RCC No.111

RAILWAY CONVENTION COMMITTEE
(2004)

(FOURTEENTH LOK SABHA)

FIFTH REPORT
ON
RATE OF DIVIDEND FOR 2006-07 AND OTHER ANCILLARY MATTERS

Presented in Lok Sabha on 18 .08.2006

Laid in Rajya Sabha on 18 .08.2006

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LOK SABHA SECRETARIAT
NEW DELHI

August, 2006/Sarvana, 1928 (Saka)

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RAILWAY CONVENTION COMMITTEE (2004)

Shri Gingee N. Ramachandran, MP - Chairman

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2. Shri Atique Ahamad
*3. Prof. Rasa Singh Rawat
4. Shri Raghunath Jha
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&6. Vacant
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2.	Shri A.K. Singh	-	Joint Secretary
3.	Shri V.S. Negi	-	Director
4.	Shri O.P. Shokeen	-	Under Secretary

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* Nominated vide Bulletin dated 29.3.2005 as Member of RCC *vice* Shri S. Bangarappa, who resigned from Lok Sabha on 10th March, 2005
# Nominated vide Bulletin dated 28.04.2006 as Member of RCC vice Shri K. Rama Mohana Rao, MP, retired from Rajya Sabha w.e.f 02.04.2006
$ Nominated vide Bulletin dated 23.5.2006 as Member of RCC vice Late Shri Mahboob Zahedi, MP, Lok Sabha (died on 8 April, 2006)
&Shri Babu Lal Marandi,MP, Lok Sabha has resigned w.e.f. 22 May, 2006

INTRODUCTION

I, the Chairman, Railway Convention Committee (2004), having been authorized by the Committee to present the Report on their behalf, present this Fifth Report on Rate of Dividend payable by the Railway Undertaking to General Revenues and Other Ancillary Matters for the financial year 2006-07.

2. Based on an interim Memorandum submitted by the Ministry of Railways, in consultation with the Ministry of Finance, the Railway Convention Committee (2004), in their Second Report, had recommended, purely as an interim measure, that dividend for the year 2005-06 to General Revenues be paid at the rate of 6.5 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant-in-lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 2004-05. The Second Report of Railway Convention Committee (2004) was presented to Lok Sabha on 28st April, 2005 and laid in Rajya Sabha on 29th April, 2005. The action taken notes of the Government on the recommendations contained in the First Report and the Second Report forms **Appendix-III** and **Appendix IV** to this Report.

3. Another interim Memorandum on Rate of Dividend for the year 2006-07 containing the views of both the Ministries of Railways and Finance has been furnished by the Ministry of Railways on 17th January, 2006 wherein the Ministry of Finance have stated that the existing rate of the dividend payable by the Railways on the investment from General Revenues may be increased to 7% for the year 2006-07. The Ministry of Railways have, however, pleaded for

retention of the rate of dividend at 6.5 per cent. The Committee, while examining the Memorandum, took evidence of the Representatives of the Ministries of Railways and Finance on 9th March, 2006. The Committee wish to express their thanks to the Representatives of both the Ministries for placing before them their views and for furnishing information required by the Committee.

4. The Ministry of Railways also furnished a Supplementary Memorandum to Second Interim Memorandum on 4th April, 2006 and sought approval in respect of charging of the appropriation to Capital Fund of the amount needed for payment of principal component of the lease charges through the Major Head 3001.

5. After considering the Interim Memorandum and the oral and written submissions made before them by the Ministries, the Committee have recommended, purely as an interim measure, that dividend to General Revenues for the year 2006-07 may be paid at the rate of 6.5 per cent on the entire capital invested on Railways from the General Revenues irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 2005-06. All other concessions now available are also allowed to continue on the existing basis for the year 2006-07.

6. After considering the Supplementary Memorandum submitted by the Ministry of Railways, the Committee agreed to their proposal for charging the appropriation of the principal component of the lease charges to the Capital Fund through Major Head 3001. The Committee, however, desired that the procedure

should in no way impinge upon the availability of funds for the throughput works for which the Capital Fund has been primarily revived in 2005-06.

7. The Committee considered and adopted this Report at their sitting held on 16th June, 2006. The Minutes of the sittings of the Committee are appended to the Report in **Part – II**.

New Delhi ;
th July, 2006
Sravana, 1928 (S)

GINNGEE N. RAMCHANDRAN
CHAIRMAN
RAILWAY CONVENTION COMMITTEE

REPORT

I. GENESIS OF SEPARATION OF RAILWAY FINANCE

Railway Finances till 1924 were included in the Budget of the Government of India. But in order to secure stability for Civil estimates by providing for an assured contribution from Railway Revenues and also to introduce flexibility in the administration of Railway Finance, the Railway Finances were separated from the General Finance by a Resolution of the Central Legislature adopted on 20th September, 1924 and was approved by the Secretary of State. The possibility of legislation to separate the Railway Finances from the General Finance was considered and it was decided that it would be preferable to ask the House to agree to a Convention, the advantage in a Convention being that it can be adjusted from time to time to varying needs and difficulties. This Convention is commonly known as 'Separation Convention'.

2. Under the 'Separation Convention' the Railways are required to pay dividend at a fixed rate on the Capital advanced by the Government of India. The 'Rate of Dividend' payable by the Railway Undertaking to the General Revenues as well as other financial matters are determined periodically by the Railway Convention Committee of Parliament.

II. GUIDING PRINCIPLE OF RATE OF DIVIDEND

3. One of the basic principles enunciated by the first Convention Committee set up in April, 1949 after Independence was the fixation of a definite rate of dividend which included an element of contribution to the General Revenues over and above the bare interest paid by the Government on the Capital provided for Railways. This principle was enunciated on the consideration that, in essence, the general tax payer is the owner and sole shareholder of the Undertaking. This principle of the rate of dividend being higher than the average borrowing rate of interest paid by the Government was followed by the successive Railway Convention Committees up to the year 1981-82. From 1981-82 onwards keeping in view the financial health of the Railways, the rate of dividend has been fixed by the Convention Committee at a level lower than the average borrowing rate of interest.

