

**Speech By Shri Lalit Narayan Mishra
Minister For Railways
On 21st August, 1974**

Mr. Speaker,

Sir, The House will recall that while presenting the Budget Estimates for 1974-75 in February this year.

Financial Review

I had assumed that the Railways would carry 25 million tonnes of additional originating traffic; that the passenger traffic, which had gone down in 1973-74, would again resume its upward trend and that there would be a growth of nearly Rs. 10 crores in our Coaching earnings. These assumptions rested on the hope that industrial relations would improve with the implementation of Pay Commission's recommendations and that the Railway staff who had frequently resorted to work stoppages, go-slow and category wise agitations would settle down to steady and normal working. But this was not to be.

I have described on more than one occasion the sequence of events, which unfortunately culminated in the country-wide railway strike in May 1974 in spite of my best efforts to avert it. The earnestness of the Government to come to a negotiated settlement has been brought to the notice of the House many a time. Even though concessions worth Rs. 80 crores in a full year were agreed to in discussions preceding the strike, the political adventurism of some misguided trade union leaders could not be satisfied. The course of the strike and the Herculean efforts made by the Railway management with the full support of the Central and State Governments to keep essential commodities moving is by now a well-known and of repeated story and needs no further elaboration on my part. I have come to the House today to inform the Members of the state of Railway Finances against the backdrop of events during the last few months.

Fall In Earnings

Railways were expected to carry by the end of last year 192 million tonnes of originating goods traffic. The level of this traffic was estimated to reach 217 million tonnes during the current year. Unfortunately, however, the inhibiting factors, which I recounted in my Budget speech, have continued to operate throughout the early part of the current calendar year. Till the end of March 1974, we fell short of our annual estimates by about 7 million tonnes.

This meant that if the Railways were to attain the forecast in the current financial year, they should realise a lift of about 32 million tonnes. The working conditions, which were none too favourable earlier, were further upset by the strike, extensively damaging our transport capability. I am sorry to have to inform the House that Railway earnings for the quarter ending June 1974 have fallen short of the proportionate forecast by Rs. 92.45 crores. In physical terms, the originating freight traffic has been less by 11.79 million tonnes.

Passenger traffic, instead of recovering, declined further: during the first three months Railways carried nearly 150 million passengers less than in the corresponding period of 1973-74, of which the drop during May alone - the month of the strike - was 110 millions. In Other Coaching earnings, there has also been some slippage. I am not sure that the traffic lost in this period is likely to be made good.

We have carried out a critical re-appraisal of our potential earnings. It looks it will take the Railways a few months longer to fully recover and come up to the expected build-up of traffic. At this stage, on present reckoning, the shortfall in the budgeted Railway revenues for the year may be in the region of Rs. 140 crores.

Increase In Expenditure

At the same time, pressure on working expenses is still unabated. The most important cost factor in a labour-intensive undertaking, such as Railways, is represented by wage bill, which already accounts for over 60 per cent of our total expenses. 1974-75 is a year of mounting staff costs. The budget estimates of the year took note of the Pay Commission's scales of pay as well as the throw-forward liability on this account from the last year. Since then, post-budget developments have thrown a heavy additional burden on our working

expenses. Dearness allowance increases sanctioned by Government from 1st of January, 1st of February and 1st of April this year imply an additional liability of Rs. 56.44 crores on this count. Since the average cost of living is still climbing, further increases in dearness allowance can be reasonably foreseen.

We are also committed to implement the Miabhoy Award and other concessions in terms of our negotiations with organised labour, on which an outgo of approximately Rs. 28.50 crores is expected during this year. Railways also have had to incur unbudgeted expenditure of about Rs. 4 crores on strike-period measures, such as Territorial Army, contingent expenditure, etc. Certain reliefs amounting to Rs. 5.56 crores during the current year have been sanctioned to pensionable employees who retired from service before 1st January, 1973 as well as to those who receive ex-gratia pensions. Repair to rolling stock damaged in rains, floods and during the strike will cost about Rs. 2.61 crores.

Additionally, our fuel bill will go up by nearly Rs.9.70 crores to accommodate further coal prices, which have been raised from 1st of April. Thus, without taking into consideration the likely increases in dearness allowance that may be sanctioned, working expenses of the Railways will be pushed up by about Rs. 106.81 crores for known factors, briefly referred to by me. Taking together the sharp increase in working expenses by Rs. 106.81 crores and the steep fall in anticipated revenue earnings by Rs. 140 crores, the financial position of the Railways is indeed highly parlous and a cause for deep concern.

