

13

Standing AND Committee

**RAILWAYS  
(1995-96)**

**TENTH LOK SABHA**

**MINISTRY OF RAILWAYS  
DEMANDS FOR GRANTS (1994-95)**

[Action Taken by Government on the Recommendations/Observations  
contained in the Sixth Report of the Standing Committee on Railways]

**THIRTEENTH REPORT**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1995/Vaisakha, 1917 (Saka)*

**THIRTEENTH REPORT**  
**STANDING COMMITTEE ON**  
**RAILWAYS**  
**(1995-96)**

**(TENTH LOK SABHA)**

**MINISTRY OF RAILWAYS (RAILWAY BOARD)**

**DEMANDS FOR GRANTS (1994-95)**

*[Action Taken by the Government on the Recommendations/Observations  
contained in the Sixth Report of the Standing Committee on Railways  
(1993-94) (Tenth Lok Sabha)]*



*Presented to Lok Sabha on 26.4.95*  
*Laid in Rajya Sabha on 26.4.95*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1995/Vaisakha, 1917 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON RAILWAYS  
(1995-96)**

**Shri Somnath Chatterjee – *Chairman***

**MEMBERS**

***Lok Sabha***

2. **Shri Harilal Nanji Patel**
3. **Shri A.R. Antulay**
4. **Shri G. Madegowda**
5. **Smt. Santosh Chowdhary**
6. **Kumari Frida Topno**
7. **Shri Dilcep Singh Bhuria**
8. **Dr. Kartikeshwar Patra**
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10. **Shri Manku Ram Sodhi**
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12. **Shri B.K. Gudadinni**
13. **Shri Anand Abirwar**
14. **Shri D.B. Shingda**
15. **Shri Tejsingh Rao Bhonsle**
16. **Shri Ram Naik**
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18. **Shri Phool Chand Verma**
19. **Shri Mangal Ram Premi**
20. **Shri Shrish Chandra Dikshit**
21. **Shri Raj Narain**
22. **Shri Ramchandra Veerappa**
23. **Shri Brishin Patel**
24. **Smt. Girija Devi**
25. **Shri Basudeb Acharia**
26. **Shri S. Sivaraman**
27. **Shri Brahma Nand Mandal**

(iv)

28. Shri S.S.R. Rajendra Kumar
29. Shri Moreswar Save
30. Shri P.C. Thomas

*Rajya Sabha*

31. Shri S.S. Ahluwalia
32. Shri Rabasbihari Barik
33. Shri V. Rajan Chellappa
34. Shri V. Gopalsany
35. Shri Mohinder Singh Kalyan
36. Smt. Sarala Maheshwari
37. Shri Radhakishan Malaviya
38. Shri Sarada Mohanty
39. Shri Satish Pradhan
40. Smt. Malti Sharma
41. Shri Kailash Narain Sarang
42. Shri Janardan Yadav
43. Shri Ahmed Mohamedbhai Patel
44. Shri John F. Fernandes
45. Shri Prabhakar B. Kore

SECRETARIAT

1. Shri S.N. Mishra – *Additional Secretary*
2. Smt. Roli Srivastava – *Joint Secretary*
3. Shri T.R. Sharma – *Deputy Secretary*
4. Shri R.C. Gupta – *Under Secretary*

## INTRODUCTION

I, the Chairman of the Standing Committee on Railways (1995-96) having been authorised by the Committee to submit the Report on their behalf, do present this Thirteenth Report on action taken by Government on the recommendations/ observations contained in their Sixth Report of the Standing Committee on Railways (1993-94) on 'Demands for Grants, 1994-95' of the Ministry of Railways.

2. The Sixth Report was presented to Lok Sabha on 22 April, 1994 and contained 28 recommendations/observations. The Government furnished their replies indicating action taken on the recommendations/observations contained in that Report on 10 August, 1994 and the supplementary replies on 21 and 24 March, 1995. The Committee considered and approved the Memorandum based on the recommendations & observations on 8th February, 1995.

3. The Committee considered and adopted the Thirteenth Report on 21 April, 1995. The Minutes of the sittings of the Committee held on 8 February and 21 April, 1995 form Part II of the Report.

4. An analysis of the Action Taken by the Government on recommendations/ observations contained in the Sixth Report (Tenth Lok Sabha) of the Committee form Part III of the Report.

NEW DELHI;  
21 April, 1995  
*1 Vaisakha, 1917 (Saka)*

SOMNATH CHATTERJEE,  
*Chairman,*  
*Standing Committee on Railways.*

**PART I**  
**CHAPTER I**  
**REPORT**

This Report of the Standing Committee on Railways (1995-96) deals with the action taken by the Government on the recommendations/observations contained in the Sixth Report (Tenth Lok Sabha) on 'Demands for Grants-1994-95' of Railways which was presented to the Lok Sabha on 22 April, 1994 by the Standing Committee on Railways (1993-94). The Report contained 28 recommendations/observations.

2. The Action Taken Notes have been received from Government in respect of all the 28 recommendations/observations contained in the Report. These have broadly been categorised as follows:-

- (i) Recommendations/Observations, which have been accepted by the Government:

Paras 1.49, 1.53, 1.56, 1.57, 2.46, 2.54, 2.55, 2.57 & 2.58

- (ii) Recommendations/Observations, which the Committee do not desire to pursue in view of the replies of the Government:

Paras 1.50, 1.51(a) & (b), 1.52, 1.55, 2.49, 2.50, 2.53, 2.56 & 2.63

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.

Paras 1.48, 1.54, 2.44, 2.45, 2.47, 2.48, 2.51, 2.52, 2.61 and 2.62

- (iv) Recommendations/Observations in respect of which final replies of the Government are still awaited.

NIL

3. Some of the Action Taken Replies of the Ministry of Railways (Railway Board) are dealt with hereunder.

*Rail Link in Backward and Tribal Areas*

**Recommendation/Observation (Para 1.48)**

4. Indian Railways being the largest public sector undertaking in the transport sector run by the Central Government for which it was provided with all kinds

of infrastructural facilities by the Central and State Governments and various other authorities, the Committee considered it obligatory on the part of the Railways to develop an all India transport system and railway network throughout the length and breadth of the country, including the inaccessible tribal areas. Railways the integral part of the Government were expected to share the responsibility of the Government of India to develop the undeveloped and backward and tribal areas. The Committee had therefore desired that the Railways might undertake study *suo motu* to identify backward and tribal areas and prepare plans for their rail link development as part of meeting an important social obligation. It was also stressed that the Railways might discharge their obligation by undertaking construction of new rail lines in the backward and tribal areas and by completing expeditiously those railway lines which were under execution for a long time on top priority basis.

5. In their action taken reply the Ministry of Railways stated as under:

“Providing a transport infrastructure to cater to the needs of the economic growth is acceptably an objective of the Railways. It may, however, be clarified that Railways is one of the surface modes of transport. The Railways’ projects are highly capital intensive with prolonged gestation periods. This does impose a constraint for going into the traffic possibility and the return on the investment made in this direction. The type of transport for the required development of certain areas including backward and inaccessible areas is a part of the overall planning process. This, therefore, is the responsibility of the Planning Commission which alone has the wherewithal of looking at the total perspective of transport development. It will, therefore, be appreciated that Railways can not be enjoined to undertake *suo motu* development.

The observation regarding quick and expeditious execution of railway lines which are under completion for a long time, has been noted and would be implemented within the overall resource availability.”

6. The Committee note that though it is the responsibility of the Planning Commission to look at the total perspective of transport development but at the same time the Railways are not debarred from undertaking any study independently to identify backward and tribal areas and the manner in which such areas can be linked by rail with the mainstream. In their opinion initiative should be taken by the Railways themselves and the survey teams of the Railways can take up this work in association with the State Governments, non-Government organisations and especially with elected representatives of these areas and chalk out a plan for laying new lines after making detailed cost study and thereafter these plans can be submitted to Planning Commission for their consideration/approval. The Committee

**desire that action taken by the Ministry of Railways in this regard should be intimated to them.**

*Study on Traffic Growth*

**Recommendation/Observation (Para 1.54)**

7. The Committee were surprised to find that Railways did not undertake any systematic study about the freight traffic growth. It was more distressing to note that Planning Commission too did not undertake any such study. In the opinion of the Committee unless a continuous study about the growth of freight traffic was made, it was difficult to make accurate forecast about the volume of goods traffic which the Railways were required or expected to carry from one place to another and for which they were required to develop necessary infrastructure capability. The Committee had, therefore, recommended that annual study regarding growth of traffic freight as well as passenger might be undertaken to make the Budget Estimate an effective instrument of railways working.