III. FINANCIAL STRUCTURE OF INDIAN RAILWAYS

4. The financial arrangements between the Railways and the General Revenues have been reviewed from time to time and modifications/changes carried out to meet the requirements of the changing times. As a result, the Ministry of Railways have been delegated with substantial administrative and financial powers relating to all Railway matters. The Railways have their own independent and integrated financial set up, viz ;

i) Railway Budget is presented and voted by the Parliament separately, independent of General Budget.

ii) Railway Ministry enjoy substantial powers of financial sanction to incur expenditure.

iii) Accounts are maintained by the Railways' own accounting cadres.

iv) Railway projects are also free from clearance by Public Investment Board as it is not for the projects of other Ministries. Once the survey reports become available, these are thoroughly scrutinised in the Railway Board and those which show some potential are recommended to the Planning Commission for consideration. For projects costing up to Rs. 100 crore, Planning Commission is required to concur before the work can be included in the Budget. For works costing over Rs. 100 crore the Planning Commission prepares an appraisal note which is then considered by an Expanded Board consisting of Members of the Railway Board and Secretaries of the Ministry of Finance (Expenditure), Planning Commission and the Department of Programme Implementation. The proposals for projects are then sent to the Cabinet Committee on Economic Affairs (CCEA) for approval with the recommendations of the Expanded Board, and once CCEA approves, the projects are included in the Railway Budget for seeking the approval of the Parliament.

5. Although the Railway Finances have been separated from the General Finances, the former continue to be part of the overall Government Finances as the estimates relating to receipts and expenditure of the Railways are incorporated in the General Budget as part of the total receipts and expenditure of the Government of India.

6. The Railways' revenue receipts are derived from the Gross Traffic Receipts, viz., passenger earnings, goods earnings and sundry other earnings. The expenditure of the Railways falls in the following two categories:-

i) Revenue expenditure or non-Plan expenditure : This expenditure is met out of the revenue receipts of the Railways. It consists of ordinary working expenses of Railways, appropriations to the various reserve funds and other miscellaneous expenditure like subsidy/rebate to worked lines, expenditure on miscellaneous establishments, etc.

ii) Other expenditure or Plan expenditure : The Plan expenditure is financed from budgetary support provided by the General Revenues, and withdrawals from various Railway Funds, including Capital Fund, and the market borrowings.

7. The allocation of Railway expenditure to one or the other of the above mentioned categories (referred to as allocation heads of expenditure) is governed by the rules of allocation based on the principles introduced by the Railway Convention Committee, 1949, as amended by the successive Convention Committees from time to time.

8. In pursuance of the Resolution adopted by both the Houses of Parliament, the Railway Convention Committee (2004) was constituted on 17th September, 2004 to review the rate of dividend payable by the Railway Undertaking to General Revenues, as well as other ancillary matters in connection with the Railway Finance *vis-à-vis* General Finance and to make recommendations thereon.

(A). Determining The Rate Of Dividend

9. The Committee generally present their Report on 'Rate of Dividend' during the Budget Session of Parliament and their recommendations are reflected in the Railway Budget. The Memorandum on 'Rate of Dividend' payable to General Revenues' is submitted to the Committee by the Ministry of Railways after obtaining the comments/concurrence of the Ministry of Finance.

(B) Capital-At-Charge Of Indian Railways

10. Capital-at-charge means Capital contributed to the Indian Railways by General Revenues in the form of interest bearing loan capital, except that part of it on which no dividend is payable on the basis of reliefs recommended by successive Convention Committees and approved by Parliament. The capital-at-charge of the Indian Railways has increased from Rs.827 crore in 1950-51 to Rs.52417.69 crore in 2005-06(RE). This amount excludes Capital outlay on Metropolitan Transport Projects (MTP) and Circular Railway (Kolkata). The Capital outlay on MTP at Mumbai, Kolkata, Delhi, Secunderabad, Chennai and Circular Railway (Kolkata) is Rs.4489.74 crore in 2005-06 (RE).

(C). Dividend Paid

11. The annual dividend payable to General Revenues used to be less than Rs.100 crore till 31 March, 1964 but increased to Rs.3207.73 crore for 2006-07(BE) (excluding payment of deferred dividend). In all, the Railways have paid to the General Revenues an amount of Rs.38920 crore as Dividend. which comes to 74.25 per cent of the Capital-at-charge on Indian Railways upto end of 2005-06 (RE). However, the Ministry of Finance had permitted deferment of payment of dividend to the tune of Rs.1000 crore in 2001-02 together with Rs.1823 crore deferred in 2000-01 i.e., the total outstanding liability works out to Rs.2823 crore by the end of 2001-02. The Ministry of Railways (Railway Board) have repaid Rs.1496 crore by end of 2005-06 and proposed to repay Rs.663 crore in 2006-07(BE).

12. Statement showing important financial figures in respect of Indian Railways is at **Appendix – I.**

(D). Payment Of Dividend To General Revenues

13. The Railway Convention Committee (2004) had, in paras 39 & 40 of their Second Report had recommended that as a purely interim measure, the Dividend for the year 2005-06 to General Revenues on the entire capital be paid at the rate of 6.5 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting States for financing safety works during the financial year 2004-05. All other concessions as already available on residential buildings, new lines, subsidies from General Revenues, etc. were also allowed to continue on the existing basis for the year 2005-06.

14. Apart from above, the Committee vide para number 23 of the third report has also extended the concession in payment of dividend as available on new lines on strategic consideration to on-going and future gauge conversion works taken up on strategic consideration.

(E) Present State of Railway Finances

15. With regard to the financial position of Railways, the Ministry of Railways, in their interim Memorandum submitted to the Committee on 17th January, 2006 stated as under:-

> "Due to vigorous efforts made, financial position of the Railways has begun to show improvement. Besides paying the full dividend from 2002-03 onwards, the Railways have also cleared deferred dividend liability to the extent of Rs.833 crore upto 2004-05 and budgeted a clearance of Rs.300 crore in 2005-06. With the improved physical and financial performance, it is intended to step this upto Rs.663 crore in the year 2005-06 and also clear the liability within 5 years instead of the earlier time frame of 8 years."

16. With regard to the performance of the Railways for the year 2004-05, the Ministry of Railways further submitted as follows:

> "Railways ended the fiscal year 2004-05 with a freight loading of 601.89 million tonnes (mt), which was higher than the enhanced Revised target of 600 mt. The incremental freight loading for 2004-05 works to 44.5 mt over the freight loading of 2003-04 . In the passenger segment also, the anticipated growth in originating passengers was achieved. As a result, the freight and passenger earnings for the fiscal surpassed the revised targets. The overall traffic earnings at Rs.46,762 crore exceeded the Revised target of Rs.46,635 crore, which itself was Rs.1,838 crore higher than the BE target of Rs.44,797 crore The internal resource generation also increased to Rs.5,473 crore over the budgeted internal resources of Rs.3,775 crore and the revised estimate of Rs.4,951 crore. As per revised estimates of 2004-05, the fund balaces were expected to close at Rs.6,963 crore. Due to improved results, the actual closing balances are at Rs.7,785 crore indicating an improvement of Rs.822 crore over revised estimates. Railways also cleared the deferred dividend liability to the extent of Rs.483 crore as against Rs.300 crore projected in the Revised Estimate."

