirements provided for by Railways for certain other Capital Heads like New Lines, Gauge Conversions, Traffic Facilities, Level Crossings, ROB/RUB, Track Renewals, Electrification Projects, Passenger Amenities, Other Specified Works and MTPs, based on accelerated progress of works.

PLAN HEADS: PHYSICAL PERFORMANCE

72. The Ministry informed the Committee that in 2015-16, total 2,828 km of broad gauge track have been commissioned which includes 813 Kms of New line, 1,043 Km of Gauge conversion and 972 Km of doubling. Railways plan to introduce passenger trains on 2,800 km and 3,500 km of newly constructed broad gauge track in 2016-17 and 2017-18 respectively.

73. Physical targets and corresponding achievements with respect to Railway Plan heads as mentioned in Expenditure Profile 2017-18 by the Ministry of Finance are as under:

Sl. No	**Head**	**Actuals 2015-16**		**2016-17**			**Budget 2017-2018**
		Target	**Achievement**	**Budgeted target**	**Revised Target**	**Likely Achievement**	**Target**
1	Construction of new lines (Route Kms)	500	813	400	900	900	800

2	Gauge Conversion (Route Kms)	800	1043	800	900	900	900
3	Doubling of lines (Routes Kms)	1200	972	1600	1050	1000	1800
4	Rolling Stock	710	621	747		640	604
	Diesel	430	341 (including 9 locos for non railway customer / export)	467	467		290 (Including 20 Locos for Non - Railways Customer)
	Electric	280	280	280	300		334
	Coaches	3592	4099 (including 52 coaches for non railway customer / export)	3431	4291(including 140 coaches for non railway customer)	4300	4695 (including 200 coaches for non railway customer)
	Wagons (Vehicle Units)	12814	13412	12000	12000	11000	12000
5	Track renewals (Route Kms)	2500	2794	1500	2668		3600
6	Electrification projects (Route Kms)	1600	1730	2000	2000	2000	4000
`7	Passenger Traffic Plan (million Passenger Kms)	1,134,353	1,143,039	1,137,298	1,157,637		1,159,900
8	Goods Traffic Plan (million net tonne Kms)	667,533	654,481	694,607	621,247	621000	675,622

New Lines

74. It has been informed that in 2016-17, a target of 400 km of new lines has been fixed for introduction of passenger trains. As per revised estimates, a progress of 900 km is likely to be achieved in 2016-17. Progress of new line is dependent upon progress of land acquisition, statutory clearances including forestry clearances, shifting of utilities, etc. A target of 800 km is twice of the target kept for 2016-17.

75. The Committee reminded the Ministry that in the Rail Budget 2016-17, It was announced that Railways would commission Broad Gauge lines at the rate of over 7 km per day against an average of about 4.3 Km per day in the last 6 years and this pace would increase to about 13 kms per day in 2017-18 and 19 kms per day in 2018-19. Regarding the status of the same, the Ministry stated that Commissioning of Broad Gauge line includes all network expansion projects like new lines, gauge conversion and doubling. For 2017-18, a target of 3,500 km of such network expansion project has been kept which translates into around 10 Kms per day.

Gauge Conversion

76. The Ministry apprised the Committee regarding the current progress with respect to gauge conversion and stated that as on 31.01.2017, passenger trains have been introduced on 735 km long section after gauge conversion in financial year 2016-17. Railways have already undertaken several initiatives to meet with future challenges. These include expeditious sanctioning of projects after their inclusion in the Budget, enhanced powers to field level for expeditious award of contracts etc. Network expansion with specific emphasis on Doubling projects, increasing speed on identified corridors, formation of Special Purpose Vehicle for High Speed Corridor are some of the major initiatives. In addition to this, Station Redevelopment has also been identified as a priority area.

Doubling

77. The Committee asked the Ministry to furnish a note regarding the progress made in doubling projects. The Ministry in their written replies submitted that overall target of network expansion project for 2015-16 was 2,800 Kms which had been achieved. Variations with respect to individual Plan head viz. New lines, Gauge Conversion and Doubling are bound to happen despite best of efforts. However, in 2013-14, 675 Kms Double line was completed and in 2014-15, 723 Kms of Double line was completed. Doubling being a brown field project has several restrictions during execution. Integration with existing single line is done while putting additional safety precautions on Signalling system of the stations. The shortfall in Doubling will be made up by achieving higher targets for new lines and gauge conversion. In 2015-16, new projects totalling to around 9000 Kms of doubling were included in Railway Budget and most of which have been expeditiously sanctioned thereafter. These projects picked up pace in 2016-17 and some of the sections will get commissioned in 2017-18. Further, the shortfall of 550 Kms in 2016-17 will also be commissioned in 2017-18. Therefore, the target of 1,800 Kms doubling in 2017-18, has been planned for achievement.

Road Safety Works and Road Over Bridge/Road Under Bridge

78. The Ministry provided the physical and finance targets and progress achieved in regard to Road Safety Works (LC) and ROB /RUB as on date for last three years as under:-

Description		**2014-15**		**2015-16**		**2016-17**	
		Target	**Progress**	**Target**	**Progress**	**Target**	**Progress** (upto Jan'17)
Elimination of UMLCs	Nos.	730	1148	820	1253	1440	1000
Closure of Manned LCs	Nos.	160	310	205	390	300	381
Construction of ROBs	Nos.	177	185	115	194	210	105
Construction of RUB/Subway	Nos.	650	923	610	830	1000	846
Funds (Allocation & Expenditure)	₹ in Crores	2200	2222	2662	2689	2998	1955

79. The Committee asked the Ministry to explain the road map for elimination of all Unmanned Level Crossings (UMLC) on Broad Gauge lines by 2,020 as announced by Union Minister of Finance in the Budget Speech on 1 February, 2017. The Ministry submitted their response that as on 01.04.2016, there are 19,267 Manned Level Crossings and 9340 Unmanned Level Crossings over Indian Railways. There are 6388 Unmanned Level Crossings on Broad Gauge as on 01.04.2016, out of which 1000 Unmanned Level Crossings have been eliminated as on January, 2017. The expected remaining Unmanned Level Crossings on Broad Gauge as on 01.04.2017 is 5,000 Nos.