8. In their action taken reply, the Ministry of Railways stated as under:

“The budget is an enabling exercise to efficiently manage the rail network alongwith supporting the required growth. It is, however, necessary to clarify that transport is a highly perishable commodity. The capacity which is not utilised in the continuum of time gets wasted and cannot be retrieved. As against this striking feature of transport capacity the transport demand has a distinct seasonality pattern of lean and peak periods. The capacity therefore, has to meet the peak period demands. This implies that a surplus becomes inherent during the lean period. As transport is a sector which is equally influenced by the peaking behaviour for examples power, makes the matter difficult. Further, it may be clarified that as an important axiom the rail transport capacity should be ahead of the demand and this principle supposes that if at any time a surplus does exist, it is utilised in future growth and therefore, there is hardly any wastage.

The Railways have a system in which the trends of traffic growth are studied at the time of formulation of Five Year Plans after inter-acting with the core sectors involved, as also with the Planning Commission. These five year growth estimates are further refined in the Annual Plan formulation where also a similar exercise is done.

The above features make an accurate forecasting for transport demand, which is a derived demand, a very difficult proposition.”

9. While agreeing with the contention of Railways that transport is a derived demand and has a distinct lean and peak period, the Committee feel

that a systematic study about the freight traffic growth is essential to plan the future infrastructural requirements. As the whole Railway Budget is based on the traffic growth projections, it is necessary that as far as possible accurate forecast is made in this regard. The Committee reiterate that there is a need for making annual study of traffic requirements both for lean and peak periods and recommend that necessary action should be initiated in this regard at the earliest.

*Realisation of Money on account of sale proceeds of old released material/  
scrap*

#### **Recommendation/Observation (Paras 2.44 & 2.45)**

10. The Committee had observed in their earlier report that under Demand No. 16 relating to assets-acquisition, construction and replacement, large sum of money running into crores of rupees realised on account of sale proceeds of old material/scrap, as in the case of track renewal, rolling stock, gauge conversion etc. were not accounted for as receipts of the Railways for financing various projects where additional fund was required.

These proceeds were spent under the same sub-head and in that event the Railway Board did not consider it as additional expenditure even though the expenditure exceed plan allocation under that head. In the opinion of the Committee sale proceeds of old released material and scrap formed part of the receipts of Railways and if necessary a separate sub-head might be created and suitable reflected in the annual receipts of the Railways. This would help the Railways not only in the disposal of such materials and scrap in a systematic manner, but also to keep record of the sale proceeds in the accounts book by evolving a suitable procedure for the purpose.

11. The Committee had further desired that the huge sum of money realised out of sale proceeds running into crores of rupees might be shown as resource generated and might be redeployed on projects according to their priorities.

12. In their action taken reply the Ministry of Railways stated as under:

“The existing system of presentation of accounts allocation rules and budgetary format is based on the approval of the Estimates Committee, Ministry of Finance and C&AG. As per the allocation rules the credits for the release of material have to be reflected in the relevant estimates under Demand No. 16 and the overall cost is assessed and worked out on a net basis.

The suggestions given by the Standing Committee would thus require indepth examination in consultation with C&AG and Ministry of Finance”.

13. When further asked, about the action taken by the Ministry of Railways to consult C&AG and the Ministry of Finance for indepth examination of the Committee's recommendation in regard to creating of a separate sub-head in the railways accounts book for suitable reflection of the money realised on account of sale proceeds of old released material/scrap and showing that money as resource generated, the Ministry of Railways clarified as under:

- (i) In order to maintain accountability for its performance the railway has a system of showing its Receipts with reference to its income generated from goods, passengers, other coaching and misc. earnings. Railways, therefore do not account for Receipts from sale proceeds of old material, scrap etc. If the proceeds from sale of Capital assets are also taken as another source of Receipts, they may dilute this accountability as in the years when the earnings from goods, passengers etc. are be tempted to sell their assets and augment their Receipts and make up for the loss in earnings therefrom. Such a procedure may be dangerous.
- (ii) The practice of exhibiting the expenditure pertaining to asset acquisition, construction basis under each Plan Head is as per the established procedure which has been approved by the C&AG. While presenting the Budget, such gross provisions are exhibited Plan Headwise and credits are also shown separately under their respective sub-heads. The net expenditure on such assets acquisition is also exhibited. Accordingly, the works expenditure at the field level is also accounted for on the net basis. The availability of these resources are, therefore, brought to the knowledge of the Parliament and there is no attempt to exceed Plan Allocation under that Head as the Plan Allocations are shown on net basis.
- (iii) In the present system of Accountal, the value of sale of scrap can be higher or lower than the original Book Value. However, the asset when replaced, gets the credit only to the extent of its Book Value. The difference between the sale value and the Book Value is debited/credited, as the case may be, to the Stock Adjustment Account. Generally, in view of the prevailing inflationary conditions, the realisation of the scrap value is higher than the Book Value. This surplus over the Book Value is credited to the Stock Adjustment Account which, in turn, reduced the working expenses. This generates extra surplus, which is available as a resource for appropriation to Development Fund and Capital Fund for spending on various works under different Plan Heads. It would, therefore, be seen that major portion of the proceeds from such sale of scrap is already finding its way as a resource for investment.

- (iv) In order to maintain a link between the asset being disposed off and the asset being created as replacement, the Railway is maintaining the practice of giving the credit for released material from the sale of replaced asset to replacement work. As it is, a large number of assets in Railways infrastructure are overdue for replacement and if resources generated from the sale of old assets are utilised/re-deployed on other projects, the Railway's programme for replacing these assets may be adversely affected. It is, therefore, suggested that Railway may be allowed to continue with this practice.

In view of the above considerations, the Committee may like to reconsider its recommendations. C&AG will be approached for views after further directions from the Standing Committee”.

**14. The Committee are not convinced at all with the replies/comments of the Ministry. The Committee reiterate their earlier recommendation for creating a separate sub-head in the Railways' Accounts Book for suitable reflection of the money realised on account of sale proceeds of old released material/scrap and showing that money as resource generated for redeployment on the projects according to their priorities. The Committee desire that necessary action should be initiated immediately in this regard in consultation with C&AG/Ministry of Finance and the outcome thereof may be intimated to the Committee within three months.**

*Temporary Suspension or Freezing of New Line Projects*

**Recommendation/Observation (Paras 2.47 & 2.48)**

15. The Committee had learnt that the Ministry of Railways did not have any set guidelines to decide on the temporary suspension or freezing of the new lines projects nor to reprioritise projects from time to time in course of the year and thus the decision in this regard were being taken only on *ad hoc* basis without a proper objective study.

16. The Committee were not convinced with the explanation given by the representatives of the Ministry of Railways for postponement or freezing of new line projects. The Committee, had therefore, recommended that suitable guidelines might be issued to decide on the postponement or freezing of new lines projects and reprioritisation of projects generally.

17. In their action taken reply, Ministry of Railways stated as under:

“The Ministry of Railways would like to state once again that the guidelines for re-prioritisation of funds for new lines projects are the same as

recommended by National Transport Policy Committee, 1980 and Railways Reforms Committee (1982) for sanction of new projects:

These are:

- (i) Project Oriented lines to serve new industries or tap mineral and other resources.
- (ii) To serve as a missing link which can form alternative route to relieve the congestion on existing BG rail routes.
- (iii) On strategic considerations.
- (iv) As development lines to establish new growth centres or access to remote areas.

RRC while recommending the above guidelines had also stated that unbridged proliferation of uneconomical branch lines needs to be controlled in view of acute constraint of resources. RRC had further recommended that in view of existing resource constraints and the clear knowledge that even on-going works cannot be completed in a reasonable time, reviews should be done by the railways to freeze those lines which do not serve specific purpose and are not required for movement of traffic until other higher priority projects are completed. The Railways have consistently been following these guidelines in their reviews from time to time."

18. The Ministry of Railways further clarified in this regard:

"As long as the availability of funds for construction of new lines is not commensurate with the requirement for the large shelf of sanctioned projects, re-prioritisation becomes inescapable. The Ministry of Railways conducts reviews of the works in progress and re-prioritises the works to meet the objectives laid down in the guidelines of the NTPC and RRC referred to in an earlier reply too paragraph 2.47."