17. Regarding the performance of the Railways for the year 2005-06, the Ministry of Railways submitted as follows:-

> "The trend of loading and earnings as seen from the figures available for the first six months of the current financial year also is encouraging. The loading to end September 2005 is 5.56 mt. more than the target and 28.69 mt. more than the loading during the corresponding period of previous year. As against the budgeted growth of 6% in freight traffic and 4% in passenger traffic, the performance during April to September in the current year reflects a healthy growth of about 10% in freight traffic and 6.5% in passenger traffic. Accordingly, earnings of the Railways upto September (Approx.) have exceeded the proportionate target by around Rs.1,000 crore and represents a growth of 17.6% over the earnings achieved during the corresponding period of the previous year. It may also be mentioned that to maintain the tempo of growth in passenger traffic and increase in the market share of goods traffic, an Action Plan has been drawn up for achieving the mission of loading 700 mt. of revenue earning freight and bringing down the operating ratio from 91% to 85%. Though the working expenses are also expected to increase (partly on account of the increase in diesel prices during this year, and partly due to the increase in level of activity), surplus projected in the Budget Estimate is expected to go up even after providing for the likely increase in Railways' working expenses.
>
> Besides carrying a liability of Rs.1990 crore towards General Exchequer on account of dividend deferred in 2000-01 and 2001-02, the Railways are also required to extend financial assistance to the Konkan Railway Corporation (KRCL). KRCL has been set up with an investment of Rs.3,500 crore. Out of this, about Rs.2,500 crore was borrowed from market on the strength of letters of comfort issued by the Ministry of Railways. After commissioning, while KRCL has been able to generate revenue just sufficient to cover its operating expenses, it has not been able to service the interest and debt liability. As a result, the Ministry of Railways has had to extend support to KRCL by way of loans. As of 31.3.2005, the Ministry of Railways has lent around Rs.2200 crore on this account. Though the need for financial restructuring has been admitted by the Ministry of Finance, no workable solution has emerged so far.

(F). **Issue of Rate Of Dividend for the year 2006-07**

18. Keeping in view their financial position as indicated in aforesaid paragraphs, the Ministry of Railways have proposed as under:-

> "The budgetary support provided to the Railways from the General Exchequer is sourced from the borrowings of the Government of India. Over the last few years the average cost of such borrowings has been decreasing consistently. The Government of India's average cost of borrowings, which was around 12% for 1998-99, has reduced to about 7% for 2002-03 and to 5.7% in 2003-04. In the current financial year also, this low rate of interest continues to prevail.
>
> Given this and the fact that Railways have to keep investing for improving infrastructure, it is submitted that the rate of dividend, which the Committee has reduced to 6.5% for 2004-05 and for 2005-06, may continue for the year 2006-07 also. Other modalities for determining the dividend as brought out in **Appendix-II** may continue to be adopted for the year 2006-07. All concession now available, as listed therein may also be allowed to continue for the year 2006-07".

19. In this connection, while pleading in favour of retention of rate of dividend at 6.5%, the Chairman (Railway Board), during evidence submitted as under:-

> "For 2006-07, our outlay has been fixed at Rs.23,475 crore which is 32 percent more than that in 2005-06, when I exclude the allocation for national projects. This includes gross budgetary support of Rs.7511 crore and internal generation of Rs.10,794 crore. The internal generation is 46 per cent of the Plan Outlay. As regards the Gross Traffic Receipts for 2006-07, we have fixed at 9.6 per cent more than that of 2005-06 (RE). We have kept the ordinary working expenditure at 8.9 per cent more than that of 2005-06 (RE). This gives us an Operating Ratio of 84.3 per cent. We have also made a provision for payment of deferred dividend liability of Rs.663 crore. We had defaulted in payment of dividend a few years back, and that deferred dividend was being paid at the rate of Rs.300 crore per year. Looking to our improved performance last year, it was decided that we will enhance the rate of clearance of deferred dividend from Rs.300 crore to Rs.663 crore."

20. While presenting the future scenario of Railway finances, the Chairman, Railway Board inter-alia stated:-

> "freight loading is growing at the rate of 10 per cent. Passenger growth for 2006-07 has been kept at 11 per cent. The existing routes are all saturated. A few days back, we also read that the economy is expected to grow over 8 per cent now. I will have to provide for improvement in infrastructure in a very big way if I have to keep pace with the growth of traffic. Accordingly, we have obtained, in principle, approval and provided for in the Budget for the Dedicated Freight Corridor which will require expenditure of Rs.22,000 crore. It will cover 2700 route kms. of track between the eastern and the western corridors. Apart from this, over 5000 kms. of track which will be feeding the freight corridor will also need to be strengthened and will also be provided for."

> Further he also stated:-

> "We will require more locos, wagons to carry the traffic which is going to come up in the coming few years. On the passenger front, as I mentioned, during 2005-06, we are

witnessing over 9 per cent growth of passenger traffic. Next year, we are planning for 11 per cent. To take care of this, we need to produce more coaches, we need to run longer trains and we need to have longer platforms. The total effect of this methodology is going to be that I will need to improve, in a big way, my carriage and wagon maintenance facilities for passenger trains as well as the freight stock. I will have to strengthen my track at a faster rate than what was happening earlier. So also is the position regarding signaling equipment, bridges etc. meaning thereby that I will have to, in the years to come, make greater and greater provision for the Depreciation Reserve fund. Apart from this, I have committed for a number of projects.

Modernization of Railway infrastructure has been identified as one of the high priority areas by the Government. Accordingly, Railways have formulated an Integrated Modernization Plan covering the period 2005-06 to 2009-10 with the aim of transforming the Indian Railways into a modern system by global standards through a number of initiatives. Anticipated investment required for these identified items would be about Rs.24,000 crore. Out of this, Rs.4,000 crore is under Special Railway Safety Fund for corresponding sanctioned works relating to urgent replacement and renewal of railway assets. Of the remaining Rs.20,000 crore, Rs.3,730 crore are to be mobilized through internal generation, Rs.6,000 crore through market borrowing and for the balance of Rs.10,270 crore enhanced budgetary support is being sought."