Year wise planning for elimination of these Unmanned Level Crossings is as under:-

Year	Target for Elimination of Unmanned Level Crossings
2017-18	1500
2018-19	1500
2019-20	2000

Rolling Stock

80. The Ministry provided financial and physical targets set and achieved in regard to Rolling Stock as on date for last three years as under:

Physical Targets & Actuals- Rolling Stock Production								
Production	**2013-14**		**2014-15**		**2015-16**		**2016-17**	
	Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
								(Till Jan.'17)
Diesel Loco	375	385	385	355	350	341	360	310
Electric Loco	300	302	264	250	280	280	300	223
Coaches	4085	3887	3658	3731	4095	4126	4291	3467
Wagon	8000	9326	10000	11151	12814	13412	12000	10010

Financial Targets & Actuals- Rolling Stock Production								
							(Figures in Thousands of ₹)	
Item	**2013-14**		**2014-15**		**2015-16**	**2016-17**		
	RE	**Actual**	**RE**	**Actual**	**RE**	**Actual**	**BE**	**RE**
Rolling Stock	170831091	172966267	168148967	162747264	188662948	193794861	269699893	259945668

81. The Committee inquired about new technological innovations introduced/ proposed to be introduced with respect of rolling stock. The Ministry stated that In respect of wagons, retrofitment of twin pipe brake system and bogie mounted brake system is being done and the work is proposed to be expedited in coming years. In coaches the innovations introduced/proposed to be introduced include: High capacity power cars, 200 Kmph speed potential coaches, high capacity (46,000 litre) Rail Milk Vans running at a speed of 110 Kmph, 'Clean my coach' SMS based service, provision of CCTV in coaches, proliferation of LHB coaches, progressive use of Air Springs, improvement in Fire Retardancy, automatic Fire and Smoke Detection System, provision of Water Mist type Fire Suppression System in Power Cars and Pantry Cars, provision of automatic door closer mechanism in coaches, provision of reverse cycle RMPU (Roof Mounted AC Package Unit) in 2T/3T ICF type coaches, provision of vacuum discharge in bio-toilets, provision of RFID Tags in Coaches and a gradual shift to technology based Train Inspection with Condition Monitoring of Rolling Stock . On diesel locos fitment of Auxiliary Power units (APU), Multi-Genset Locomotive, Common Rail Electronic Direct Injection (CReDI) will result in reduced fuel consumption.

82. As regards to the life span of locomotives, coaches and wagons, it was informed that Codal life of diesel locomotives is 36 years and for electric locomotives is 35 years. Codal life of wagons varies from 30 to 45 years depending on type of wagon. Codal life for ICF design coaches is 25 years and for LHB design coaches it is 35 years. Codal life of Rolling stock is only indicative and it is condemned on age-cum-condition basis. 42 diesel locomotives having completed 36 years of service are withdrawn from main line service and are being used for inferior services like shunting and departmental services,

based on safety checks carried out by nominated diesel loco sheds. With similar safety checks, 53 electric locomotives having completed 35 years and are still working on line. As on 31.3.2016, 5,961 wagons had crossed their codal life and are normally allowed in operation for departmental use. As on 31.3.2016, 841 coaches have completed codal life are in restricted use. In all such cases where rolling stock is put in service beyond its codal life, all necessary precautions are taken to ensure that safety of train operation are not affected.

Passenger Amenities

83. The Committee observed that finances for the passenger amenities have been raised from ₹ 1,838.12 crore at BE 2016-17 to ₹ 1,920.65 crore at RE 2016-17 which is fixed at ₹ 2,100.90 crore at BE 2017-18. Regarding the improvement in passenger amenities, the Ministry submitted that provision of passenger amenities is a continuous and ongoing process. The major components/works undertaken under the Plan Head 'Passenger Amenities' are – provision of platform shelters, foot over bridges, extension of platforms, facilities for Divyangjan, drinking water arrangements, sitting arrangements, toilet/urinal facilities etc. as per the category of the stations. Based on identified need of providing better enhanced passenger amenities at stations, over past few years, development of select stations has been taken up under 'Adarsh' Station Scheme, the works for which are also funded under Plan Head 'Passenger Amenities'. Out of 1,253 stations identified under this scheme, 1011 stations have so far been developed and remaining stations are targeted to be developed by 2017-18.

INDIAN RAILWAYS : VISION 2030

84. The Committee was informed regarding the future plan of Railways. In this regard, the Ministry submitted to the Committee as under:

> 'The Ministry of Railways have prepared a Vision 2030 for next fifteen years and the same has been sent to NITI Aayog for consideration of the same. The highlights of the draft document are as under:

- Indian Railways has to prepare for the following goals for 2030:
    a) 47 % modal share in freight (in terms of net tonne kilometre), as envisaged in NTDPC report from the present 33%. This would imply a growth from 685 billion tonne kilometre in 2014-15 to 3000 billion tonne kilometers in 2030.
    b) Fully meet the demand for passenger transport especially in medium and long-distance intercity travel segment.
- Indian Railways would strive to follow the envisaged trajectory in the NTDPC report and the freight traffic would be aimed to reach 3000 billion NTKM by 2030, starting from 656 billion NTKM in 2015-16.
- Indian Railways would aim to achieve the Herculean task of garnering 3300 billion PKM in by 2030, starting from 1139 billion PKM in 2015-16.
- Segregation of freight and passenger traffic on High Density Routes through completion of Eastern and Western DFCs and quadrupling of remaining HDN routes.
- Speed raising – maximum speed of freight trains will be raised to 100 kmph and the average speed (25 kmph presently) will be raised gradually to reach as close to maximum speed as possible.
- Required connectivity to Ports, mines and industrial clusters.
- Universalization of 25 tonne axle load (infrastructure and rolling stock) and progressive adoption of longer and heavier trains for the bulk cargo.
- Simultaneously sharper focus on non bulk cargo like fast moving commercial goods, automobiles, containers and parcels etc.
- Strengthening of existing terminals, sidings and construction of new terminals.
- Introduction of Higher horse power locomotives (9000 and 12000 HP electric) to achieve higher speeds and better HP to trailing load ratio.
- Introduction of 2 x 25 kV AC traction system on Dedicated Freight Corridors and HDN routes for heavy haul and high speed operation.
- Rolling Stock – Induction of High Capacity, light weight, sturdy and faster rolling stock.

