(a) whether there is a proposal to link Gangtok, the capital of Sikkim by Vayudoot service during the current financial year; and

(b) if not, the reasons therefor ?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI JAGDISH TYTLER) : (a) and (b). In the absence of an airfield at Gangtok, it would not be possible to provide Vayudoot services to this station during the current financial year.

Second priority to Vayudoot services

7761. SHRI HARISH RAWAT : Will the Minister of CIVIL AVIATION be pleased to state :

(a) whether Vayudoot service is being given second priority at major airports including Delhi;

(b) if so, whether keeping in view the importance of Vayudoot services Government will issue orders to give same priority to the operation of Vayudoot services as is being given to Indian Airlines; and

(c) if not, the reasons therefor ?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI JAGDISH TYTLER) : (a) No, Sir.

(b) and (c). Do not arise.

[English]

Recommendations of capital structure review committee

7762. PROF. MADHU DANDAVATE : Will the Minister of RAILWAYS be pleased to state :

(a) whether the capital structure of Indian Railways had remained unchanged from 1924 to 1977;

(b) if so, whether after 1977 a committee to review the capital structure of Indian Railways was set up;

(c) if so, what were the recommendations of the capital structure review committee; and

(d) which recommendations of the Committee have alraeady been implemented and which are the recommendations which have been accepted but are yet to implemented ?

THE MINISTER OF STATE OF THE MINISTRY OF RAILWAYS (SHRI MADHAVRAO SCINDIA) : (a) No, Sir. There have been changes in the allocation rules affecting charges to capital.

(b) An Expert Group to examine the Capital structure on Railways was set up in 1978.

(c) and (d). A summary of the Recommendations of the Expert Group is given in the Statement below. The recommendations which have been accepted and implemented are also indicated in the Annexure.

Statement

Recommendations of the Expert Group	Action Taken
1	2
1. The amount representing the element of over-capitations (Rs. 122.54 crores) should be written off without financial adjustment.	Accepted and implemented.

1	2
2. The Capital-at-charge to the extent of Rs. 475 crores, representing the element of contribution, as distinct from dividend paid by the Railways to General Revenues, should be written off.	Not accepted.
3. There is an imperative need for stepping up allocations to the Depreciation Reserve Fund.	Accepted and implemented.
4. The liability of the Railways in respect of their unremunerative assets should be identified separately and relief therefor provided by the National Exchequer so that interest-bearing short term loans are not unnecessarily accumulated on the Railways' account for a long period of time In this framework, then. the profitable part of the Railway business should generate enough resources not only to pay the normal dividend to the Exchequer on what would be the really productive part of the Railway assets but also to finance the various Funds (Depreciation Reserve Fund and Development Fund) from which allocations can be made to replace, modernise and also, if so desired, expand the Railways' productive capacity.	Accepted and implemented.
5. The more important components to capital costs ralating to unproductive assets should be made eligible for dividend concessions, as an extension of the concessions already granted by the successive Railway Convention Committees. These are	
(i) Capital cost of all new lines taken up after 1-4-1955 on other than financial considerations. The capital cost is about Rs. 182. 13 crores and it should be exempted from payment of dividend. If any such line becomes remunerative for a period of five years the capital cost of such a line should attract dividend liability.	Accepted and implemented.
(ii) Capital cost of uneconomic branch lines which is already exempted from payment of dividend should be on the basis of annual reviews and not on the basis of the figure determined in one of the earlier years.	Accepted and implemented.

1	2
(iii) The provision about making over of surpluses, if any to General Revenues in respect of National Investments (losses being absorbed by Railways) may be deleted or alternatively there should be a provision for losses also being passed on to General Revenues.	This item has been brought under the purview of item 5 (i).
(iv) The capital cost of suburban services (Rs. 114.64 crores) should be exempted from payment of dividend.	Not accepted.
(v) The capital cost of ferries (Rs. 5.05 crores) should also be exempted from dividend liability.	Accepted and implemented.
(vi) The capital cost of welfare buildings like hospitals, dispensaries, health, units, clubs, institutes schools and colleges, hostels and other welfare centres (Rs. 3.43 crores should also be exempted from dividend liability.	Accepted and implemented.
6. On the capital cost of residential buildings (Rs. 96.21 crores) dividend should be charged only at 3.5 per cent.	Accepted and implemented.
7. All the existing indebtedness to-date should be written off.	Not accepted.
8. In future temporary borrowings should be confined to making up the shortfall in Development Fund, and such loans should be repayable over a period of 10 years, and should carry interest at a subsidised rate of 3 per cent.	Partially accepted. Temporary borrowings are confined to making up shortfalls in Development Fund but the rate of interest at present payable on such loans is the current dividend on Capital-at-charge.
9. There should be no system of temporary borrowings for making up shortfalls in dividend payments. Any shortfalls in dividend should be carried over for 20 years, at the end of which unliquidated liabilities should be extinguished.	Partially accepted and implemented. The short-fall in dividend payments is carried in a deferred dividend liability

1	2
	account which is to be liquidated from future surpluses.
10. 10 per cent of the dividend reliefs accruing from the recommendations of the Expert Group should be set apart every year in a separate Amortization Fund, which when built up to a respectable size over a period of 10 years should be utilized to amorties that portion of capital which has been proposed for exemption from payment of dividend. If after 30 years of operation of the fund there is still a balance of the capital to be amortised, that should be dropped from the books without financial adjustment, as has been recommended in the case of elements over capitalisation.	Not accepted.
11. The Expert Group also recommend that :	
(i) The cost of new lines considered necessary, but are unremunerative, should be charged to Development Fund as was the case prior to 1-4-1955. The Group do not, however, recommend the reversal of the ajustments already carried out. This recommendation about change in allocation may be made applicable from 1-4-1979 in respect of the on-going projects as also new projects taken from that date.	Not accepted.
(ii) The limit of Rs. 25,000/- for new minor works chargeable to Revenue may be raised to Rs. 1 lakh.	Accepted and implemented.
(iii) The limit of Rs. 3 lakhs for charging the cost of unremunerative operating improvements to Open line Works-Revenue may be raised to Rs. 5 lakhs.	Accepted and implemented.
(iv) At present the cost of all land is charged to Capital. This may be changed. The allocation of the cost of land should follow the allocation of the work for which land is acquired.	Not accepted.