19. The Committee observe that the guidelines recommended by the National Transport Policy Committee and RRC are for fixing the *inter-se* priority of various new line projects with regard to their being taken up initially for execution and not for changing their priority half way. Railways should not misinterpret these guidelines for being applied to change the initial priority of the projects once the funds have been invested and work already started. Freezing of on-gong projects can be justified only when there is acute resource constraint and there is no way out to continue the same. The Committee desire that since freezing of projects results in blocking of scarce capital funds and leads to discontentment of the people of the concerned areas, the Railways should, in consultation with Planning Commission, work out criteria to decide the level of investment beyond which a particular project should not be allowed to be frozen. The Committee also desire that

**the Ministry of Railways should also evolve suitable guidelines for early revival of such frozen projects.**

*Role of Planning Commission in Selection of New Projects*

**Recommendation/Observation (Para 2.51)**

20. The Committee had observed that the construction of some of the new projects were undertaken on popular demands. Examination of representative of the Planning Commission by the Standing Committee had revealed that Planning Commission did not have any separate organisation or manpower to undertake indepth study of various projects referred to them. As matter of fact they agreed to the proposals of Railway Board for undertaking any project for which Railways certified that funds were available for the purpose. The whole issue of selection of new projects, their construction and completion was thus left to the discretion of the Railways exercised not on any known principle or guidelines because as per the trend available Railways are required to finance most of their projects from their internal resources.

21. In their action taken reply, the Ministry of Railways stated as under:

“After a survey and financial appraisal has been carried out by the Railways for a project which is found to be justified, the same is referred to the Planning Commission for their approval. No certification of availability of funds by the Railways is done at this stage. While communicating approval, it is presumed that the Planning Commission carry out an economic and financial appraisal keeping in view the overall availability of resources. After the work is approved by Planning Commission, the same is considered by the Railways for inclusion in their Annual Works Programme and presented in Budget proposals. The selection of project is thus not left to the discretion of Railways alone.”

22. Since the Planning Commission had admitted themselves that they do not have any separate organisation or adequate manpower to undertake indepth study of the various projects referred to them by the Railways, it is doubtful whether any economic and financial appraisal of the projects is scientifically carried out at their level. The Committee therefore desire that their recommendation made in their 6th Report needs to be pursued further in consultation with the Planning Commission.

*Setting up of High Powered Committee for New Line Projects*

**Recommendation/Observation (Para 2.52)**

23. The Committee were of the view that Indian Railways which had the responsibility to develop the country uniformly keeping in view the commercial interest of the Government as well as the need for socio-economic development

of the country as a whole and also to keep up the aspirations of the people of different regions, might set up a High Powered Committee comprising of the representatives of the Ministry of Railways, Planning Commission, Finance, representatives of the people and different State Government to decide upon taking up or suspension or freezing of new lines projects.

24. In their Action Taken reply, the Ministry of Railways stated as under:

“The issue raised in this para have arisen out of para 2.46 that the shelf of projects on hand is too large and all the projects cannot be progressed satisfactorily. In view of constraint of resources, re-prioritisation of works becomes inescapable constitution of a high-powered Committee is suggested by the Committee would not be able to solve the basic problem of resource constraints. It is the considered opinion of the Ministry of Railways that the problem can be solved only if the shelf of projects on hand is reduced. The Committee may review the suggestion.”

25. The Committee are not convinced with the reply given by the Ministry of Railways and reiterate their recommendations for setting up a High Powered Committee to decide upon taking up or suspension or freezing of new line projects.

*Utilisation of funds under different plan-heads*

**Recommendation/Observation (Paras 2.61 and 2.62)**

26. From the proposed plan allocation and the revised estimates and actual expenditure upto January, 1994, the Committee had found that the expenditure under certain heads had been as low as 33.49%. They were unhappy to note the expenditure under passenger amenities had been only 40.37% and for workshops including production units the expenditure was 35.52%. Even for procurement of plant and machinery, the Railways had been able to spend only 37.10%.

27. The Committee had also observed that some of the areas were very important from the point of view of customers satisfaction and earnings of Railways. It was doubtful whether the Railways would be able to utilise the balance plan allocation for various works proposed under these heads of expenditure, which would ultimately result in poor performance of Railways in these areas, besides, non-utilisation of scarce resources. The Committee wanted to be apprised of the position as obtained at the end of the financial year 1993-94 and steps taken or proposed to be taken to effect improvement in the utilisation of funds earmarked for completion of schemes.

28. In their Action Taken note, the Ministry of Railways stated as under:

“It is mentioned that large amounts of debits under these heads materialise towards the end of the year. The actual figures of expenditure for 1993-94

are now available and the fund utilisation based on these figures are 68% for Machinery and Plant, 83% for Workshops & Sheds including Production Units, and 102% for Passenger Amenities.

Monitoring of projects will be intensified for full utilisation of funds.”

29. When asked about the details of utilisation of funds in respect of each of the Plan Heads under Demand No. 16 as obtained at the end of financial year 1993-94 the Ministry furnished the following details:—

(Rupees in thousands)

Plan Heads	Budget Est. 1993-94	Actual Exp.
New Lines (Construction)	188,40,40	239,28,47
Purchase of New Lines	...	...
Restoration	25,00,00	26,73,29
Gauge Conversion	815,12,97	999,51,31
Doubling	220,18,00	233,65,39
Traffic Facilities	101,38,50	121,28,63
Computerisation	60,00,00	26,28,53
Railway Research	5,00,00	2,68,04
Rolling Stock	1924,62,62	1630,12,51
Track Renewals	1273,00,00	1301,78,23
Bridge Works	81,28,36	72,97,32
S&T Works	165,63,13	156,72,56
P&T Wire Lines	.77 (DRF) 1.66 (DF)	2,43
Electrification Projects	280,00,00	278,23,70
Other Electrical Works	65,66,29	47,07,72
Machinery & Plant	85,00,10	40,21,36
Workshops-including P.U.s.	260,47,85	136,49,94
Staff quarters	27,53,08	28,71,82
Amenities for staff	32,50,86	31,09,46
Passenger amenities and Railways Users' amenities	60,00,26 38,96 (DF)	67,84,45

Plan Heads	Budget Est. 1993-94	Actual Exp.
<b>Investment in Public Undertakings</b>		
I.R.F.C.		
CONCOR		
Kcnkan Rly. Corp. (R.E.)	32,12,56 (CAP)	51,00,00
	19,87,44 (CAPFUND)	
Other Specified Works	30,05,12	21,18,32
Stores Suspense	2470,69,97	2414,85,98
Manufacture Suspense	2994,13,25	2888,05,36
Misc. Advances (Capital)	263,80,00	140,32,48
M.T.P.(Misc. Advance)	171,25,00	225,82,20

**30. The Committee are concerned to note under-utilisation of funds even upto less than 50% in respect of some of the important plan heads such as Computerisation, Railway Research, Machinery & Plant etc. The Committee desire that Ministry of Railways should ensure full utilisation of funds earmarked for the different plan heads in future. From the details of plan head-wise Budget Estimates, 1993-94 and expenditure against each of these Heads, the Committee are surprised to find that a huge sum of Rs. 5,464.83 crores has been shown against Stores Suspense and Manufacture Suspense. The Committee desire the Ministry of Railways to furnish month-wise information in respect of each item of Stores Suspense and Manufacture Suspense for 1993-94 at the earliest.**

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Para 1.49)

The Committee note that budgetary support to the Indian Railways has been substantially reduced in recent years, from 51 per cent in 1986-87 to about 18 per cent (during evidence it was stated to have been reduced drastically) in 1994-95. The Railways are stated to be now moving towards self-reliance and all out efforts are being made to step up the internal resource generation through increased efficiency, productivity and by taking recourse to market borrowings so that adequate funds are available to sustain the growth of their vital infrastructure. Internal resources are generated by reducing the working expenses over gross traffic receipts. From the trend of traffic receipts as indicated from the receipts of freight traffic as well as passenger traffic, the gross receipts are gradually declining. This will ultimately result in less availability of funds to meet the revenue expenditure as well as to finance the plan expenditure. This gap between the receipts and expenditure is being made up by the Railways by increasing freight and fares as will be evident from para 1.9 of the Report. The Committee's examination of Demands reveals that there has been substantial increase in the overhead expenses of Railways by way of increased wages, salaries, dearness allowance, travelling expenses, etc. of officers in the various establishments of the Railways. It is necessary for the Railways to make economies and to see that there is no wasteful expenditure and at the same time to avoid as far as possible, increase in passenger fares and freight rates.

#### Reply of the Government

Committee's recommendation regarding affecting economics in revenue expenditure has been noted.

In this regard, it may be mentioned that the total revenue expenditure on railways is booked and budgetted under Demands 1 to 14. While Demands 1 & 2 are of miscellaneous nature, Demands 3 to 13 forms part of the Ordinary Working Expenses (OWE) and Demand No. 14 deals with appropriation to various railway funds.