- After the construction of Dedicated Freight Corridors on eastern and western corridors the released space will be utilized to augment the passenger services to 160-200 km/hour in order to ensure overnight travel in 10-12 hours and intercity travel up to 500 kms in 3-4 hours.
- 95 % punctuality will be aimed at.
- State of the art Base Kitchens will be established and e- catering to be encouraged so that passengers can have food of their choice and at the price they can afford.
- Setting up of mechanized laundries at additional 40 locations by 2030. Presently laundries have been set up at 44 locations.
- Long distance coaching trains need to be replaced progressively by train sets having speed potential of 160/200 kmph. This is likely to lead to reduction in journey time by 20-25 per cent and provide comforts similar to air travel. Rail coach factory is being taken forward to attain a production capacity for manufacture and supply of 5000 such coaches over 10 years.
- Around 10000 lifts and 5000 escalators need to be provisioned for installation by 2030.
- The network size will go up to 72,000 route kms by 2030, but most of it would be double/ multiple electrified lines (approx.40,000). More significantly the high density network would have mostly multiple lines.

	2015-20	**2020-25**	**2025-30**
New Line km	1900	2000	2100
Doubling km	11100	5000	5000
Gauge Conversion km	3700	0	0
Railway Electrification Rkm	10000	7500	7500

- Indian Railways will require approx. ₹35,300 billion, by 2032 to create the requisite capacity and modernize the system

- In line with the best practices of the world's advanced railway systems, non-fare revenue, which comprises only 3.4% of the total revenue, shall be increased to 20% by 2030.
- It has been planned to redevelop 54 'A-1' & 'A' category stations by 2020-21 on 'as is where is' basis by inviting open bids from interested parties with their designs & business ideas.
- By 2024 the country's first high speed rail would have been operational between Mumbai and Ahmedabad. By 2030 the experience gained would help prepare blue print for other high speed lines in the country based on requirement. By then, speed-raising on most of the HDN routes along with segregation of freight and passenger services would make it possible to bring down travel time to 10-12 hours for cities located within 1400-1500 kms distance.
- Today there are around 6400 unmanned Broad gauge level crossings. Railways will aim to eliminate all unmanned level crossings on Broad Gauge by 2020.
- On routes envisaged for operation of passenger trains with speed 160-200 kmph, all level crossings will be replaced with grade separators in phased manner by year 2030.
- Emphasis on Public- Private Partnership.
- To prevent head on collisions, Indian Railways has developed an indigenous technology to equip 100% of the High Density Network with TCAS.
- Condition Based Maintenance or Predictive maintenance as against the present Time Based Maintenance system will be implemented.
- Reorganization on business lines transcending the departmental lines has to be taken up in carefully calibrated steps in a time bound manner.

SWACHH RAIL

85. The Committee have observed that in the Budget speech for the year 2017-18, the Hon'ble Minister of Finance have announced as under:

"*A beginning has been made with regard to station redevelopment. At least 25 stations are expected to be awarded during 2017-18 for station redevelopment.*

500 stations will be made differently abled friendly by providing lifts and escalators. "

"*SMS based Clean My Coach Service has been started. It is now proposed to introduce 'Coach Mitra' facility, a single window interface, to register all coach related complaints and requirements. By 2019, all coaches of Indian Railways will be fitted with bio toilets. Pilot plants for environment friendly disposal of solid waste and conversion of biodegradable waste to energy are being set up at New Delhi and Jaipur railway stations. Five more such solid waste management plants are now being taken up.*"

86. The Committee asked the Ministry to furnish the details of the various initiatives as announced above. The Ministry, in their written replies, provided the following information:-

(a) Redevelopment of Stations

Indian Railway has advertised its plan to offer 'A-1' and 'A' category stations (Total about 400 stations) on 'as is where is' basis for redevelopment, by inviting proposals from interested parties with their designs and business ideas. The entire cost of stations redevelopment is to be met by leveraging commercial development of Railway land and air space in and around the stations.

Based on the studies under by the Strategic Advisor for the station redevelopment projects, 23 stations spread over various states and having good commercial potential are being taken up for bidding in the first phase. Out of these, bids for 15 stations have already been invited and those for remaining 8 stations (in the States of U.P. and Maharashtra) shall be invited soon after the restrictions of model of code of conduct are over.

Based on the response of the stakeholders, more stations would be taken up for bidding.

(b) Clean My Coach

'Clean My Coach' service is being provided in trains provided with On Board House Keeping Service (OBHS) covering Rajdhani, Shatabdi, Duronto and other important long distance Mail/Express trains. In this scheme, for any cleaning requirement in the coach, passenger sends a Short Message Service (SMS) on a specified mobile number which is immediately acknowledged along with a code. A message is also sent by the server to the mobile number of On Board Housekeeping Service (OBHS) staff travelling on the same train along with the details of the passenger such as coach number, berth number. OBHS staff contacts the passengers and carries out the cleaning work as per demand. Presently, around 750 pairs of trains are covered under this scheme.

(i) Introducing COACH MITRA Service for the Passenger of Indian Railways :

In order to endorse its commitment for providing a Clean, Hygienic and Comfortable ambience for the travelling passengers, Indian Railways has launched a number of activities. The On Board Housekeeping Service (OBHS) has been extended in many more Mail Exp. Trains and a new SMS based CLEAN MY COACH service was introduced last year. These services were limited to "Cleaning Services".

IR has now proposed to introduce a comprehensive "Integrated On Board Service" arrangement called COACH MITRA Service for the passengers. This service will facilitate a single point contact for any on-board passenger to make coach related SERVICE REQUEST through SMS, Web Based, App based facility which will be attended to in a prescribed time. This service would provide rectification to any passenger complaints related to Cleanliness in coaches, Bedroll quality, water availability, working of AC & Lights, petty maintenance issues in coaches, etc. which can be resolved during the train journey.

The facility can be availed by the passenger for seeking immediate response to any of their query or assistance demanded by them ON BOARD any train. The passengers can log their request through SMS or other online

/ smart phone appliance. The passenger request will be forwarded to a Unified response team which will ensure prompt redressal of the complaint.

(ii) Pilot plants for environment friendly disposal of Solid Waste :

Government of India, Ministry of Environment, Forest & Climate Change, vide their notification dated 8th April, 2016 notified Solid Waste Management Rules, 2016. The rules were also made applicable to areas under the control of Indian Railways.