21. The Ministry of Railways have also forwarded the following views of the Ministry of Finance with regard to the Rate of Dividend:-

"The reduced rate of 6.5% is sought for payment of dividend on the capital invested from General Revenues on the ground that the average cost of borrowing of the Government had decreased from 7% in 2002-03 to 5.7% in 2003-04. This position has undergone change. The average rate of borrowing with reference to market loans raised in 2004-05 was 6.51%, while the average rate of borrowing during 2005-06 upto September, 2005 is 7.2%. Thus, against the weighted average cost of all outstanding borrowings of Government, the rate of dividend proposed by Railways for the year 2006-07 at 6.5% is too low. In fact, the effective rate of dividend paid by Railways works out to

3.15% of total capital invested in Indian Railways upto BE 2005-06 after netting out the subsidy from the General Revenues from the dividend paid by the Railways.

Therefore in the interest of the Government's commitment to eliminate the Revenue Deficit by 31.3.2009 under the provisions of Fiscal Responsibility and Budget Management Act, 2003, it is essential that Railways pay dividend at the rate of 7% on capital invested from General Revenues upto 2006-07, having already availed the benefit of lower dividend in the previous two years."

22. The Secretary (Expenditure), Ministry of Finance, while deposing before the Committee also submitted as under:-

"we are not seeking an increase; we are seeking only restoration of the rate of dividend which this hon. Committee was pleased to prescribe to be paid to the Ministry of Finance until two years back. Till 2004-05 the Inidan Railways paid to the President of India dividend at the rate of 7 per cent. It is because of the resource constraint, faced by the Ministry of Railways that they requested and the hon. Committee was pleased to grant half a per cent relief that dividend should be paid at a lower rate of 6.5 per cent rather than 7 per cent."

He further stated:-

"If the hon. Committee is pleased and convinced to raise the dividend to 7.5 per cent, that is by one per cent, I am committing here to raise the additional support which is given by the Ministry of Finance to the Railways by Rs.300 crore. Every paisa over 6.5 per cent the Railway Board will pay to the President of India, the President of India undertakes to place it back at their disposal for national projects here and now."

23. The Ministry of Railways (Railway Board) while commenting on the above views of Ministry of Finance have submitted the following for consideration of the Committee:-

"While the interest rates have hardened marginally, it has also to be kept in mind that Railways pay dividend in perpetuity where as the borrowings of the Government have a fixed tenor. The Committee is well aware that Railways are striving to find resources from all corners for its expansion and modernization programme. Though the Railways have been successful to some extent in this regard, its financial obligations are far from being over. The Railways has still to liquidate Rs.1990 crore of the deferred dividend liability. The debt servicing liability in respect of Konkan Railway Corporation (KRC) is also being borne by the Railways. Further, due to the fact that budgetary support received by the Railways is not sufficient to carry forward all its projects with the desired momentum, Railways have had to revive the Capital Fund to finance the critical throughput enhancement works, for which also the resources will have to be found internally. Ministry of Finance had earlier agreed to the lowering of rate of dividend with the condition that the deferred dividend be cleared in eight years instead of the earlier stipulated nine years. Now this Ministry on its own has decided to further reduce this time limit to five years. Accordingly, instead of clearing around Rs.300 crore of the deferred dividend liability per year, we now intend to clear Rs.663 crore per year. This will increase the inflow of funds to Ministry of Finance, thereby helping them in reducing the deficit. Thus, this Ministry requests the Committee to kindly retain the rate of dividend at 6.5%, for 2006-07 also."

Funds of Railways

(A) Depreciation Reserve Fund (DRF)

24. Depreciation Reserve Fund (DRF) has been created to meet the expenditure on replacement and renewal of over aged assets including inflationary and improvement elements. Appropriation to this fund is met from out of revenues.

25. While approving the proposal of the Ministry of Railways regarding appropriation to be made to the Depreciation Reserve Fund in 2005-06, the Committee in their Second Report, had recommended as under:-

"The contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and they desire to be kept informed of the actual amount of contribution made to DRF in the fiscal year 2005-06".

26. In this connection, the Ministry of Railways have submitted the following:-

"An amount of Rs. 3,704 crore consisting of Rs. 3,604 crore from Revenues and Rs. 100 crore from Production Units were appropriated to the DRF in 2005-06 . In the Budget Estimates 2006-07, the appropriation to DRF has been kept at Rs. 4,307 crore and Rs. 100 crore respectively from the Revenue and Production Units. The balance in the DRF is estimated to be Rs. 4,823 crore at the end of the financial year 2006-07".

27. On this proposal of Railways, the Ministry of Finance have observed that the appropriation to the DRF for 2006-07 may be made in consonance with the capacity to generate internal resources and Plan requirements. These observations made by the Ministry of Finance are acceptable to the Ministry of Railways.

(B) Pension Fund (PF)

28. This Fund has been created to cover the current pension payments as also to meet the accumulated liability on account of pension benefits earned in each year of service. The appropriation to this Fund is met out of revenue earned by the Railways.

29. The Committee in their Second Report, while approving the proposal of the Ministry of Railways regarding contribution to be made to Pension Fund in 2005-06, had recommended as under:-

"The appropriation to Pension Fund from revenues be kept at Rs. 6,950 crore in 2005-06 in view of a possible higher requirement than expected on account of merger of 50% DA with the basic pension subject to adjustments and keeping in view any variations of the estimated withdrawal during the course of the year. This, together with appropriation of Rs. 100 crore from Production Units will enable the Railways to meet the pension requirement of Rs. 7,050 crore during the year."

30. Regarding the Pension Fund, the Ministry of Railways in their interim Memorandum, have submitted the following for consideration of the Committee :

> "An amount of Rs.7,050 crore consisting of Rs.6,950 crore from Revenues and Rs.100 crore from Production Unit was appropriated to the Pension Fund in 2005-06. In the Budget Estimates 2006-07, the appropriation to the Pension Fund have been kept at Rs.8,000 crore and Rs.100 crore respectively from Revenues and production units subject to adjustments to cater to the pension liability which is likely to be around Rs.8,100 crore during the year."

31. In regard to this proposal of the Ministry of Railways, the Ministry of Finance have observed that contribution to Pension Funds in 2006-07, could be on the basis of trends of actual expenditure in last few years. These observations made by the Ministry of Finance are acceptable to the Ministry of Railways.