The size of expenditure under Demands 1 & 2 is negligible i.e., 0.52% of the total revenue expenditure of Rs. 19,388 cr. in BE 1994-95. In so far as Demand 14 is concerned, the amounts therein are mainly the amounts of internal generation

booked to various railway funds for being used to finance the railway's plan. In 1994-95, a total of Rs. 5,980 cr. has been budgetted under Demand 14. This leaves a sum total of Rs. 13,307 cr. budgetted under Demands 3 to 13, i.e. Ordinary Working Expenses, and which is directly related to the running of trains and maintenance of assets.

It may be appreciated that while amounts booked under Demand 14 do not call for any economy measure being taken, for any increase therein only reflects the sound position of railways and the availability of more funds for railway's plan. Thus, it is the expenditure under OWE only which really attracts the expenditure control and austerity measures which is already being done on the railways.

In the first place, the budget for Ordinary Working Expenses is framed very conservatively. When the general rate of inflation has been around 10% and the Dearness Allowances is likely to increase by 16% and IRFC lease rental by 21%; the increase in OWE has been restricted only to 13%. Considering that we are aiming at about 5% growth in activity also, any increase in OWE ranging from 15 to 20% would have been justified.

Secondly, the Ordinary Working Expenses is subject to continuous review and concurrent monitoring. As a matter of practice, spending limits lower than the budget grant are imposed on the railways and the concurrent monitoring of actual expenditure *vis-a-vis* budget proportions is done on a monthly basis both at the zonal headquarters and at the Board's level. The reserves available through imposition of spending limits are expected to be saved by the railways to augment internal generation and/or to take care of impact of post-budgetary factors. This apart, various economy and austerity measures including those suggested by Min. of Finance are implemented on railways rigorously. In 1993-94 also, spending limits lower than the budget grant by Rs. 325 cr. were imposed. As a result the RE of 1993-94 could be lowered by Rs. 200 cr. even after absorbing various post-budgetary impacts totalling to about Rs. 175 cr. The targets fixed in RE have almost been achieved. Action on similar lines has been initiated for 1994-95 also.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 1.53)**

The Ministry tried to justify the variation by saying that there being only one survey team for location survey engaged in final surveys elsewhere due attention could not be paid for attending to survey works in South Eastern Railways. They have also submitted that the percentage figure of survey in respect of South

Central Railways furnished earlier was not correct. The Committee are constrained to observe that the Railways undertake survey work too casually and do not pay uniform attention for surveys in different Railways. Correction in the expenditure on surveys in South Central Railways is indicative of the fact that Railways are not serious in their survey works and maintenance of proper records. This should be avoided and suitable norms should be laid for undertaking surveys by different Railways preferably by their own survey team so that no part of the country feel that their requirements have been neglected. Survey works should be undertaken for the balance development and expansion of the railway network and system from an All-India perspective and it is necessary that some guidelines and policy should be laid down. Further with the completion of survey of a particular work reasonable expectations are aroused in the minds of the people in the region about addition to rail facilities and, therefore, steps should be taken to take up and complete the job within a reasonable time, once the survey justified the work.

#### **Reply of the Government**

Ministry of Railways would once again wish to confirm that surveys are taken up with all seriousness and variation in expenditure observed by the Committee are explained in our remarks to Para No. 1.52. Depending upon the work load one or more survey teams are engaged on the field by the zonal railway, who work on each survey project according to a calendar of programme round the year. The surveys are taken up for specific projects when proposals received from State Govts./other Ministries/MPs *prima facie* indicate a potential for traffic. This guideline is observed in all cases while deciding to take up surveys. During last 20 years Railways have carried out surveys for 21105 kms. of new lines covering most parts of the country where there was potential for traffic. The execution of the project, however, depends on the results of the survey and availability of resources as construction of all new lines have to be funded through budgetary support by Planning Commission.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Recommendation (Para 1.56)**

The Committee observe that reduction in the budgetary support has resulted in more market borrowings at an extra cost together with drastic reduction in plan provision and execution of plan projects. All these are likely to retard the pace of progress of the Railways plan projects. Besides, reduction in Budgetary support has compelled the Railways to bridge the gap by levying extra freight charges and raising the rail fares. In the opinion of the Committee, the Government should review the position with a view to ensure that common men are not burdened with regular and continuous increase of passenger fares and higher freight charges for transport of essential goods.

### Reply of the Government

The Railways are grateful to the Committee for their support and agree with the observations.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Recommendation (Para 1.57)

Materials supplied alongwith Railway Budget contained various documents *inter-alia* Minister's Speech, Statement of Budget of the Railways Revenue and Expenditure of the Central Government, Explanatory Memorandum on the Railway Budget, Memorandum explaining the proposals for adjustments in Freight Rates and Fares in the Railway Budget, Demand for Grants etc. Unlike other Ministries the Railway Ministry do not submit separate Performance Budget of the Railway Ministry. Explanatory Memorandum on the Railway Budget submitted by the Railways contain various information and analysis of facts and figures in the form Railways want to inform the Parliament and people. It does not give summary appraisal of the Railways performance including shortfalls in respect of revenue earnings, expenditure, works performance as provided in Five Year Plan and Annual Plan. The Committee will, therefore, like the Railways to prepare and submit a Performance Budget of the Railways indicating the performance of the Railways on the revenue side highlighting traffic earnings, shortfall in the target and reasons therefor, expenditure incurred under various heads as estimated and actual expenditure incurred together with the explanation for variation, if any, and the performance in respect of Plan projection including transfer of funds from one project to another together with the reasons therefor. Scrutiny of the Railway Budget reveals the disturbing fact that Railways select projects indicate target dates of its completion, undertake construction, postpone it or freeze it by midterm review and reprioritise the projects. In order to have a better appraisal and transparency of their performance, the Committee recommend that the Performance Budget may be laid on the Table of the House alongwith other budget documents."

### Reply of the Government

As already stated by the Standing Committee, most of the information required by them is already being exhibited in the Explanatory Memorandum and also in the Annual Report. However, efforts will be made to publish and present to the Parliament a Performance Budget, alongwith the Budget documents for 1995-96, which will *inter-alia* include the performance of the railways in the revenue side, shortfall in target if any, status about major plan projects, being listed in the Explanatory Memorandum.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 2.46)**

Committee's examination of the Demand under the head construction of new lines reveals certain disquieting features:

- (i) In spite of Project survey and economic feasibility being worked out as long as 20 years back, the projects have not yet been completed;
- (ii) Survey and construction of various new lines projects have been undertaken during different plan period. In many cases considerable moneys have been spent but projects are not completed; and
- (iii) Some of the projects which found priority in earlier plan periods have been postponed or frozen indefinitely.

Justifying their action, the representatives of the Ministry of Railways submitted that the projects undertaken but not completed mainly due to financial constraints for which they had to reprioritise programmes of completion of the various new line projects.

### **Reply of the Government**

Observations made by the Committee have been noted.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 2.54)**

The Committee are of the view that sub-urban railways are generally used by the common man especially the wage earners and middle income groups of the society. Fare and season ticket rates in this sector should not be hiked frequently and as far as practicable the rates should not be enhanced.

### **Reply of the Government**

The recommendation made by the Committee has been noted.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 2.55)**

The Committee note that the investment for track renewals has been gradually reduced and the Ministry during evidence stated that after the completion of the gauge conversion and track renewal programme in the Eighth Plan there will be no track for renewal in category A, B and C by the end of the Ninth Plan. Since this is an important area from the point of view of safe running of trains, the Committee desire the Ministry to make a regular assessment of the position and remove shortfalls in the track renewal programme wherever consider necessary.

### Reply of the Government

The investment on track renewals on Indian Railways has been gradually reduced because the arrears of track renewals have been falling as will be seen from the statement below:

Date	Arrears of track renewals (Km. BG)
1.4.1985	11130
1.4.1990	6390
1.4.1992	4560
1.4.1994	3890

No arrears of track renewals would exist in A, B & C category routes at the end of 8th Plan. However, the Committee's recommendation to make a regular assessment of arrears track renewals and removal of shortfall in the track renewal programme is noted and is being complied with.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Recommendation (Para 2.57)

The Committee consider that doubling of projects is very important from the point of view of capacity augmentation. This position was also confirmed by the representatives of the Ministry of Railways during evidence. The Committee expect the Ministry of Railways to make a continuous assessment of the utilisation of the existing track and whenever it reaches near saturation point the doubling of that track should be taken up on priority basis.