Indian Railways being environmentally conscious organization decided to set-up pilot plants for Environment friendly disposal of Solid Waste including conversion of Waste to Energy. Work for setting up Pilot Plants for Environment friendly disposal of Solid Waste at New Delhi and Jaipur is in progress. These pilot plants are expected to be completed this year. In these pilot plants, bio-degradable waste shall be converted into bio gas and bio manure and other waste will be disposed of in an authorized manner.

IR has planned to set up 5 more Solid Waste Management (SWM) plants during 2017-18. NIT for setting up 8 more SWM plants at Varanasi, Allahabad, Patna, Secunderabad, CST Mumbai, Chennai, Sealdah and Howrah has been issued on 13.02.2017.

One bio-methanation plant for conversion of bio-degradable waste to energy (bio-gas) is working at Jaipur Coaching Depot.

(iii) Road map for fitting bio-toilets in all coaches by 2019

As on 31.01.2017, more than 23,000 bio-toilets have been installed in about 5,800 coaches as against the target of fitment of 30,000 bio-toilets in 2016-17. On cumulative basis, about 16,800 coaches have been equipped with more than 58,000 bio-toilets.

As estimated earlier, about 40,000 existing in-service BG coaches were eligible for installation of bio-toilets, as on 01.04.2016.

All the new coaches being manufactured by various Production Units of Indian Railways are being fitted with bio-toilets/environment friendly toilets.

Action Plan for fitting bio-toilets in all 40,000 existing BG coaches by 2019:

	FY 2016-17	**FY 2017-18**	**FY 2018-19**	**By 2019**	**Total**
Coaches	7,500	10,000	15,000	7,500	**40,000**
Bio-toilets	30,000	40,000	60,000	30,000	**1,60,000**

Requirement of bio-toilets for retro-fitment in 2017-18 is already covered vide Railway Board's bulk procurement Rate Contracts for 80,000 bio-toilets (20,000 coach sets).

PART – II

RECOMMENDATIONS/OBSERVATIONS

AN OVERVIEW

1. Indian Railways have come a long wayfrom34 Kms to 66,687 Kmsover a span of 164 years since 1853. This journey should not be seen only in terms of covering distance rather it should be understood in different perspective in bringing the people of India closer and connecting them through fast and economic mode of transport. Giving connectivity coverage to the seventh largest country of the world, managing a vast volume of man power and continuously preparing the system to fulfill the expectations of the people is really appreciable. The Committee think that for India, the growth of Railways has a larger connotation beyond measuring or accessing it merely in numeric and economic terms. This year Railways had undergone a paradigm shift in terms of their budgetary process. Discontinuing the decades long Victorian legacy of presenting a separate budget for Railways, Railway Budget for 2017-18 was merged with the Union Budget and was presented to Lok Sabha with the Union Budget by the Finance Minister on 1 February, 2017.

With aforesaid broader outlook, the Committee undertook a detailed scrutiny of the Demands for Grants of the Ministry of Railways 2017-18 which were tabled in the House on 3 February, 2017. During the deliberations by the representatives of Railway Board before the Committee and the written replies submitted by the Railways, the Committee had a sense of core issues of Indian Railways. The Major areas of focus for Railways are as under:

- **Unification of Rail Budget with Union Budget from 2017-18**
- **Capital and Development works**
- **Passenger safety**
- **Cleanliness**
- **Finance and accounting reforms**
- **Station redevelopment**

The Committee understand that the success of the Indian Railways system lies in the manner in which they maintain a balance between its existence as a commercial entity and as a vehicle of social engineering and sustainable development. The Committee note that the Ministry have prepared a Vision 2030 keeping their long term goal in mind. However, having done away with Five year planning, a perspective annual plan should also be formulated to cater the short term objectives in consonance with the long term goals.

In the light of the above, the Committee will now delve into some of the specific components of the Demands for Grants of the Ministry of Railways for 2017-18.

MERGER OF RAIL BUDGET WITH UNION BUDGET

2. The Committee note that the Rail Budget had been presented separately since 1924 following the recommendations of the Acworth Committee. The representatives of the Ministry of Railways apprised the Committee that at the time of separation of Accounts in 1924 Railway Budget was almost half the size of the Central Budget and a substantial cut in Railway Budget to meet the

requirement of General Budget at the time of adversity or drought etc., used to slowdown the progress of Railways. So at that time, it was felt that Railways should act as a commercial entity with independent budget and supplement General Budget from its internal profits by way of a paying dividend on the capital invested from the General Revenues. Railways were making profits from their investments at that time. However, the scenario has changed significantly now and the total Railway Budget is less than 10% of General Budget and some Ministries like Defence have larger budget and therefore discussion about merger began. The Bibek Debroy Committee also submitted the recommendations for their merger. This year, marking a historic event, rail budget was presented as a part of General Budget.

The Committee were apprised that Railways will maintain its distinct identity as departmentally run commercial undertaking, retaining its full functional autonomy. Railways would meet its Revenue expenditure including ordinary working expenses, pay and allowance of staff, pension of their retired employees from Revenue receipts. However, capital at charge will get wiped out from Railways' statement of accounts and henceforth it will be financed by General Budget so there will not be dividend liability for Railways. They were also informed that Railways would continue to get Gross Budgetary Support to meet part capital expenditure requirement and the Ministry of Finance will present a single appropriation Bill including estimates of Railways. One of the contentions of Government of India for the merger is that it should be able to facilitate multi-modal transport planning between Highways, Railways and Waterways etc. The extent of dividend liability relief to Railways can be

deployed for various works of capital expenditure and it will allow Ministry of Finance more elbow room for better allocation of resources. The Committee understand that unification of budget will now give Railways a chance to focus more on their real business, modernization and safety concerns while the Ministry of Finance will be responsible for the financial needs of Railways. They, however, have certain concern areas as follows, which need to be addressed.

(i) Debroy Committee have made substantial recommendations with respect to restructuring of Railway Board and other reforms in the Railways including the need for commercial accounting principles. The Committee would desire to be apprised of the roadmap in this regard as well as the onus of implementing these reforms, if at all.

(ii) The manner in which the Railways will now be structured, that is, the new organizational structure of Railways. The Committee desire to know whether it will be Railway Ministry headed by a secretary or Railway Board in its present form will continue. The Committee desire that sufficient autonomy should be retained with the Railways.