(C). Development Fund (DF)

32. This fund has four segments and is used for meeting expenditure on

(i)	Passengers and users' amenities;	DF I
(ii)	Labour welfare works;	DF II
(iii)	Unremunerative operating improvements; and	DF III
(iv)	Safety Works	DF IV

The appropriation to the Fund is made out of the 'Excess' left after meeting the dividend liability. Whenever the 'Excess' is not sufficient, the Railways may borrow money from the General Revenues as per the recommendation of the Railway Convention Committee, 1954. The money borrowed, together with the interest thereon, has to be repaid in subsequent years.

33. The Ministry of Railways in their Memorandum, have apprised the Committee that in the Budget Estimates 2005-06, the appropriation to this Fund has been kept at Rs.1853 crore and in the Budget Estimates 2006-07, the appropriation to this fund has been kept at Rs. 960 crore.

(D). Capital Fund (CF)

34. As approved by the Railway Convention Committee (1991) vide their Third Report, the Capital Fund was created with effect from 1992-93, with the express purpose of financing part of the requirement for works of a capital nature. After providing for appropriation to Development Fund, the balance of 'Excess' is appropriated to the Capital Fund. Since the Railways are not able to generate enough internal resources for being appropriated to the Capital Fund, the same has been kept inoperative hitherto with the approval of the Committee. However, with the improved financial position of the Railways and the expectation of higher surplus generation than envisaged for the year 2005-06, Railway Convention Committee (2004) vide their Fourth Report had recommended for Revival of Capital Fund from 2005-06 onwards for utilizing available resources to complete critical thorough put enhancement and traffic facility works.

35. With regard to the amount appropriated to the Capital Fund during 2005-06, the Ministry of Railways have submitted the following reply:-

> "An amount of Rs.4,143.05 crore has been appropriated to the Capital Fund in 2005-06. Out of this Rs.1,615.59 crore has been appropriated for payment of the principal component of the lease hire charges on the assets leased to the Railways by IRFC. The balance amount of Rs.2,527.46 crore is for financing the throughput enhancement works of capital nature. In the Budget Estimates 2006-07 the appropriation to this fund has been kept at Rs.5,432.94 crore and the balance in the fund is likely to be Rs.3,368.59 crore at the end of the financial year 2006-07."

36. The Ministry of Finance have observed that the proposal of Ministry of Railways for operation of Capital fund from 2005-06 towards meeting the expenditure on special capital expenditure such as doubling projects and other financially viable, critical and operationally required throughput enhancement and traffic facility works has already been agreed to.

37. In their supplementary memorandum to Second Interim Memorandum, the Ministry of Railways have sought approval in respect of charging of the appropriation to Capital Fund of the amount needed for payment of the principal component of the lease charges through the Major Head 3001. The Ministry of Railways in their Memorandum have submitted as under:-

> "Ministry of Railways has been raising its extra-budgetary resources mainly through Indian Railway Finance Corporation (IRFC), which is a public finance institution and the financing arm of the Indian Railways (IR). They are primarily deployed for the acquisition of rolling stock through leasing arrangement. As a result of the adoption of a revision in accounting treatment of finance leases by IRFC (the lessor), only the outstanding receivable amount of loan and finance charges are being reflected in their financial statements. The physical assets, as per this revising, are to be shown in the books of the lessee (IR)."

38. The Ministry of Railways in their written replies sent to the Committee have submitted as under:-

> "Payment of lease charges to Indian Railway Finance Corporation (IRFC), which has two components – interest and principal repayment, is a mandatory expenditure and these payments are made out of Railway revenues. It is, therefore, essential to make the principal repayment component the second charge on Railway revenues immediately after working expenses. Thus it is only a revenue expenditure of capital nature and not capital expenditure. The appropriation of this amount has, therefore, been proposed to be made through Major Head 3001. (Indian Railways-Policy Formulation, Direction, Research and Other Miscellaneous Organizations)."
>
> They further added that:-

> "The payment of dividend shall continue to be the first charge on the net railway revenue and adoption of the proposed procedure would in no way jeopardize availability of funds required to pay the mandated dividend, as there would be no variation in the net railway revenue available for payment of dividend in the modified procedure being adopted by the Railways."

39. In response to the query of the Committee as to what will be the provision for payment of the principal component of the lease charges to IRFC in case Capital Fund is closed due to unforeseen reason in future, the Ministry of Railways in their written reply stated as under:-

> "The Capital Fund was not in operation for some time in the past due to in adequate surplus generation but never closed. In the event of inadequate generation of internal resources in any future year, the appropriation to Capital Fund though major head 3006 to finance Capital Works might suffer but the Capital Fund would still be operative for repayment of the principal component of the lease charges, being a contractual obligation. This means that Capital Fund will neither be kept non operational nor closed for want of surplus."

(E) <u>Railway Safety Fund (RSF)</u>

40. As recommended by the Railway Convention Committee (1999) vide their Second Report, the Railway Safety Fund has been created with effect from 1.4.2001 for financing works relating to conversion of unmanned level crossings and for construction of Railway over/under bridges at busy level crossings. The Fund is currently financed through transfer of funds by the Central Government from the Central Road Fund (out of diesel cess), as well as the contribution that was being made to the Railway Safety Works Fund(RSWF) out of the dividend being paid by the Ministry of Railways to the General Revenues. Apart from this, amounts can also be appropriated out of Railway revenues, i.e., out of the 'Excess' left after payment of dividend to General Revenues.

41. The Ministry of Railways, in their interim Memorandum, submitted the following :-

> "An amount of Rs.713.38 crore has been made in Revised Estimates 2005-06 for appropriation in the Railway Safety Fund. In Budget Estimates 2006-07, an appropriation of Rs. 713.43 crore has been made to the Fund, consisting of Rs. 710.86 crore transferred by the Central Government from the Central Road Fund and Rs. 2.57 crore worked out as contribution that was supposed to be made for the RSWF out of the Dividend."

(F) Special Railway Safety Fund :

42. Regarding Special Railway Safety Fund, the Ministry of Railways, in their interim Memorandum have submitted as follows:

> "In pursuance of the Railway Safety Review Committee (1998)'s recommendation that the Central Government should provide a one time grant to the Railways so that arrears in the renewal of vital safety equipment are wiped out within a fixed time frame of 5 to 7 years, the Government has decided to set up a non-lapsable Special Railway Safety Fund w.e.f., 1.10.2001. The cost of replacement of the over-aged assets to be replaced from the fund has been assessed as Rs,. 17000 crore inclusive of provision for inflation for the period of execution. The Special Railway Safety Fund is funded mainly through two sources viz., (1) Railways' contribution through the levy of Safety Surcharge on passenger traffic and (2) through additional financial assistance to be given by the Ministry of Finance."
>
> It was expected that with the levy of the Safety Surcharge, the Railways would be able to raise Rs. 5000 crore over a period of 6 years starting from 2001-02, which would be credited to the newly created non-lapsable Special Railway Safety Fund. The remaining Rs. 12000 crore would be provided by the Ministry of Finance. In the initial years the annual contribution from the General Exchequer as also the surcharge collection have been less than what was envisaged when the fund was planned. The expenditure however has been more than what initially budgeted. The shortfalls have been made good from Railway revenues.