1	2
(v) Capital cost of works charged to capital initially on the basis of their remunerativeness should be written back to DF/OLWR etc., if on the basis of productivity tests, they become unremunerative.	Not accepted.
(vi) At present all costs of Gauge conversions and Electrification are charged to Capital. Whenever, such projects are in view, replacements of signalling equipment, track renewals etc. are postponed. But for the Gauge conversion or Electrification, such equipment could have been replaced or track renewed in the normal course by charge to DRF. In cases where such replacements are deferred in view of the impending Gauge Conversion or Electrification on the basis of deliberate decisions, the cost of such items of works should be estimated and charged to DRF instead of to Capital.	Not accepted.
(vii) Production Units should also be allowed to operate DF/OLWR/Revenue to avoid every item of expenditure in those units going to Capital and subsequently getting transferred as part of cost of Rolling Stock.	Not accepted.
(viii) Inventory balances and balances in Workshop Manufacture Suspense should be split up into "Capital" and "Revenue" and two sets of balances under these classifications should be maintatned.	Not accepted.
(ix) Overburdening Capital through transfer prices of Rolling Stock (all-in-costs) manufactured in she Production Units should be avoided (Proforma on-cost, including depreciation and interest is an instance in point).	Not accepted.
(x) At present losses of cash and stores relating to Capital transactions are adjusted to Capital-6800. This should be charged to Revenue to avoid double debit to Capital.	Not accepted.

1	2
(xi) Restoration of assets lost/damaged due to natural calamities, during construction, should be adjusted to Revenue Account.	Not accepted.
(xii) Adjustments of Capital to cost of maintenance and operation and earnings in respect of lines not opened for traffic may be given up. These may be charged to Revenue.	Not accepted.
(xiii) Para 903 (5)-GI provides that the original cost at debit of Capital (estimated if not known) of an asset (falling within the categories mentioned in note 2 to paragraph 910) replaced at the cost of DRF be transferred to DF in terms of item 6 of Para 910-GI. The said note 2 under para 910-GI, however, restricts that Capital be relieved only when such works are undertaken "by themselves". The words "by themselves" may be deleted so that Capital can be relieved while replacing such of these works even though they formed part of a scheme when they were created.	Not accepted.
(xiv) Para 902 (5)-GI provides that full cost of replacement of an asset where original cost was charged to Revenue, being within the new minor works limit but is now more than Rs. 25,000/- provided it is not chargeable to DF or OLWR be charged to Capital. In these cases also the cost of replacement may be charged to DRF instead of to Capital as the assets were originally created from Revenue.	Not accepted.
(xv) For works of yard remodelling etc. the return on investment is worked out reckoning savings in worked out reckoning savings in detention which are not susceptible of precise determination. The return on such projects, to be deemed as remunerative, may be raised from 10 per cent to 15 per cent under DCF technique.	Not accepted.

1	2
(xvi) Provision of over-head electric traction equipment for Private/Assisted siding is an item of Railway Capital even for portion falling within private land in terms of para 2010-E. Such costs may be debited to the Siding owner or DF.	Not accepted.
(xvii) Expenditure on Surveys is initially charged to Revenue, but when the projects are taken up, these costs are capitalised. Such costs may not be written back from Revenue.	
(xviii) At present spares, beyond certain monetary values in Diesel Sheds, Steasm Sheds and Electric Shedo are capitalised. Since these spares are primarily meant for maintenancs purposes and are actually used for repairs, the same need not be allocated to Capital.	Not accepted.

Share of Tamil Nadu government in MRTS project

7763. DR. KRUPASINDHU BHOI :
DR. V. RAJESHWARAN :
SHRI C. K. KUPPUSWAMY :

Will the Minister of RAILWAYS be pleased to state :

(a) whether he has received memorandum opposing the proposal to make the Tamil Nadu Government share the Madras Rapid Transit System project;

(b) if so, the reaction of Government thereto;

(c) by which time the Madras Rapid Transit System is likely to be completed;

(d) whether it has been suggested that the Railways should set up separate Railway Finance Corporations for each zone so that the projects within their zones could be taken up by the Zonal Railways; and

(e) if so, the decision taken by Government in this regard ?

THE MINISTER OF STATE OF THE MINISTRY OF RAILWAYS (SHRI MADHAVRAO SCINDIA) : (a) Yes, Sir.

(b) Due to resource constraints, the pace of the Project can be accelerated if the State Government comes forward to participate in its funding.

(c) This would depend upon the availability of funds;

(d) and (e). Although it has been suggested in the Memorandum that separate Finance Corporations should be set for each Railway zone, the suggestion has not been accepted.

Racket in re-cycling entry tickets at Palam Airport

7764. DR. KRUPASINDHU BHOI : Will the Minister of CIVIL AVIATION be pleased to state ;