Before I delineate my proposals to meet with this situation, I would like to mention some matters which primarily have a bearing on railway efficiency and hence on railway finances. It was recognised at the very outset by all responsible and well-informed sections of the community that the Railway strike was being promoted by some politically motivated interests and that it was aimed at disruption of the national economy rather than settlement of railwaymen's problems and redress of their grievances.

Guided by the inspiring leadership of our Prime Minister, encouraged by nation-wide public opinion and helped by State and Central Governments, a large body of steadfast and devoted railway servants successfully met the challenge posed by the May strike. By Spartan efforts and unflinching devotion they not only succeeded in transporting essential commodities but also saved the national economy from collapse. Railwaymen stood four-square in this ordeal and refurbished their image and role in the national life.

Post Strike Lessons: (i) Need For One Trade Union

Taking stock of this traumatic experience and in a spirit of meaningful analysis we have learnt a number of valuable lessons. First of all, there is no place for political adventurism in railway working and trade union activities. Also, at the same time, I am confirmed in my view that a strong Trade Union movement is as essential to the efficient working of the Railways as well-trained managerial Cadres. For this purpose, it is necessary that we should have one single body truly representative of labour interests, which can purposefully negotiate with the Management and which can deliver the goods following a negotiated settlement. In this context, growth of mushroom, category-wise associations and sub-unions has to be discouraged. Proliferation of unions dissipates the strength of a Labour Union Movement and tends to disturb inter-category parities and dilute the all-India character of both the organisation and the Central Trade Unions.

(ii) Management - New Style.

Secondly, if we desire that the railwaymen should not be made pawns in the game of political adventurism, it is essential that the Railway Administration should assume the role of enlightened management. Accordingly, it is incumbent upon the Management to take care of the staff under them and pay constant and constructive attention to their grievances before they become agitations.

Each supervisor and every officer should be a natural leader of the men working under him. To give practical shape to this concept, the number of welfare supervisors has been increased and action has been initiated to set up a specialised Personnel Service, with particular emphasis on Industrial Relations. Larger financial and administrative powers have been delegated to Zonal General Managers and Divisional Superintendents to enable them to deal effectively with staff and administrative matters at grass-root level.

(iii) Cadre Review And Fair Price Shops.

Thirdly, cadre review of non-gazetted establishment has been taken in hand. This will be carried out in the same manner as for Class I Officers, and is intended to remove bottlenecks in the avenues of their promotion, relieve frustration and dissatisfaction stemming from stagnation. Wherever necessary, posts will be reclassified or re-graded. A start has also been made to set up Fair Price Shops in railway colonies housing more than 300 employees. They will be run either by the State Government Licensees or by railwaymen's own cooperatives.

(iv) Crash Programme For Repairs

Fourthly, when in the post-strike period it was sought to speed up operations and achieve larger throughput of freight and passenger traffic, certain inadequacies came to light in bold relief. It was found that maintenance repairs to diesel and electric locomotives, coaches and wagons have not been kept up to proper standards during the last two years of labour unrest and this has to some extent affected the mobility of freight traffic and the punctuality of passenger trains. The malaise, however, is not widespread and is marked only on three Railways. A crash programme for overtaking the arrears in two phases and rehabilitating the rolling stock has been launched. It is hoped that within a few months we will have satisfactory results and the situation will improve.

(v) Block-Rake Movements

Fifthly, we can draw up on our experience during the strike period when, in coordination with our major customers in the public sector, the Railways could move adequate quantities of essential goods, such as coal, steel, petroleum products, foodgrains, etc., to destination points and secure quick release of wagons. It is our intention to maintain this coordination and accelerate bulk transport of major commodities in block-rake movements. Distribution from stock-yards, depots or dumps to consumer centres could be undertaken by road.

(vi) Productivity

Lastly, productivity, which has been at a low ebb for so long, has to be revved up at all work places and at all levels. After the strike it has revived and is being steadily improved upon. The physical performance and the financial position of the Railways can only go up if we do not miss this opportunity not only to restore but improve upon the norms of productivity - Traffic must move faster throughout the railway network.

Wagons must be marshalled quicker in yards and damaged rolling stock must be attended to without loss of time. Workshops must improve their output both quantitatively and qualitatively. Ticketless travel and thefts and pilferages have to be combated assiduously. There must be an urgent awareness of the crisis through which the Railways are passing. I expect all the railwaymen to put in their very best. I am sure that they will face this challenge as successfully as they have met every crisis in the past.

Silver Lining

I am glad to note that here and there indications are perceptible showing that the Railway operations are beginning to turn the corner.

To illustrate, the loading of coal has improved to over 8,400 wagons a day in the first ten days of August in all the coalfields as compared to an average loading of 7,300 wagons per day in the six months December 1973 to May 1974 and as against 6,800 during the corresponding period of last year.