An amount of Rs. 3209 crore consisting of Rs. 2499 crore contributed by the Ministry of Finance and Rs. 710 crore being the Railways' share, has been appropriated to the fund in 2005-06 (RE).

As per BE 2006-07, the appropriation to this fund has been kept at Rs. 2115 crore, consisting of Rs. 1365 crore contributed by the Ministry of Finance and Rs. 750 crore being the expected surcharge on passenger fare."

(G) <u>Principle governing the rate of interest on the Railway Reserve Funds</u>

43. The Ministry of Railways in their Memorandum have submitted for consideration as under:-

"The recommendations of Railway Convention Committee (2004) in their Second Report for the year 2005-06 may be made applicable for 2006-07 also in respect of interest on the balances in the various Railway Funds. According to this, the balances in the various Railway Reserve Funds (other than Development Fund, Railway Safety Fund and Special Railway Safety Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Works. The Railway Safety Fund and the Special Railway Safety Fund are 'interest free' funds".

44. In this connection, the Ministry of Railways have also forwarded the following views of Ministry of Finance:-

"The existing principle governing interest (as the rate applicable to dividend rate on investment by General Revenues) on various Railway Fund balances placed in the Public Account of India may be allowed to continue during the year 2006-07 also."

Recommendations

45. The Committee feel happy to note the improved financial performance of Railways during 2005-06 particularly in the field of passenger and freight traffic. However, considering the arguments put forth by both the Ministries of Railways and Finance on the issue of rate of dividend, they recommend purely as an interim measure, that for the year 2006-07, dividend to General Revenues be paid at 6.5 per cent on the entire capital invested on Railways from the General Revenues irrespective of the year of investment inclusive of the amount that was payable to States as grants in lieu of the passenger fare tax and contribution for assisting States for safety works during the year 2005-06.

46. All other concessions now available on residential buildings, new lines, subsidies from General Revenues, etc., be allowed to continue on the existing basis for the year 2006-07.

47. The Committee note that for the year 2005-06 an amount of Rs.3,704 crore consisting of Rs.3,604 crore from Revenues and Rs.100 crore from Production Units has been appropriated to Depreciation Reserve Fund (DRF) and in the Budget Estimates 2006-07 the appropriation to DRF has been kept at Rs. 4,307 crore and Rs. 100 crore respectively from the Revenue and Production Units. The balance in the DRF is estimated to be Rs. 4,823 crore at the end of the financial year 2006-07. The Committee, therefore, recommend that the contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and they desire to be kept informed of the actual amount of contribution made to DRF in the fiscal year 2006-07.

48. The Committee observe that the appropriation to the Pension Fund (PF) in 2005-06 has been kept at Rs. 6,950 crore and Rs. 100 crore respectively from Revenues and Production Units. The Ministry of Railways have now proposed that the appropriation to Pension Fund from Revenues may be kept at Rs.8,000 crore in 2006-07 subject to adjustments. The balance in the Pension Fund would be Rs. 1,495 crore at the end of the financial year 2006-07. While agreeing with the proposal of the Ministry of Railways, they recommend that the appropriation to Pension Fund from Revenues be kept at Rs.8,000 crore in 2006-07 in view of a possible higher requirement than expected on account of merger of 50% DA with the basic pension subject to adjustments and keeping in view any variations of the estimated withdrawal during the course of the year. This together with the appropriation of Rs.100 crore from Production Units will enable the Railways to meet the pension requirement of Rs. 8,100 crore during the year.

49. The Committee find that during the year 2005-06, the appropriation to Development Fund has been kept at Rs.1,853 crore. However, for the year 2006-07, the Ministry of Railways have proposed that the appropriation to Development Fund be made out of the excess left after meeting the dividend liability and has been kept at Rs.960 crore (BE). Though the Committee approve the proposal of the Ministry of Railways, they desire that the Ministry of Railways should, in their action taken notes, apprise the Committee about the actual amount that will be credited to this Fund at the end of the financial year 2006-07.

50. In regard to the Capital Fund (CF), the Committee note that an amount of Rs.4,143.05 crore has been appropriated to

the Fund during 2005-06. Out of this Rs.1,615.59 crore has been appropriated for payment of the principal component of the lease hire charges on the assets leased to the Railways by Indian Railway Finance Corporation (IRFC). The balance amount of Rs.2,527.46 crore is for financing the throughput enhancement works of capital nature. The Ministry of Railways have also proposed to appropriate funds from the Capital Fund through Major Head 3001 for repayment of principal component of lease charges to IRFC. The Committee agree to their proposal for charging the appropriation of the principal component of the lease charges to the Capital Fund through Major Head 3001. They, however, add that the procedure should in no way impinge upon the availability of funds for the throughput works for which the Capital Fund has been primarily revived in 2005-06.

51. The existing principle governing interest on various Railway Fund balances placed in the Public Accounts of India may be allowed to continue during the year 2006-07 also. The Committee also agree that the balances in the Railway Safety Fund and the Special Railway Safety Fund may be treated as interest free since both these funds have been constituted with the contribution from the General Revenue only.