(iii) Bearing the part of Capital Expenditure by Railways may carry inherent risk for financing of the Railways projects and funding of its huge capital requirement leading inevitably to privatization of various services. The roadmap for expansion and modernization be clearly brought out. Towards this end,

sufficient Gross Budgetary Support should be provided to Railways every year keeping in view their various socio-economic commitments including strategic lines.

(iv) Need for adequacy of operational revenue to be earned by Railways to meet the revenue expenditure especially in view of the fact that 40% of the Railways Staff is above the age of 50 years and have to be provided Pension.

(v) In absence of dividend, the subsidy on Capital acquisition through Extra Budgetary Sources would also be done away with. The responsibility of socio-economic development especially with respect to strategic railway lines, projects including non-remunerative lines in backward route, tribal and hilly areas would lie with the Ministry. The Committee would like to be apprised about change in priorities in selecting projects as well as the fate of existing pending non-remunerative projects in various categories.

(vi) The fate of Railway vision plan 2030 in the light of the Government's budgetary reforms viz. discontinuation of Five Year Plans be clearly brought to the notice of the Committee.

(vii) Apprehension of the Committee about lessening the Parliamentary control and oversight responsibilities of the Parliament over the most important public service obligation i.e. Railways, as the demands of Railways will be like any other

Ministry under the Budget and probably it may not be discussed in the House every year as was being done hitherto.

(viii) Contention that Railway Budget had started drawing excessive populism especially in matter of fare fixation and selecting and funding of projects is not acceptable to the Committee. They feel that the Members of Parliament represent the expectations/aspirations of the people and are duty bound to express and project their genuine demands. Through the Pink book brought out by the Ministry of Railway, they would readily know the money allocated for the smallest project in their constituency which would satisfy the expectations of local population. The Committee desire that accountability of Railways towards Parliament should be ensured. Also detailed documentation of the status, allocation and progress should be continued.

(ix) Responsibility of preparation of Budget is of utmost importance. The Committee are apprehensive that rather than taking a bottom up approach and projecting needs and requirements of Railways, there might be directives from the Ministry of Finance due to fiscal consolidation or fiscal deficit, they might have to adjust and forego their own priority areas.

(x) Protection of Railways hitherto autonomous, from direct interference of Ministry of Finance in terms of financial or

economy cut of 10-15 % of the budget across the Ministries should be ensured.

The aforesaid areas are the concerns of the Committee and way forward so that the innovative step/reform by merger of Railway budget with General budget works out successfully. They would like to be kept abreast about concrete steps taken in this direction.

3. The Committee note that one direct financial fallout in the post merger scenario is the exemption in payment of dividend to the General Exchequer to the extent of ₹9731.29 crore for the year 2016-17 to the Railways.Since, an amount of Rs.4301 crore which was expected to be received from the Ministry of Finance as subsidy on payment of dividend, would not be given now, the net benefit of waiving the dividend for the year 2016-17 has been only₹5430 crore. The Committee are dismayed to note that this benefit of ₹5,430 crore would be utilized to partly meet the shortfall in traffic earnings of Railways assessed at ₹12,665 crore in the Revised Estimates during 2016-17. The Committee find that the very purpose of removing the dividend liabilities is defeated when they are not utilized in creating assets or increasing net revenue of Railways. The Committee expect the Ministry to judiciously spend the amount on capital or asset formulation of Railways so that the utility of these savings will be enhanced exponentially in order to cater the financial needs of other deficit areas of Railways.

4. The Committee understand that with the merger of Railway Budget with General Budget from 2017-18 onwards, Railways will be exempted to pay dividend to General Revenues but then Railways will not be given the subsidy on dividend and also operating losses on Strategic lines and Railway lines in hilly, coastal and backward areas will not be reimbursed to them. The Committee are aware that Railways till now play a very vital role in socio-economic development by developing remunerative projects in strategic, hilly, coastal and backward areas. While at present (till 2016-17) operational losses on six strategic lines are being reimbursed to Railways by Ministry of Finance. Estimate Committee in its 21st Report (16th Lok Sabha) on Structural Changes in Union Budget has also recommended that the Railways should get the reimbursement of losses on operation of strategic lines. The Committee strongly reiterate the recommendation made by Estimate Committee and think that considering the role of Railways in nation building, reimbursement to Railways on their operating losses on strategic lines is justifiable. As these lines mainly cater to defence movements on border areas and development of social and backward region, the Committee recommend that reimbursement of operational losses on strategic lines and Railway lines in hilly, coastal and backward areas should be continued and desire the Ministry of Railways to pursue the matter with Ministry of Finance in this regard. The Committee also recommend separate fund allocation for National Projects and projects of strategic significance, social importance in backward and hilly areas and to explore the possibilities to share the cost of such social obligations with the Ministry of Finance.

CAPITAL OUTLAY

5. The Committee note that Capital section of demand is for expenditure on assets, acquisition, construction and replacement, whether met out funds to be obtained from the general exchequer or internal resources of the Railway viz. Depreciation Reserve Fund, Development Fund, Capital Fund, Railway Safety Fund and Rashtriya Rail Sanraksha Kosh. The Actual Capital Expenditure during 2015-16 was ₹ 93519.80 crore, in the Revised Estimates for 2016-17, it was ₹121000 crore and in Budget Estimates for 2017-18 it is estimated at₹1,31,000 crore. The Committee perceive a positive trend in the capital outlay of the Railways as a regular growth has been expected of ₹ 27,480 Cr. (almost 27%) in 2016-17 from 2015-16 and again the outlay has been increased by ₹ 10,000 crore at BE for the year 2017-18. The Committee expect that this increase in Capital Outlay should be best utilized, keeping in view the financial prudence, in areas/projects which would start remuneration to the Railways at earliest such as last mile projects and bridging the incomplete small sections of rail networks etc.