### Reply of the Government

Observations of the Committee have been noted.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Recommendation (Para 2.58)

Because of the pace at which the electrification works are taken up and completed, the Committee doubt whether the Railways would be able to achieve the plan target of electrification of 3000 kilometres of route during the VIIIth Plan period. In their opinion electrification of the various routes is equally important, not only from the point of view of energy conservation and ecology but also for the efficient running of the Railways. This assumes greater importance in view of the fact that the steam engines are being gradually phased out. The Committee,

therefore, recommend that adequate budgetary support should be given for electrification of the routes and their completion on time according to the plan target.

**Reply of the Government**

The recommendation of the Committee has been noted.

[M/o Railways D.O. No. 94/SCR-X/Vlth (DG) dt. 10.8.1994]

## CHAPTER III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

#### Recommendation (Para 1.50)

From the material on record and from the oral evidence of the representatives of the Railways, the Committee find that no serious effort has been made by the Railways nor is there any perspective plan to augment their earnings from goods traffic as well as passenger traffic. Being a commercial organisation, the Railways should explore the possibility of augmenting their land traffic earnings by attracting more land traffic, if necessary, by giving suitable incentive and extending other facilities.

#### Reply of the Government

(a) The Railways are fully aware of the need for attracting additional traffic to rail, both in passenger as well as freight. Towards this objective, the following strategies have been formulated and incentives offered to rail users:—

1. Granting of rebate upto 10% for rake load movement in open wagons in empty flow direction. Instructions have been issued to the Zonal Railways to delegate these powers to the cutting edge level i.e. at the Divisional level by DRMs.
2. The rebate of 6% granted for movement of cement and fertilizers in open wagons has been enhanced to 10%.
3. To remove extra burden on freight beyond 2400 kms. the distance slabs have been reduced from 50 kms. to 25 kms.
4. The minimum distance for charge has been reduced from 100 kms. to 75 kms. to attract short distance bulk traffic, moving by other modes owing to higher rail charges.
5. Zonal Railway Administrations have been delegated powers to quote special station-to-station rates for specific streams of traffic to get them to rail.
6. Reduction in the minimum charge under the Freight Forwarders Scheme from Class 110 to Class 100.

7. To attract additional parcel traffic to rail, surcharges leviable on parcel traffic by super fast trains has been withdrawn on a number of such trains.
8. Parcel freight rates have also been reduced for certain commodities.
9. In the current Budget for 1994-95, there has been no increase in the parcel/luggage rates.

#### **(b) Own Your Wagon Scheme**

The 'Own Your Wagon' Scheme has been launched as a service oriented rail transportation package to invite private and public sector participation in the ownership of wagons, which would not only supplement the fleet of Indian Railways but also meet the transport requirements of the users/owners. With additional wagons into the total fleet it will be easier for the Railways to meet the demands for transportation as and when they are placed with the Railways by the rail users. This would result in additional traffic and net additional revenue to the Railways.

'Own Your Wagon' Scheme has been launched by the Railways as a part of their marketing strategy. Once the siding owners or the rail users have procured the wagons under this scheme, they will continue to be wedded to the Railways till these wagons are in use and that traffic will continue to be with the Railways for a long time to come.

#### **(c) Containerisation**

A multi-pronged strategy has been evolved for attracting additional domestic and international cargo in containerisation. The strategy includes guaranteed supply of wagons, dispensing with the system of registering and indenting of containers, making containers available on demand and also programming for the exclusive movement of selected customers. For domestic customers, new side opening containers have also been introduced to facilitate easy stuffing and de-stuffing. Point-to-point block train services are operated between container terminals and important Ports catering to the requirements of domestic and international traffic.

A reefer container service has also been started between Delhi and Nhavasheva Port for transportation of refrigerated cargo for export.

There has been a remarkable growth in containerised traffic over the years. While the total handling of containers in 1989-90 was only 52,405 this rose to 2,37,160 in 1993-94 registering an increase of 352%.

(d) As regards passenger traffic, the following steps have been taken so as to improve earnings through better services:-

- (i) Installation of Computerised Self Printing Ticketing Machines for faster sale of tickets and better availability of tickets to intending passengers.
- (ii) Extension of the Computerised Passenger Reservation System to more booking points.
- (iii) Introduction of Diesel Multiple Units for short distance services.
- (iv) For long distance travel, introduction of Rajdhani and Shatabdi trains between more pairs of points.
- (v) Introduction of AC 3-Tier Coaches with more capacity than AC 2-Tier Coaches.
- (vi) Selectively augment the number of general second class coaches on train compositions.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Recommendation [Para 1.51 (a)]**

The Government should plug loopholes in checking ticketless travelling to augment passenger earnings.

#### **Reply of the Government**

The Government is fully alive to the problem of ticketless travel and, therefore, is taking vigorous measures to root out this evil. The ticket checking activities have been intensified on a sustained basis. Special and surprise checks are regularly conducted on Zonal Railways by mobilising large number of ticket checking staff and officers in association with Special Railway Magistrates, Government Railway Police and Railway Protection Force. These steps have created a positive impact. During 1993-94, 7.55 lakh (+8.7%) checks were conducted against ticketless travel as against 6.94 lakh checks during the corresponding period of the last year. 48.47 lakh persons were detected travelling without/with improper ticket during April '93 to March '94 as against 37.93 lakh persons during the corresponding period of the last year representing an increase of 27.8%. As a result, the earning from ticketless travel has also increased to Rs. 42.23 crores during the period April '93 to March '94 as against Rs. 32.25 crores during the corresponding period of last year representing an increase of 30.9%.

#### **Recommendation [Para (1.51) (b)]**

It is hardly necessary to emphasise that compensation claims against the Railways should be reduced to the minimum.

### Reply of the Government

Though it is a fact that the total amount budgeted has shown increase due to inflation and rising cost of commodities, yet there is constant effort on the part of the Railways to bring down the claims, as will be seen from the following figures:

Year	No. of cases registered	Reopened	Total
1988-89	294790	40416	335206
1989-90	282398	24009	306407
1990-91	269918	19181	289099
1991-92	258595	21810	280405
1992-93	216954	21642	238596
1993-94	193012	20637	213649

The Railways have organised claims prevention drives periodically and taken various other measures which have resulted in considerable reduction in the amount paid in cash as compensation.

Efforts are continuing to reduce the incidence further.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Recommendation (Para 1.52)

The Committee find that the expenditure incurred on surveys by various Railways as on February, 1994 as compared to Budget allocation for 1993-94 varies widely; for instance in the case of S.E. Railway. It is 10% of the proposed allocation and in S.C. Railway it is 297% of the amount allocated.

### Reply of the Government

Abnormal variations noticed by the Committee in respect of expenditure booked against survey for the two zonal Railways have been investigated and it was found that these variations occurred due to discrepancies in book-keeping and not with reference to progress of various surveys in the field. At the close of the financial year, the final expenditure booked under this head for these two Railways is as under:—

Railway	Budget allotment	Actual Expenditure
	(FM) 93-94	93-94
S.E. Railway	Rs. 51,74,000	Rs. 51,74,000
S.C. Railway	Rs. 28,58,000	Rs. 28,00,000

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 1.55)**

The Committee find that the expenditure on repair and maintenance of carriages and wagons including EMUs Coaches has been increasing even though the maintenance of the coaches attached to various trains specially old first class coaches is very poor. They desire the Government to pay due attention for proper maintenance of the coaches and wagons. They also desire that the communication system between the driver, control room and passenger coaches should be improved by developing proper communication system.

### **Reply of the Government**

Expenditure against demand No. 6 on carriages and wagons including EMUs increased by 11% in 93-94 (Rev. Estimate) as compared to 92-93 (Actuals). Budget estimate 94-95 provides for increase of 11.27% as compared to Rev. Estimate of 93-94. This increase has been in keeping with the general rate of inflation.

First class coaches are being progressively replaced by AC-2 Tier coaches and as a result the old first class coaches are being gradually withdrawn from service. Railways have, however, been instructed to improve the condition of the first class coaches that would remain in service. Instructions were also issued to launch a drive to improve the condition of all coaches so as to provide better service to passengers during the summer season. This is being monitored at a high level in all the Railways.

Wagon maintenance, particularly overhauls in workshops and open line, are being constantly monitored to improve their availability and reliability. The incidence of en-route detachment has improved by 19% in 1993-94 over 1992-93.

Maintenance of EMU coaches, including overhauling in the workshops is constantly monitored with a view to improve the quality so that reliability and availability of coaches is enhanced.