New Delhi ;
th July, 2006
Sravana, 1928 (S)

GINNGEE N. RAMCHANDRAN
CHAIRMAN
RAILWAY CONVENTION COMMITTEE

APPENDIX I

(Vide Para 12)

STATEMENT SHOWING IMPORTANT FINANCIAL FIGURES IN RESPECT OF INDIAN RAILWAYS FOR THE PERIOD 1950-51 TO 2006-07

(Rs. In Crores)

Year	Capital at Charge	Investment from Capital Fund	Gross Traffic Receipts	Total working Expenses	Net Revenue	Dividend Paid *	Excess (+) Shortfall (-)	Operating Ratio
1950-51	827.00	0.00	263.01	210.23	47.56	32.51	15.05	81.0
1951-52	850.11	0.00	290.82	224.35	61.75	33.41	28.34	77.0
1952-53	857.38	0.00	270.56	218.17	47.18	33.99	13.19	80.6
1953-54	869.30	0.00	274.29	231.75	86.92	84.36	2.56	84.4
1954-55	901.58	0.00	286.78	236.09	44.06	84.96	9.10	82.3
1955-56	968.98	0.00	316.29	258.22	50.34	36.12	14.22	81.6
1956-57	1071.71	0.00	347.57	279.27	58.38	38.16	20.22	80.3
1957-58	1222.44	0.00	379.78	309.44	57.78	44.40	13.38	81.5
1958-59	1856.69	0.00	390.21	321.44	59.32	50.89	8.93	82.4
1959-60	1432.28	0.00	422.33	334.62	74.55	54.43	20.12	79.2
1960-61	1520.87	0.00	456.80	358.24	87.87	55.86	32.01	78.4
1961-62	1682.98	0.00	500.50	390.51	99.75	75.85	24.40	78.0
1962-63	1896.81	0.00	566.79	429.52	123.32	81.26	42.06	75.8
1963-64	2159.63	0.00	632.21	472.27	145.19	95.95	49.24	74.7
1964-65	2135.12	0.00	660.85	528.11	118.11	101.93	13.18	79.9
1965-66	2680.82	0.00	733.57	583.04	134.84	116.20	18.56	79.5
1966-67	2841.57	0.00	768.78	639.25	114.12	182.39	318.27	83.2
1967-68	2978.03	0.00	818.14	693.80	110.12	141.53	-31.53	84.7
1968-69	3101.27	0.00	898.84	741.93	142.81	150.67	-7.86	82.5
1969-70	3195.51	0.00	951.28	790.02	146.56	156.39	-9.83	83.0
1970-71	3330.78	0.00	1006.69	847.34	144.73	164.58	-19.84	84.2
1971-72	3520.99	0.00	1096.59	911.85	169.08	151.24	17.84	83.1
1972-73	3725.81	0.00	1162.42	982.62	164.43	161.51	2.92	84.5
1973-74	3893.38	0.00	1137.89	1066.88	55.41	170.91	-115.51	93.7
1974-75	4105.56	0.00	1408.19	1317.29	73.64	187.47	-113.83	93.5
1975-76	4354.78	0.00	1767.01	1609.62	137.03	198.14	-61.11	91.1
1976-77	4533.70	0.00	2036.11	1718.56	296.29	209.05	87.24	84.4
1977-78	4797.12	0.00	2123.42	1750.12	352.79	226.56	126.23	83.0

1978-79	5023.92	0.00	2151.04	1867.55	260.82	224.16	86.66	87.5
1979-80.	5484.64	0.00	2337.84	2142.38	227.29	293.53	-66.24	91.5
1980-81	6096.35	0.00	2624.02	2536.46	127.49	325.36	-197.87	96.1
1981-82	6698.05	0.00	3538.24	3182.05	408.06	356.47	46.59	89.4
1982-83	7251.09	0.00	43.76.21	3883.35	554.29	485.98	118.31	88.3
1983-84	7567.80	0.00	4986.24	4661.46	378.95	423.70	-44.75	93.9
1984-85	8285.65	0.00	5358.77	4142.17	270.10	465.69	-195.59	96.3
1985-86	9078.07	0.00	2084.16	5828.14	685.87	507.04	178.83	90.6
1986-87	10373.10	0.00	7505.66	6900.56	680.84	578.85	101.99	92.2
1987-88	11622.22	0.00	8435.25	7802.95	723.15	638.86	84.29	92.5
1988-89	12987.51	0.00	9259.29	8632.99	737.33	715.66	21.67	93.0
1989-90	14629.45	0.00	20739.41	9887.73	982.07	808.81	173.26	91.5
1990-91	16125.80	0.00	12096.49	11153.86	1113.78	938.11	175.67	92.0
1991-92	17620.02	0.00	13729.74	12389.19	1540.95	1105.95	435.00	89.5
1992-93	20123.20	0.00	15688.44	13980.08	1955.43	1514.38	441.05	87.4
1993-94	20373.58	1746.99	17946.02	15134.54	3102.13	1296.05	1806.08	82.9
1994-95	21762.92	3161.88	20100.99	16590.12	3808.11	1361.71	2446.40	82.6
1995-96	22247.85	5465.04	22417.85	18524.90	4135.07	1264.44	2870.63	82.5
1996-97	23474.67	7437.10	24319.41	21000.80	3624.46	1507.46	2117.06	86.2
1997-98	25320.28	8526.05	28589.03	25876.03	3024.43	1489.21	1535.22	90.9
1998-99	27312.84	9516.50	29619.46	27834.60	2141.16	1742.08	399.08	93.3
1999-2000	29655.31	10116.75	32938.81	30843.99	2735.67	1889.78	845.89	93.3
2000-2001	32661.88	10390.00	34880.48	34667.34	1071.23	2130.94	763.59	98.3
2001-2002	36757.52	10389.83	37837.59	36293.21	2337.53	2337.18	1000.35	96.0
2002-03	40709.26	10389.83	41068.22	38025.75	3830.23	2714.83	1115.40	92.3
2003-04	45671.95	10389.83	42904.94	39482.21	4478.49	3387.08	1091.41	92.1
2004-05	48957.11	10389.83	47370.21	42758.88	5273.54	3199.31	2074.23	91.0
2005-06(RE)	52417.69	12823.42	54700.00	45728.00	6987.41	3592.65	4380.98	83.7
2006-07(BE)	57552.40	16832.42	59978.00	50397.00	7465.40	3870.73	4672.82	84.3

* Dividend paid inclusive of payment of deferred dividend also.

APPENDIX II
(Vide Para 13)

Basis for calculation of Dividend payable to General Revenues as also the subsidy available in payment of Dividend

The rate of dividend on the Capital-at-charge of the Railways and reliefs in dividend and by way of subsidy, based on the recommendations of the Railway Convention Committee (2004) applicable for 2005-06 are as under :-

I. DIVIDEND

(a) The rate of dividend is 6.5 per cent on the entire Capital invested on the Railways (excl. Metropolitan Projects) irrespective of the year of investment including 1.5% on the Capital invested upto 31.3.1964 (less Capital qualifying for Subsidy) which is to be used for making a contribution of Rs.23.11 cr. for grants to States in lieu of passenger fare tax and the balance amount, if any, to be contributed to the Railway Safety Fund.