6. The Committee observe that Railways remain largely dependent on Gross Budgetary Support or Extra Budgetary Resources. The contribution of Internal Resources in total Capital Outlay has been 16.6% in 2015-16, 12.16% in Revised Estimate 2016-17 and 10.69% is kept in Budget Estimate 2017-18 which reflects a downward trend. The Committee note the financial

dependency of Railways on other outer resources rather than focusing on internal resources even after 70 years of independence. The main reason stated by Ministry for tepid growth in freight traffic was burden of the Pay Commission and down turn in core sector i.e. coal loading, due to change in Government policy on account of thermal power generation as more emphasis is put on power generation from the plant which are either on pitheads or on ports. The Committee note with satisfaction that the Ministry is now expanding their basket size of commodities to 40 instead of only 10 commodities as of now, so as to reduce dependency on transportation of few commodities. The Committee feel that the time has come when Railways need to show the acumen in the field of resource generation and prove their financial prudence by making themselves financially independent. The Committee recommend that the Ministry should be resilient enough to think on the lines of exploring all the possibilities to generate revenue by their own. In this regard, the Committee suggest the Ministry to form a working group at division level to find the ways through which these assets may be converted into revenue generating resources. Instead of customary hike in passenger fare and freight charges and losing out on business, the Ministry may think of unconventional measures like sale of Railway souvenir on trains and stations, commercial use of Railway land, monetization of Railway assets, advertisement on train coaches, stations and peripheral areas, enhancing the last mile connectivity to enhance business avenues, better services and business oriented model for IRCTC like other commercial travelling sites. It would be utmost significance that the respective Members of Parliament of

the concerned Railway divisions may also be a part of that working group to facilitate the progress and public acceptance. Further, the Committee desire that before approving any new project involving capital expenditure, finances should be identified in advance and tied up as it would facilitate the completion of project within prescribed time frame without cost escalation.

FINANCIAL PERFORMANCE

7. The Committee note that target for Gross Traffic Receipts (GTR) for the year 2017-18 has been kept at ₹ 1,88,998.37 crore involving an increase of ₹ 16,843.37 crore (9.8%) over the Revised Estimates of 2016-17. However, Budget Estimate of GTR for the year 2016-17 has been revised downward by ₹12,664.8 crore (6.85%) to ₹1,72,155 crore.Also, the actual Gross Traffic Receipts for the year 2015-16 was at ₹1,64,333.51 crore, ₹3,500.49 crore less than the revised estimate of ₹167834 crore. Further, in the year 2016-17, the total passenger earnings were revised downward from Rs.51012 crore at BE to Rs.48000 crore and has been kept at Rs.50125 crore at BE 2017-18. Goods earnings were also revised downward by 7.65% from Rs.117932.75 crore at BE 2016-17 to Rs.108900 crore at RE 2016-17 and has been targeted at Rs.118156.50 crore at BE 2017-18. The Committee observe that there has hardly been any growth in both passenger and goods earnings. The Ministry have attributed the less/negative growth to improvement in road connectivity and slow down of the demand from core sector.

The Committee note that the Ministry have not been able to achieve the desired targets in Gross Traffic Receipts which has direct bearing on the total Railway Receipts. The Committee feel that losing revenue on the core activities of the Railways is a matter of concern for which Railways need to find a sustainable solution as early as possible. The Committee also feel that at the time when Government is thinking of initiating multimodal integrated transport system, the Ministry should review their passenger and freight services in order to attract more business in the face of severe competition from other modes of transportation as informed by the representatives of the Ministry during deliberation. The Committee think that providing better services in terms of value for money and punctuality of services has the potential to bring back the business to the Railways. The Committee desire that the Ministry should take advantage of their vast network and create a niche in their area of expertise and suggest that the Ministry should put forth their sincere efforts in this direction. They desire that an integrated Rail Development Policy should be brought out with effective parameters and explore possibilities to enhance the revenues through alternative avenues such as modernizing technology, punctuality and safe travel along with capping of leakages in Railway resources. They should mobilize and also strive for operational utilization of their own resource well integrated with other modes of transport. They would like to be apprised of the steps taken in this direction.

8. The Committee note that Net Revenue for the year 2017-18 has been targeted at ₹8,948.37 Cr while it has been revised downward to ₹7,695 crore at RE 2016-17 by ₹10,515.6 Cr (57.74%) from BE 2016-17 of ₹18,210.64 Cr. The Committee note that such a huge reduction in Net Revenue to the extent of more than 50% has never occurred except for the year 2016-17. The Committee strongly feel that there is an urgent need to arrest the declining net revenue. The Committee agree with the Ministry that the focus on increasing the share of non-fare revenue resources, strict austerity measures to control expenditure, improved man-power planning, better asset utilization, inventory management and optimizing fuel consumption are some of the measures to bring the Railway finances in right shape. The Committee recommend the Ministry to act upon these measures immediately without any delay and set up a monitoring committee to have continuous watch over the progress in this direction.

9. The Committee note that passenger earnings target is revised to ₹ 48,000 crore at RE 2016-17 from ₹51,012 crore at BE 2016-17 while till end of January, 2017, the actual revenue from passenger earnings has been only ₹34,535.72 crore (i.e. only 72 % of RE 2016-17). The Committee observe that the Railways have not been able to achieve the required earnings in passenger as well as goods segment in the year 2015-16 and may not achieve the targets for the year 2016-17. The Committee were apprised that there was a shortfall of Rs.3000 crore on account of passenger earnings while they were 5-6 %

more than last year and a decline to the extent of Rs.9000 crore in freight revenue. On freight side cost is only 99 paise/10 Km against the charges of Rs.1.60/10 Km which is substantially high while on the passenger side charges are around 50% of the cost of service i.e. cost comes to 73 paise/10 Km against the charges of 36 paise/10 Km. The Committee understand that cost of service on passenger traffic is more than the cost on freight service and so the earnings from freight service are used for cross-subsidising passenger traffic. The Ministry have submitted before the Committee that this trend of cross-subsidising the revenues from goods to passenger traffic is not good for economy as it would lead to increase in logistic of goods which is already one of the highest in India at around 13 percent of cost of goods. The Committee is in agreement with the view of the Ministry that providing cross-subsidy is neither good for the health of economy nor is it sustainable for Railway and much of their business shifts to other modes of transport. Further, some of the notification(s) of the Ministry of Railways such as the whole wagon is to be booked by one person also hampers the business of Railways. The Committee feel the Ministry should review some of their steps to drawback business and the same should be rigorously implemented and publicized such as lower freight charges for empty haulage path etc. In this regard, the Committee recommend the Ministry to conduct a detailed study and draft a medium/long term plan to eliminate the provisions of cross-subsidy in a gradual manner. The Committee advise the Ministry to constitute an independent authority/body for fixation of passenger fare and freight charges depending on cost involved so that it brings both rationality and flexibility in

pricing considering the financial health of Railways and the current market scenario.