In this regard, a particular mention has to be made of the very good performance in coal loading in Central India Coalfields where loading of 1,130 wagons per day, the highest level ever, has been attained in July. In spite of the constraints placed to end of June this year, Railways loaded the entire stock available for movement by rail of 2.62 million tonnes of POL products and are in a position to transport larger quantities as and when demanded.

In the steel and pig iron sector, the Railways' transport effort has been equally creditable. In the months of June and July, a drive instituted largely in cooperation with the Ministries of Steel and Mines has enabled us to clear eleven lakh tonnes of finished steel and pig iron to various parts of the country. We hope to follow this up with even better results.

The railways have fulfilled all expectations in the movement of foodgrains and fertilizers. Loading and movement of other general goods traffic has also been showing encouraging trends. Passenger trains, which were cancelled earlier due to shortage of steam coal and subsequently on account of disturbed

conditions on the Railways, are being progressively restored.

I am glad to share with the House my feeling that the Railways having passed the eye of the storm are gradually emerging into fair weather.

I believe that Hon'ble Members are conscious of the difficult times through which the Railways are passing. The Railways carp extricate themselves from their difficulties only through strenuous efforts aimed at many pronged solutions. We must improve our physical performance. For the last few years, originating tonnage has been hovering around the figure of 200 million tonnes. A break-through must be achieved. In the meantime, it appears inescapable that we should adopt some stringent measures to cut down our working expenses and bolster our earnings.

Economy In Plan And Non-Plan Expenditure

I have already set in motion an economy drive to scale down revenue expenditure by Rs. 50.37 crores during the current year. Detailed instructions identifying areas in which cuts can be imposed have been issued. General Managers have also been directed to make supplementary efforts on their own initiative. The Railway Board would keep a careful watch and monitor its actual implementation.

At the same time, the pace of Plan expenditure is being slowed down to give us a saving of Rs. 25 crores during the year. While no project or scheme which is included in the Annual Plan approved by the Parliament would be discarded or given up, the Railway Administrations will be asked to regulate expenditure on relatively low priority works within the framework of the approved Plan.

Hon'ble Members will recollect that I had in my Budget speech in February 1973 and again in February 1974, drawn attention to a number of requests from Chief Ministers, Members of Parliament and public bodies, etc. for construction of new railway lines in backward areas. Conceding the validity of these demands, I had advocated the need for a conceptual change in the application of traditional financial criteria to the restoration of dismantled lines and construction of new lines in underdeveloped areas. Implementing this approach, a number of such works have been included in the Annual Plan Programme. It is my intention that, in view of their importance in the development of backward areas, the axe does not fall on these works and the outlays provided for them are not curtailed.

Taking into account the effect of economy measures on revenue expenditure, the total amount of supplementary demands has been restricted to Rs. 56.44 crores, which is just sufficient to cover the post-budgetary, increases in the rates of dearness allowance so far sanctioned by Government. The financial position will be re-appraised in December on the basis of the revised estimates and I shall thereafter approach the House with further demands, if any.

The magnitude of the problem has compelled me to come to a hard conclusion. I am quite clear that railway assets should be put to a more intense and profitable use. Productivity of railwaymen should show marked improvement. All wasteful practices should be eschewed. Proposed economy measures must also fully bear fruit. Nonetheless, an adjustment in the fares and freight rates is also inescapable if the Railways are not to end the year in a massive loss.

Government at the highest level have already decided that the quantum of deficit finance should not be allowed to go up. It is, therefore, essential that the loss of railway working should be held down to the smallest possible size.

Rationale Of Proposals

In framing my proposals which I shall now set forth and which will come into force with effect from the 9th of September, 1974 the following principles have been borne in mind. First, their impact should have a minimal effect on the family budget of the common man. It has, therefore, been decided that foodgrains, pulses and edible oils, milk and vegetables, short-distance travellers and commuters holding Second Class season tickets should not be touched. Accordingly, by far and large, the consumer price index will be left unaffected.

Secondly, an opportunity has been taken to bring up the freight rates closer to the line haul cost beyond a distance of 500 kms. Beyond this distance, the telescopic structure of freight rates tends to operate to the disadvantage of Railways inasmuch as bare haulage costs are not always fully covered. As the average lead of traffic goes up, the disadvantage gets accentuated.

Thirdly, in the overall interest of National economy, it is necessary that in making the maximum use

of the assets at their disposal the Railways should concentrate on the movement of goods in preference to passenger traffic. Honourable Members are aware that in all developing countries, all infrastructure facilities, especially the rail transport is under pressure, which has to be overcome by planned regulation. Even in developing Socialist countries, stringent control is exercised on passenger travel, which has to give way to meet the growing needs of freight traffic. While we may not go as far as the Socialist countries, measures have to be adopted to discourage, and even curb, passenger traffic in order to maximise utilisation of our transport capacity for industrial and agricultural products.