The ineffective percentage of EMU rakes has come down during 1993-94 compared to the year 1992-93 on various railways except Western and South Eastern Railways. The EMU coaches are being provided with fluorescent tube light fittings in lieu of existing incandescent lamps. So far 60 rakes on Western Railway, 67 rakes on Central Railway and 5 rakes on Southern Railway have been fitted with fluorescent light fittings and the work is continuing.

Regarding communication facilities between Guard and motorman and public announcement facilities in EMU rakes a scheme has been evolved in it is proposed to try it out on two DC EMU rakes in Bombay suburban area as an

experimental measure. If trials are successful, the provision of the above facility on the other rakes will be considered subject to availability of funds.

A new Universal Radio Communication System between driver, guard and the station master is being provided on a pilot section. The preliminary trials conducted for such a system were encouraging.

However, communication between driver and guard of the train and between driver/guard of the train and Section Controller has been commissioned on selected routes of Central and South Eastern Railways. The system is also under installation on Delhi-Mughalsarai section.

At present public address system is available on Rajdhani and Shatabdi Express trains for making announcement to the passengers. Since there are practical difficulties in providing such a system on all long distance trains, universal introduction of the above arrangement is not considered feasible at present.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Recommendation (Para 2.49)**

The Committee recommend that before taking any decision regarding postponement or freezing of new lines projects economics and priorities as worked out at the very beginning of those projects should be kept in view. The Planning Commission must be taken into confidence before reprioritisation of any project.

#### **Reply of the Government**

The demand for movement of traffic in various sectors of Indian Railways keeps on changing depending upon the industrial and other development in different regions (such as location of Thermal Power Houses, Fertilizer Plants, Cement Plants, Refineries, Steel Plants, etc.) and as such there is always a periodic need to review the progress of ongoing projects so that railways area able to develop the requisite transportation capacity to meet the requirement of such industries and regions. The postponement or freezing of new line projects therefore occurs *inter-alia*, as a result of non-availability of adequate funds. As and when a new line project is sanctioned, funding is done as per category of the project mentioned in Para 2.47 earlier. Ministry of Railways always remain in constant touch with the Planning Commission and in case any new line is required to be given higher priority on account of a certain project coming up or development of a certain region getting affected, the Railway Ministry do follow

their advice. However, as recommended by the Committee, Planning Commission will be taken into confidence.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Recommendation (Para 2.50)**

Another disturbing aspect of the Railway's working on construction of new lines projects is that on the one hand they postpone or freeze certain projects in certain areas on grounds of paucity of funds yet at the same time take up new projects for some other areas by reprioritising their works programme. In this regard no cogent or convincing reasons have been placed before the Committee for taking such action by the Ministry of Railways.

#### **Reply of the Government**

The Committee have correctly pointed out that the shelf of new line projects is too large as compared to the funds being made available, as a result of which adequate funds cannot be provided for certain projects. The Ministry of Railways would like to state that new line works covering 2735 Kms. Costing Rs. 4690 crores, are presently on hand, whereas funds available are on Rs. 200 crores per annum. More over, it has to be emphasised that the Railways function in a dynamic situation where owing to change in traffic requirements, etc. priorities have to be redefined.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Recommendation (Para 2.53)**

The Committee note that, while the Railway Budget is under the scrutiny of the Committee and the Parliament is yet to consider the same fully, a group of Ministers is already working to decide the fate of lingering projects. The Committee hope that before taking a decision, the hopes and aspirations of the people and developmental requirements of the country as a whole will be kept in view and new lines projects already undertaken upon due approval or already duly approved as essential for the country are not cancelled or given up permanently.

#### **Reply of the Government**

As far as Railway projects are concerned, the group of Ministers have decided that Ministry of Railways may themselves undertake a review to decide the fate of lingering ones. This review is presently in progress and Committee's views in this regard would be taken into consideration before deciding on deletion.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### Supplementary Reply of the Government

A review of all the ongoing Railway projects was done during the month of Nov. '94 when the position of each and every project was examined by the full Railway Board, assisted by the Advisers and concerned Executive Directors, with the General Managers and the Heads of Dep'ts. of the Zonal Railways one by one, Minutes of these meetings are enclosed for ready reference of the Committee.

Keeping in view the recommendations of the Standing Committee contained in para 2.53, no new line project already approved have been dropped or given up. However, while it has been found possible and action has been taken to defreeze Eklakhi-Balurghat and Kapadvanj-Modasa, constraint of resources has not permitted defreezing of Howrah-Amta and Nangal Dam-Talwara lines which continue to remain frozen for the present.

[M/o Railways D.O. No. 94/SCR-X/VI (DFG) dt. 24.3.1995]

#### Recommendation (Para 2.56)

The Committee find that the target of acquisition of coaches and wagons have been drastically reduced as compared to 1993-94. In the opinion of the Committee sudden reduction in the procurement of coaches and wagons will result in under utilisation of infrastructure capacity built up by the Railways for the manufacture of coaches and wagons in their manufacturing units. The Committee hope that the Government will analyse the whole position so that the supply of wagons matches the requirement and for the said purpose its own manufacturing units are utilised.

#### Reply of the Government

The position will be analysed and the transport capacity will be kept at adequate levels.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Recommendation (Para 2.63)

The Committee note that investment planning of Indian Railways during the first two years of the Eighth Plan has been somewhat inconsistent with the strategy suggested by the Planning Commission in the Eighth Plan in as much as Railways have channelised relatively larger capital funds for the implementation of massive gauge conversion policy. The Railways have justified such allocation to enable them to meet the future traffic growth and development of backward and tribal areas. Nevertheless, the Committee feel that this has adversely affected developmental activities in certain areas such as new line construction, doubling

traffic facilities, track renewals etc. In order that no infrastructural imbalances are created in the long run, the Committee would recommend that Railways may review the position in this regard.

### **Reply of the Government**

It is submitted for the consideration of the Committee that erstwhile pace of doubling and new line construction has not been adversely affected in the Eighth Plan. During the first two years of the VIIIth Plan, doubling of 496 kms has been completed and for the third year it is proposed to complete 250 kms as against average of 211 kms. in 90-91 and 91-92. The Railways are separately developing a plan on global basis for doubling of lines on the entire network and prioritising them depending upon the needs of the traffic and resource allocation.

Similarly, Indian Railways have completed 460 kms. of new lines in the first two years of the 8th Plan and another 155 kms. are planned to be completed in 94-95, as compared to an average of 150 kms. completed in 90-91 and 91-92 inspite of reducing budgetary support.

No funds, meant for B.G. track renewals in the reduced plan-size approved by Planning Commission, have been diverted for gauge conversion work. In fact arrears of track renewal on A, B & C category routes on B.G. system would be completely wiped out by end of VIIIth Plan.

However, as desired by the Committee, Ministry of Railways will constantly review the investment planning so that no infrastructural imbalances are created in the long run.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (Para 1.48)

Indian Railways being the largest public sector undertaking in the transport sector run by the Central Government for which it is provided with all kinds of infrastructural facilities by the Central and State Governments and various other authorities, the Committee consider it obligatory on the part of the Railways to develop on all India transport system and railway network throughout the length and breadth of the country, including the inaccessible tribal areas. Railways being the integral part of the Government are expected to share the responsibility of the Government of India to develop the undeveloped and backward and tribal areas. The Committee are of the view that the Railways should undertake study *suo motu* to identify backward and tribal areas and prepare plans for their rail link development as part of meeting an important social obligation. The Railway should discharge their obligation by undertaking construction of new rail lines in the backward and tribal areas and by completing expeditiously those railway lines which are under execution for a long time, on top priority basis.

#### Reply of the Government

Providing a transport infrastructure to cater to the needs of the economic growth is acceptedly an objective of the Railways. It may, however, be clarified that Railway is one of the surface modes of transport. The Railways' projects are highly capital intensive with prolonged gestation periods. This does impose a constraint for going into the traffic possibilities and the return on the investment made in this direction. The type of transport for the required development of certain areas including backward and inaccessible areas is a part of the overall planning process. This therefore, is the responsibility of the Planning Commission which alone has the wherewithal of looking at the total perspective of transport development. It will, therefore, be appreciated that Railways can not be enjoined to undertake *suo-motu* development.