PHYSICAL PERFORMANCE

10. The Committee note with satisfaction that in 2015-16, total 2,828 km of broad gauge track have been commissioned which includes 813 Kms of New line, 1,043 Km of Gauge conversion and 972 Km of doubling against the target of 500 Kms in New Lines, 800 Kms. in Gauge Conversion and 1200 Kms in Doubling. For the year 2016-17, likely achievements are almost at the level of revised targets. Further, in Rolling stock, track renewals and electrification, the Ministry have gone beyond the targets. The Committee note with satisfaction the improved performance of the Railways in meeting the targets in the year 2015-16 and expect the same pace of accomplishment for the year 2016-17 and 2017-18.The Committee observe that a target of 3,500 km of network expansion (broad gauge) has been kept for the year 2017-18 translating commissioning of around 10 Kms track per day against the announcement of 13 Kms per day in the Rail Budget 2016-17. However, the Committee desire the Ministry to strive hard to meet the preferred target of commissioning 13Kms broad gauge track per day without compromising on safety and quality of travel. Considering the past record of commissioning the tracks for last two years, the Committee are pretty sure that the Ministry would be able to achieve the anticipated targets for the year.

11. The Committee are contented to note the progress made by the Railways with regard to Road Safety Works and Road Over Bridge/ Road Under Bridge. For the years 2014-15 and 2015-16, the Railways have crossed the targets while progress upto Jan 2017 for the year 2016-17 has been satisfactory. In the Budget Speech on 1 February, 2017, the elimination of all Unmanned level crossings on Broad Gauge lines by 2020 has been announced. In this regard, the Committee note that 1000 Unmanned Level Crossings have been eliminated as on January, 2017 against 6,388 Unmanned Level Crossings on Broad Gauge as on 01.04.2016. The expected remaining Unmanned Level Crossings on Broad Gauge as on 01.04.2017 is 5,000 Nos. which will be eliminated in the number of 1,500, 1,500 & 2,000 during 2017-18, 2018-19 and 2019-20 respectively. The Committee note the efforts made by the Ministry in order to remove unmanned level crossing in phased manner but at the same time express their apprehensions regarding its progress as the highest target achieved in last three years has been 1,253 in the year 2015-16. The Committee recommend the Ministry to keep this target on priority basis as the matter of unmanned level crossing is directly connected with the safety of human life and progress in this regard should be reviewed on quarterly basis while ensuring the strict adherence to the targets. Further, the Committee reiterate their earlier recommendation made in their 9th Report(16 LS) on Demands for Grants (2016-17) wherein the Ministry was urged to pursue the matter of making provision for construction of Road Under Bridges/Subways, wherever necessary, as a part of project of construction of roads under the Pradhan Mantri Gram Sadak Yojana (PMGSY) as the labour

used would help in asset creation and desire the Ministry to follow up the same with concerned authorities/ departments/ ministries on urgent basis. In this regard, the Committee note that despite pursuation by the Ministry of Railways the matter is yet to be considered by the Ministry of Rural Development. Further, the Committee recommend the Ministry to meticulously pursue the inclusion of Railway works in the list of works to be done through MGNREGA and to amend the guidelines to the extent that the ratio of material cost to the labour cost should be revised to 60:40 and would like to be apprised about the progress made therein.

RASHTRIYA RAIL SANRAKSHA KOSH

12. The Committee in their 12th Report (16th Lok Sabha) on 'Safety and Security in Railways' had urged the Ministry to approach the Ministry of Finance for creation of another special Railway Safety non-lapsable fund which could cater to this long impending and urgent need in order to ensure safety of train operations. The Committee appreciate the priority accorded to safety in Rail travel by the Ministry by creation of dedicated fund for the passenger safety namely Rashtriya Rail Sanraksha Kosh. The Fund has been created with a corpus of ₹1 Lakh crores over a period of 5 years which will fund track renewals/safety, strengthening of bridges, elimination of unmanned level crossings, upgradation of maintenance facilities, signaling improvement and complete switchover to LHB/coaches/retro fitment of CBC couplers in ICF coaches. The total outlay for capital expenditure from RRSK for the year 2017-18 is₹20,000 crore out of which,₹5000 crore from Budgetary

support, ₹10,000 from Railway Safety Fund (Railway's share out of the Central Road Fund), ₹4,000 crore from Depreciation Reserve Fund and remaining ₹1000 crore from Revenue surplus.

The Committee note that multiple factors may influence the financing of the RRSK in future. The Committee apprehend that considering the financial health of Railways, in case of lesser budgetary support or less revenue surplus, appropriation to RRSK will be hampered. The Committee are of the opinion that rather than appropriating separate funds to RRSK, diverting the amount already appropriated to two different funds i.e. Central Road Fund and Depreciation Reserve Fund is not a matter of financial prudence but jugglery of finances. The Committee recommend the Ministry to ensure the dedicated financing of RRSK which should preferably be non-fungible as suggested in their 12th Report. Further, the Committee urge the Ministry to ensure the optimal utilization of the fund strictly on the works it has been assigned to, along with regular financial and physical scrutiny and monitoring of the progress thereof. The Committee are sanguine that with the help of this new fund, the Ministry, within shortest possible time, would be able to replace older coaches with LHB coaches with anti-climbing protection facility and install Train Protection Warning System (TPWS) on locomotives to prevent head-on collisions.

OPERATING RATIO

13. The Committee note that Operating Ratio for the year 2015-16 remained at 90.50 and it has been revised to 94.9 at RE 2016-17 from 92 at BE 2016-17.

The reason for poor operating ratio for the year 2016-17 has been stated to be downward revision of traffic earnings in RE and higher appropriation to DRF. Further, Operating Ratio for the year 2017-18 has been targeted at 94.57 at BE. This has been done considering the moderate growth in traffic earnings and a much higher appropriation to Pension Fund. The Committee understand that the Operating Ratio is a function of total working expenditure to total traffic earnings and any effort to improve the same revolves around maximizing the traffic earnings and minimizing the controllable working expenses. Since, Operating Ratio is a direct indicator of the working of Railways, the Committee urge the Ministry to bring discipline in their finances by enhancing their revenue and reducing expenses. Further, the Committee expect that the Ministry would look into the various innovative ways for revenue generation and be extra cautious on the expenditure side.