(b) A concessional dividend of 3.5 per cent is payable on the Capital cost of residential buildings.

(c) In respect of the Capital invested on New Lines, excluding the 28 New Lines taken up on or after 1.4.1955 on other than financial considerations, the dividend payable is to be calculated **at the least of the rate of dividend or average borrowing rate** charged to the commercial departments for each year, but deferred during the period of construction and the first five years after opening of the lines for traffic, the deferred liability is to be paid out of the future surpluses of the line after payment of current dividend. The account of unliquidated deferred dividend liability on New Lines is to be closed after a period of 20 years from the date of their opening, extinguishing any liability not liquidated within that period.

(d) Losses in the working of strategic lines are borne by the General Revenues. Surplus, if any, of such lines, after meeting working expenses, depreciation and other charges are paid to General Revenues upto the level of normal dividend.

(e) Shortfall, if any, in the payment of dividend on account of inadequacy of net revenue is treated as a deferred liability on which no interest is charged.

SUBSIDY FROM GENERAL REVENUES

Capital invested in the following cases qualifies for subsidy from the General Revenues to the extent of the dividend calculated at the rates specified above:

(a) Strategic lines.

(b) Gauge conversion works taken up on strategic consideration.

(c) 28 New Lines taken up on or after 1.4.1955 on other than financial considerations. Dividend becomes payable if any line becomes remunerative adopting the marginal cost principle. The arrangement is to be applied also to the two National Investments viz. Jammu-Kathua and Tirunelveli-Kanya Kumari-Trivandrum line.

(d) Northeast Frontier Railway (Non-strategic Portion)

(e) Remunerative Branch Lines subject to their unremunerativeness being established on the marginal cost principle in each case through an annual review of their financial results.

(f) The Ore Lines between Bimalgarh-Kiriburu and Sambalpur-Titlagarh.

(g) Ferries and Welfare buildings.

(h) 50% of the capital invested on all works in the current year and in the two previous years, excluding capital invested in strategic lines, Northeast Frontier Railway (Commercial), Ore Lines, Jammu-Kathua and Tirunelveli-Kanya Kumari-Trivandrum Lines, Ferries and Welfare buildings and unremunerative branch lines which qualify in full for subsidy, capital invested in New Lines on which the dividend payable is deferred during the period of construction and the first five years after opening of the lines for traffic, and the capital cost of lines wires taken over from the P&T Department.

PART II

MINUTES OF THE SIXTEENTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (2004) HELD ON 9TH MARCH, 2006.

* * *

The Committee sat on Thursday, the 9TH March, 2005 in Room No.139, First Floor, Parliament House Annexe New Delhi from 1500 hrs to 1630 hrs.

PRESENT

Shri Gingee N. Ramachandran - Chairman

MEMBERS

LOK SABHA

2. Shri Mahboob Zahedi

RAJYA SABHA

3. Shri Vijay J. Darda
4. Shri Surendra Lath
5. Dr. Narayan Singh Manaklao
6. Shri K. Rama Mohana Rao
7. Shri A. Vijaya Raghavan

SECRETARIAT

1.	Shri Paramjeet Kaur Sandhu	-	Joint Secretary
2.	Shri V.S. Negi	-	Deputy Secretary
3.	Shri O.P. Shokeen	-	Under Secretary

REPRESENTATIVES OF MINISTRY OF RAILWAYS

(i)	Shri R.K. Singh	-	Chairman, Railway Board and ex-officio Principal Secretary to the Government of India.
(ii)	Smt. Vijayalakshmi Viswanathan	-	Financial Commissioner, Railways and ex-officio Secretary to the Government of India
(ii)	Shri R.R. Jaruhar	-	Member Engineering, Railway Board and ex-officio Secretary to the Government of India.
(iv)	Shri R.N. Aga	-	Member Traffic, Railway Board and ex-officio Secretary to the Government of India.

REPRESENTATIVES OF MINISTRY OF FINANCE

(i)	Shri D. Swarup	-	Secretary, Department of Expenditure, Ministry of Finance
(ii)	Dr. Adarsh Kishore	-	Officer on Special Duty (Expenditure) Department of Expenditure, Ministry of Finance

2. At the outset, the Chairman welcomed the Members and the representatives of the Ministry of Railways to the sitting of the Committee and invited their attention to Direction 58 of the Directions by the Speaker, Lok Sabha. Thereafter the Committee first took the oral evidence of the representatives of the Ministry of Railways on the subject 'Rate of Dividend for 2005-2006 and Other Ancillary Matters'. Thereafter, the Committee took the oral evidence of the representatives of the Ministry of Finance on the subject. The representatives of both the Ministries briefed the Committee and placed their views on the subject before the Committee. They were asked to submit their replies, which were not readily available, to some of the points raised by the Members within a week's time. The evidence concluded.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SEVENTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (2004) HELD ON 31ST MAY, 2006.

* * *

The Committee sat on Wednesday, the 31st May, 2006 in Committee Room 'C', Parliament House Annexe, from 1500 hrs to 1550 hrs. In the absence of Chairman, the Committee chose Shri A. Vijaya Raghavan, MP to act as Chairman under rule 258(3) of Rules of Procedure and Conduct of Business in Lok Sabha.

PRESENT

Shri A. Vijayaraghavan - Acting Chairman

MEMBERS

LOK SABHA

2. Prof. Rasa Singh Rawat
3. Shri Babu Lal Marandi
4. Shri Nizamoddin
5. Shri M Rajamohan Reddy
6. Shri Madan Lal Sharma
7. Shri Rajesh Verma

RAJYA SABHA

8. Shri Surendra Lath
9. Shri K. Rama Mohana Rao
10. Shri Dwijendra Nath Sharmah

SECRETARIAT

(1) Smt. Paramjeet Kaur Sandhu - Joint Secretary
(2) Shri V.S. Negi - Deputy Secretary
(3) Shri O.P. Shokeen - Under Secretary

2. At the outset, the Acting Chairman welcomed the Members to the sitting of the Committee and also congratulated Prof. Rasa Singh Rawat, MP on his nomination to this Committee ***vice*** Shri S. Bangarappa who resigned from the Lok Sabha on 10th March, 2005. Thereafter, the Committee considered and adopted the Draft Report on 'Rate of Dividend for 2005-2006 and Other Ancillary Matters' without any amendment/modification.

3. The Committee also authorized the Chairman to finalise the Report and present the same to both the House of Parliament after making consequential changes, if any, arising out of the factual verification by the Ministry of Railways.

The Committee then adjourned.