The observation regarding quick and expeditious execution of railway lines which are under completion for a long time, has been noted and would be implemented within the overall resource availability.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### Comments of the Committee

(Please see paragraph 6 of the Chapter I)

### **Recommendation (Para 1.54)**

The Committee are surprised to find that Railways do not undertake any systematic study about the freight traffic growth. It is more distressing to note that Planning Commission too do not undertake any such study. In the opinion of the Committee unless a continuous study about the growth of freight traffic is made, it is very difficult to make accurate forecast about the volume of goods traffic which the Railways are required or expected to carry from one place to another and for which they are required to develop necessary infrastructure capability. The Committee recommend that annual study regarding growth of traffic, freight as well as passenger, should be undertaken to make the Budget Estimate an effective instrument of railways working.

### **Reply of the Government**

The budget is an enabling exercise to efficiently manage the rail network alongwith supporting the required growth. It is, however, necessary to clarify that transport is a highly perishable commodity. The capacity which is not utilised in the continuum of time gets wasted and cannot be retrieved. As against this striking feature of transport capacity the transport demand has a distinct seasonality pattern of lean and peak periods. The capacity therefore, has to meet the peak period demands. This implies that a surplus becomes inherent during the lean period. As transport is a derived demand, the behaviour of the other sectors which is equally influenced by the peaking behaviour for example; power makes the matter difficult. Further, it may be clarified that as an important axiom the rail transport capacity should be ahead of the demand and this principle supposes that if at any time a surplus does exist, it is utilised in future growth and therefore, there is hardly any wastage.

The Railways have a system in which the trends of traffic growth are studied at the time of formulation of Five Year Plans after inter-acting with the core sectors involved, as also with the Planning Commission. These five year growth estimates are further refined in the Annual Plan formulation where also a similar exercise is done.

The above features make an accurate forecasting for transport demand, which is a derived demand, a very difficult proposition.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 9 of the Chapter I)

### **Recommendation (Para 2.44)**

The Committee observe that under Demand No. 16 relating to assets—acquisition, construction and replacement large sum of money running into crores of rupees realised on account of sale proceeds of old released material/ scrap, as in the case of track renewal, rolling stock, gauge conversion, etc. are not accounted for as receipts of the Railways for financing various projects where additional fund is required.

These proceeds are spent under the same sub-head and in that event the Railway Board do not consider it as additional expenditure even though the expenditure exceed plan allocation under that head. In the opinion of the Committee sale proceeds of old released material and scrap form part of the receipts of Railways and if necessary a separate sub-head may be created and suitably reflected in the annual receipts of the Railways. This will help the Railways not in the disposal of such materials and scrap in a systematic manner, but also to keep record of the sale proceeds in the accounts book by evolving a suitable procedure for the purpose.

### **Reply of the Government**

Comments against this item have been given against item 2.45.

[M/o. Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 14 of the Chapter I)

### **Recommendation (Para 2.45)**

The Committee further desire that this huge sum of money realised out of sale proceeds running into crores of rupees should be shown as resource generated and should be redeployed on projects according to their priorities.

### **Reply of the Government**

The existing system of presentation of accounts, allocation rules and budgetary format is based on the approval of the Estimates Committee, Ministry of Finance and C & AG. As per the allocation rules the credits for the release of material have to be reflected in the relevant estimates under Demand No. 16 and the overall cost is assessed and worked out on a net basis.

The suggestions given by the Standing Committee would thus require indepth examination in consultation with C & AG and Ministry of Finance.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 14 of the Chapter I)

### **Supplementary Reply of the Government to Paras 2.44 & 2.45**

Action taken by the Ministry of Railways to consult C & AG and Ministry of Finance for indepth examination of the Committee's suggestion in regard to creating of a separate sub-head in the railways accounts book for suitable reflection of the money released on account of sale proceeds of old released material/scrap and showing that money as resource generated.

#### **Reply of the Government**

Following comments are offered:—

- (i) In order to maintain accountability for its performance, the railway has a system of showing its Receipts with reference to its incomes generated from goods, passengers, other coaching and misc. earnings. Railways, therefore, do not account for Receipts from sale proceeds of old material, scrap etc. If the proceeds from sale of Capital assets are also taken as another source of Receipts, they may dilute this accountability as in the years when the earnings from goods, passengers etc. are below the expected levels, the Railways may be tempted to sell their assets and augment their Receipts and make up for the loss in earnings therefrom. Such a procedure may be dangerous.
- (ii) The practice of exhibiting the expenditure pertaining to asset acquisition, construction and replacement under Demand No. 16 on gross basis under each Plan Head is as per the established procedure which has been approved by the CAG. While presenting the Budget, such gross provisions are exhibited Plan Headwise and credits are also shown separately under their respective sub-heads. The net expenditure on such assets acquisition is also exhibited. Accordingly, the works expenditure at the field level is also accounted for on the net basis. The availability of these resources are, therefore, brought to the knowledge of the Parliament and there is no attempt to exceed Plan Allocation under that Head as the Plan allocations are shown on net basis.
- (iii) In the present system of Accountal, the value of sale of scrap can be higher or lower than the original Book Value. However, the asset when replaced, gets the credit only to the extent of its Book Value. The difference between the sale value and the Book Value is debited/credited, as the case may be, to the Stock Adjustment Account. Generally, in view of the prevailing inflationary conditions, the realisation of the scrap value is higher than the Book Value. This surplus over the Book Value is credited to the Stock Adjustment Account which, in turn, reduces the working expenses. This generates extra surplus, which is available as a resource for appropriation to Development Fund and

Capital Fund for spending on various works under different Plan Heads. It would, therefore, be seen that major portion of the proceeds from such sale of scrap is already finding its way as a resource for investment.

- (iv) In order to maintain a link between the asset being disposed of and the asset being created as replacement, the Railways is maintaining the practice of giving the credit for released material from the sale of replaced asset to replacement work. As it is, a large number of assets in Railway's infrastructure are overdue for replacement and if resources generated from the sale of old assets are utilised/re-deployed on other projects, the Railway's programme for replacing these assets may be adversely affected. It is, therefore, suggested that Railways may be allowed to continue with this practice.

In view of the above considerations, the Committee may like to re-consider its recommendations. CAG will be approached for its views after further directions from the Standing Committee.

[M/o Railways D.O. No. 94/SCR/X/VI/DFG dt. 21.3.1995]

#### Comments of the Committee

(Please see paragraph 14 of the Chapter I)

#### Recommendation (Para 2.47)

The Committee learn that the Ministry of Railways do not have any set guidelines to decide on the temporary suspension or freezing of the new lines projects nor to reprioritise projects from time to time in course of the year and thus the same are only done on adhoc basis without a proper objective study.

#### Reply of the Government

The Ministry of Railways would like to state once again that the guidelines for re-prioritisation of funds for new line projects are the same as recommended by National Transport Policy Committee 1980 and Railway Reforms Committee (1982) for sanction of new projects. These are:

- (i) Project oriented lines to serve new industries or tap mineral and other resources.
- (ii) To serve as a missing link which can form alternative route to relieve the congestion on existing BG rail routes.
- (iii) On strategic considerations.
- (iv) As developmental lines to establish new growth centres or access to remote areas.

RRC while recommending the above guidelines had also stated that unbridged proliferation of uneconomical branch lines needs to be controlled in view of acute

constraint of resources. RRC had further recommended that in view of existing resource constraints and the clear knowledge that even on-going works cannot be completed in a reasonable time, reviews should be done by the railways to freeze those lines which do not serve specific purpose and are not required for movement of traffic until other higher priority projects are completed. The Railways have consistently been following these guidelines in their reviews from time to time.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Comments of the Committee**

(Please see paragraph 19 of the Chapter I)

#### **Recommendation (Para 2.48)**

The Committee are not convinced with the explanation given by the representatives of the Ministry of Railways for postponement or freezing of new line projects. The Committee recommend that suitable guidelines should be issued to decide on the postponement or freezing of the new lines projects and reprioritisation of projects generally.

#### **Reply of the Government**

As long as the availability of funds for construction of new lines is not commensurate with the requirement for the large shelf of sanctioned projects, re-prioritisation becomes inescapable. The Ministry of Railways conducts reviews of the works in progress and re-prioritises the works to meet the objectives laid down in the guidelines of the NTPC and RRC referred to in an earlier reply to paragraph 2.47.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

#### **Comments of the Committee**

(Please see paragraph 19 of the Chapter I)

#### **Recommendation (Para 2.51)**

It appears that the construction of some of the new projects and undertaking of certain new projects are undertaken on popular demands. Examination of representative of the Planning Commission by the Standing Committee reveals that Planning Commission do not have any separate organisation or manpower to undertake indepth study of various projects referred to them. As a matter of fact they agree to the proposals of Railway Board for undertaking any project for which Railways certify that funds are available for the purpose. The whole issue of selection of new projects, their construction and completion, is thus left to the discretion of the Railways exercised not on any known principle or guidelines

because as per the trend available today. Railways are required to finance most of their projects from internal resources.