NEW INITIATIVES

14. The Committee note that the various new initiatives have been announced in the Budget 2017-18 which *inter-alia* relates to the introduction of 'Clean My Coach' and 'Coach Mitra services', 'redevelopment of stations' and 'fitting of bio-toilets' in all existing broad gauge coaches by 2019. The Committee appreciate such initiatives of the Ministry and extend their utmost support to them. In this regard, the Committee suggest the Ministry to integrate the redevelopment of stations with the Smart city development plans by applying Build Operate Transfer model. The Committee think that

alongside the modernization of stations, this holistic approach will help in promulgating Swachhta Abhiyan ensuring the cleanliness and preventing encroachment of the railway premises. The Committee recommend the Ministry to ensure continuous uninterrupted flow of funds for such initiatives along with proper implementation at ground and regular review of their outcome including their contribution to passenger satisfaction.

The Committee expect that with the initiation of afore-mentioned new initiatives, the progress on the announcement made in the Budget Speech for the year 2015-16 as introduction of e-catering services should not be compromised in terms of lack of funds or otherwise, rather expansion of e-catering service should be ensured in all trains on priority basis, maintaining the quality of food and delivery system.

GANESH SINGH

NEW DELHI;

09, March, 2017 **Authorised Signatory**

18, Fhalguna, 1938 (Saka) **Standing Committee on Railways**

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (2016-17)

The Committee met on Tuesday, the 14th February, 2017 from 1500 hrs. to 1630 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri A.K. Antony - In the Chair

MEMBERS

LOK SABHA

2. Shri Sudheer Gupta
3. Shri Ramesh Chander Kaushik
4. Shri K. H. Muniyappa
5. Shri R. Radhakrishnan
6. Shri Mekapati Raja Mohan Reddy
7. Shri G.M. Siddeshwara
8. Shri Ganesh Singh

RAJYA SABHA

9. Shri Ranvijay Singh Judev
10. Shri Shwait Malik
11. Shri B.N. Singh

SECRETARIAT

1. Smt. Abha Singh Yaduvanshi - Joint Secretary
2. Shri Arun K. Kaushik - Director
3. Smt. Geeta Parmar - Deputy Secretary

REPRESENTATIVES OF THE MINISTRY OF RAILWAYS (RAILWAY BOARD)

1.	Shri A.K. Mital	Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India
2.	Shri S. Mookerjee	Financial Commissioner (Railways) & Ex-officio Secretary to the Government of India
3.	Shri Pradeep Kumar	Member-Staff, Railway Board & Ex-officio Secretary to the Government of India
4.	Shri Mohd. Jamshed	Member-Traffic, Railway Board & Ex-officio Secretary to the Government of India
5.	Shri A.K. Kapoor	Member-Traction, Railway Board & Ex-officio Secretary to the Government of India

2. In the absence of Chairperson, the Committee chose Shri A.K. Antony to act as Chairperson for the sitting under the provision of Rule 258(3) of 'Rules of Procedure and Conduct of Business in Lok Sabha' which *inter alia* states as under:-

> *"258(3) If the Chairperson is absent from any sitting, the Committee shall choose another member to act as Chairperson for that sitting."*

3. The Committee expressed their deep sense of sorrow and grief over the sad demise of Shri E. Ahmed on 01.02.2017, who was a seven time Member of the Lok Sabha and a Member of the Committee and passed a resolution in this regard.

4. Further, the Committee authorized Shri Ganesh Singh, MP to sign the Reports of the Committee in case of non-availability of Chairperson under the provision of Rule 277(3) of 'Rules of Procedure and Conduct of Business in Lok Sabha' which reads as under:-

> *"277 (3) The report of the Committee shall be signed by the Chairperson on behalf of the Committee:*
>
> > *Provided that in case the Chairperson is absent or is not readily available the Committee shall choose another member to sign the report on behalf of the Committee."*

5. The Convenor welcomed the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker, Lok Sabha regarding the proceedings to be treated as confidential.

6. Thereafter, the Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on various issues related to the 'Demands for Grants (2017-18) of the Ministry of Railways'.

7. The Chairman, Railway Board, elaborated upon the unification of Railway Budget with the Union Budget and its advantages. Further, he briefly highlighted some of the focus areas of Budget 2017-18 and various new initiatives taken by the Railways. The

discussion was held on Annual Plan Resources 2017-18, Railway Revenue Receipts, Requirement of investment in Railways, Rail Infrastructure, Redevelopment of stations, and various other issues.

8. The Committee, then, sought certain clarifications on issues relating to the subject and the representatives of the Ministry of Railways (Railway Board) replied to the same. The evidence was concluded.

9. A verbatim record of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (2016-17)

The Committee sat on Thursday, the 9th March, 2017, from 1000 hours to 1030 hours in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

SHRI Mekapati Raja Mohan Reddy - In the Chair

MEMBERS

LOK SABHA

2. Shri Gaurav Gogoi
3. Shri Sudheer Gupta
4. Shri Chandra Prakash Joshi
5. Shri Ramesh Kaushik
6. Shri K.H. Muniyappa
7. Shri A.T. Nana Patil
8. Shri Lakhanlal Sahu
9. Shri Narasimham Thota

RAJYA SABHA

10. Shri Motilal Vora
11. Shri Ranvijay Singh Judev

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Smt. Geeta Parmar	-	Deputy Secretary

2. In the absence of Chairperson, the Committee chose Shri Mekapati Raja Mohan Reddy to act as Chairperson for the sitting under the provision of Rule 258(3) of 'Rules of Procedure and Conduct of Business in Lok Sabha' which *inter alia* states as under:-

"258(3) If the Chairperson is absent from any sitting, the Committee shall choose another member to act as Chairperson for that sitting."

3. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. The Committee took up for consideration the draft Report on 'Demands for

Grants (2017-18) of the Ministry of Railways' and adopted the same without any modification.

4. The Committee appreciated the excellent work done by the Committee Secretariat in drafting the Report. The Committee authorized Shri Ganesh Singh, MP to finalise the Report in light of the factual verification received from the Ministry of Railways and present the same to the Parliament.

The Committee then adjourned.