Fourthly, increases are related to what the traffic can bear. In case I find that on actual implementation, the increase is more than a particular stream or class of traffic can bear and the levy becomes counter-productive, I shall carry out the necessary moderation within the limit of these proposals

Proposals - A. Goods

On all goods traffic carried up to 500 kms., excluding foodgrains, pulses and edible oils, I propose to levy a supplementary charge of $16 \frac{2}{3}$ per cent. Goods carried for longer distance will bear a supplementary charge of 22 per cent. This will give a yield in revenue of Rs. 94.92 crores in the current year.

B. Luggage & Parcels

Except for milk and vegetables, the rest of traffic will carry a supplementary charge of 15 per cent, adding Rs. 3.6 crores to railway revenues.

C. Passengers

(1) Upper Class: Air-conditioned First Class fares, which were last raised to approximate air fares, will now bear an additional supplementary charge of 25 per cent, yielding Rs. 0.74 crores in revenue. I propose to raise First and Airconditioned Chair Car fares by $33 \frac{1}{2}$ per cent. The two together will add Rs. 4.88 crores to Railway revenues.

(2) Second Class: I regret that the very weak financial position of the Railways does not permit me to treat the II Class passengers any differently.

However, in conformity with the principles, which I mentioned a little while ago, my proposals in regard to Second Class passengers are designed to leave untouched almost the entire body of commuters, who constitute 50 per cent of the number of passengers carried by rail, as well as short-distance passengers travelling up to 25 kms. by Ordinary trains. The latter category accounts for nearly 49.3 per cent of such traffic in non-suburban areas and is largely composed of students, wage earners, office-going staff and small self-employed persons, etc., who have to travel daily from neighbourhood townships to adjoining cities. For them their journeys by rail are unavoidable as they form an essential part of their daily chores.

(i) Ordinary: Accordingly, fares payable by commuters holding Second Class Season tickets will stand unchanged as at present. I do not also propose any increase in Second Class Ordinary fares up to 25 kms. For medium distances, i.e., from 26 kms. to 250 kms. which can conveniently be covered by road transport, thereby releasing rail capacity for long-distance travellers and freight traffic, it is proposed to bring up the fares generally closer to bus fares. This would discourage diversion of traffic from road to rail in this distance range. I, therefore, propose to add a supplementary charge of 25 per cent on fares for journeys from 26 kms. to 250 kms. From 251 kms. onwards, the rate of supplementary charge will be stepped down to 20 per cent. These revisions in fares will yield an additional revenue of Rs. 17.96 crores.

(ii) Mail & Express Trains: As Mail and Express trains are intended primarily to carry long-distance travellers, in whose interest short-distance passengers have to be discouraged, they have to be treated a little differently from Ordinary trains. Hence in their case, I propose to levy a supplementary charge of 25 per cent for journeys up to 250 kms. Beyond this distance, the rate of supplementary charge will be the same as for Ordinary trains, viz., 20 per cent. This adjustment is expected to yield Rs. 17.97 crores in revenue.

Miscellaneous

I do not propose to make any revision in reservation charges, Second Class Sleeper charges

and in the rate of platform tickets.

A Memorandum is being circulated to the Hon'ble Members, containing details about the proposals, both in respect of freight rates and passenger fares.

Financial Effect Of Proposals

The financial effect of all these levies put together, which will come into force from 9th September, 1974, would amount to Rs. 140.07 crores in the remaining part of the current year. The Hon'ble Members would have thus noticed that I have tried to mobilise only that much additional resources which will abridge the gap between receipts and expenditure.

Conclusion

Indian Railways have played a pivotal role in the economic life of the country. It is absolutely essential that they run efficiently and smoothly to keep the goods moving uninterrupted, both for mass consumption as well as for the industry. At the same time Railways cannot remain unaffected by the general economic situation in the country and elsewhere.

I have announced certain measures, which I propose to take for bringing back the finances of the Railways to a real healthy position. However unpleasant may be the task, some of these measures have got to be taken to meet the realities of the present economic situation.

All of us have to make sacrifices though no doubt these should be equitably distributed and commonly shared by all. I must assure the House that in this, I have been guided by the sole considerations of the principles of modern progressive socialism suited to the genius of our country and the interests of the Nation, the industrial development and the common man. The House, I am sure, will appreciate and support these proposals so that the sacrifices of today may bring a brighter tomorrow.