### **Reply of the Government**

After a survey and financial appraisal has been carried out by the Railways for a project which is found to be justified, the same is referred to the Planning Commission for their approval. No certification of availability of funds by the Railways is done at this stage. While communicating approval, it is presumed that the Planning Commission carry out an economic and financial appraisal keeping in view the overall availability of resources. After the work is approved by Planning Commission, the same is considered by the Railways for inclusion in their Annual Works Programme and presented in Budget proposals. The selection of projects is thus not left to the discretion of Railways alone.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 22 of the Chapter I)

### **Recommendation (Para 2.52)**

The Committee is of the view that Indian Railways which have the responsibility to develop the country uniformly keeping in view the commercial interest of the Government as well as the need for socio-economic development of the country as a whole and also to keep up the aspirations of the people of different regions and as such Government should set up a High Powered Committee comprising of the representatives of the Ministry of Railways, Planning Commission, Finance, representatives of the people and different State Governments to decide upon taking up or suspension of freezing of new lines projects.

### **Reply of the Government**

The issue raised in this para have arisen out of para 2.46 that the shelf of projects on hand is too large and all the projects cannot be progressed satisfactorily. In view of constraint or resources, re-prioritisation of works becomes inescapable. Constitution of a high-powered committee as suggested by the Committee would not be able to solve the basic problem of resource constraints. It is the considered opinion of the Ministry of Railways that the problem can be solved only if the shelf of projects on and is reduced. The Committee may review the suggestion.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 25 of the Chapter I)

### **Recommendation (Para 2.61)**

From the proposed plan allocation and revised estimates and actual expenditure upto January, 1994, the Committee find that the expenditure under certain heads had been as low as 33.49%. They are unhappy to note that expenditure under passenger amenities has been only 40.37% and for workshop including production units the expenditure is 35.52%. Even for procurement of plant and Machinery the Railways have been able to spend on 37.10%.

### **Reply of the Government**

(Please see reply to Para 2.62.)

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Recommendation (Para 2.62)**

These are some of the areas which are very important from the point of view of customers satisfaction and earnings of Railways. It is doubtful whether the Railways will be able to utilise the balance plan allocation for various works proposed under these heads of expenditure, which will ultimately result in poor performance of Railways in these areas, besides, non-utilisation of scarce resources. The Committee would like to be apprised of the position as obtained at the end of the financial year 1993-94 and steps taken or proposed to be taken to effect improvement in the utilisation of funds earmarked for completion.

### **Reply of the Government**

It is mentioned that large amounts of debits under these heads materialise towards the end of the year. The actual figures of expenditure for 1993-94 are now available, and the fund utilisation based on these figures are 68% for Machinery and Plant, 83% for Workshop & Sheds including Production Units, and 102% for Passenger Amenities.

Monitoring of projects will be intensified for full utilization of funds.

[M/o Railways D.O. No. 94/SCR-X/VIth (DG) dt. 10.8.1994]

### **Comments of the Committee**

(Please see paragraph 30 of the Chapter I)

### Supplementary Reply of the Government to Paras 2.61 & 2.62

Details of Plan Head wise Budget Estimate 1993-94 and expenditure against each of these Plan Heads is enclosed as under:

(Rupees in thousands)		
Plan Heads	Budget Est. 1993-94	Actual Exp.
New Lines (Construction)	188,40,40	239,28,47
Purchase of New Lines	...	...
Restoration	25,00,00	20,73,29
Gauge Conversion	815,12,97	999,51,31
Doubling	220,18,00	233,65,39
Traffic Facilities	101,38,50	121,28,63
Computerisation	60,00,00	26,28,53
Railway Research	5,00,00	2,68,04
Rolling Stock	1924,62,62	1630,12,51
Track Renewals	1273,00,00	1301,78,23
Bridge Works	81,28,36	72,97,32
S&T Works	165,63,13	156,72,56
P&T Wire Lines	.77 (DRF) 1.66 (DF)	2,43
Electrification Projects	210,00,00	278,23,70
Other Electrical Works	65,66,29	47,07,72
Machinery & Plant	85,00,10	40,21,36
Workshops-including P.Us.	260,47,85	136,49,94
Staff quarters	27,53,08	28,71,82
Amenities for staff	32,50,86	31,009,46
Passenger amenities and	60,00,26	67,84,45
Railways Users' amenities	38,96 (DF)	

<b>Plan Heads</b>	<b>Budget Est. 1993-94</b>	<b>Actual Exp.</b>
<b>Investment in Public Undertakings</b>		
I.R.F.C.		
CONCOR		
Konkan Rly. Corp. (R.E.)	32,12,56 (CAP)	51,00,00
	19,87,44 (CAPFUND)	
<b>Other Specified Works</b>	<b>30,05,12</b>	<b>21,18,32</b>
<b>Stores Suspense</b>	<b>2470,69,97</b>	<b>2414,85,98</b>
<b>Manufacture Suspense</b>	<b>2994,13,25</b>	<b>2888,05,36</b>
<b>Misc. Advances (Capital)</b>	<b>263,80,00</b>	<b>140,32,48</b>
<b>M.T.P.(Misc. Advance)</b>	<b>171,25,00</b>	<b>225,82,20</b>

[M/o Railways D.O. No. 94/SCR/X/VI/DFG dt. 24.3.1995]

**Comments of the Committee**

(Please see paragraph 30 of the Chapter I)

**CHAPTER V**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH  
REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

-NIL-

NEW DELHI; •  
*21 April, 1995*  

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*1 Vaisakha, 1917 (Saka)*

SOMNATH CHATTERJEE,  
*Chairman,*  
*Standing Committee on Railways.*

PART II

*Minutes of the Sixteen Sitting of the Standing Committee on Railways (1994-95) Held on 8 February, 1995 and Second Sitting of the Standing Committee on Railways (1995-96) held on 21 April, 1995.*

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (1994-95)

The Committee sat on Wednesday, the 8 February, 1995 from 1500 hrs. to 1545 hrs. in Committee Room No. '62', Parliament House, New Delhi.

PRESENT

Shri Sonnath Chatterjee – *Chairman*

MEMBERS

*Lok Sabha*

2. Smt. Santosh Chowdhary
3. Shri Dilcep Singh Bhuria
4. Shri Allola Indrakaran Reddy
5. Shri B.K. Gudadinni
6. Smt. Sheela Gautam
7. Shri Phool Chand Verma
8. Shri Mangal Ram Premi
9. Shri Shrish Chandra Dikshit
10. Shri Raj Narain
11. Smt. Girija Devi
12. Shri S. Sivaraman
13. Shri Brahma Nand Mandal

*Rajya Sabha*

14. Smt. Sarala Maheshwari
15. Shri Radhakishan Malaviya
16. Shri Janardan Yadav

## SECRETARIAT

Shri T. R. Sharma – *Deputy Secretary*

Shri R.C. Gupta – *Under Secretary*

2. The Committee considered the Memorandum on Action Taken replies from Ministry of Railways on the recommendations/observations contained in the Sixth Report of the Standing Committee on Railways of Ministry of Railways 'Demands for Grants 1994-95' and approved the same.

*The Committee then adjourned.*

**MINUTES OF THE SECOND SITTING OF THE STANDING  
COMMITTEE ON RAILWAYS (1995-96)**

The Committee sat on Friday, the 21 April, 1995 from 1100 hrs. to 1245 hrs.  
in Committee Room 'D', Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Somnath Chatterjee – Chairman**

**MEMBERS**

**Lok Sabha**

2. **Shrimati Santosh Chowdhary**
3. **Kumari Farida Topno**
4. **Shri Manku Ram Sodhi**
5. **Shri Ram Naik**
6. **Shrimati Sheela Gautam**
7. **Shri Mangal Ram Premi**
8. **Shri Shrish Chandra Dikshit**
9. **Shrimati Girija Devi**
10. **Shri Brahma Nand Mandal**

**Rajya Sabha**

11. **Shri Rahasbihari Barik**
12. **Shrimati Sarala Maheshwari**
13. **Shri Sarada Mohanty**
14. **Shri Satish Pradhan**
15. **Shrimati Malti Sharma**
16. **Shri Janardan Yadav**
17. **Shri John F. Fernandes**

**SECRETARIAT**

**Shri S.N. Mishra – Additional Secretary**  
**Shrimati Roli Srivastava – Joint Secretary**  
**Shri R.C. Gupta – Under Secretary**

2. The Committee took up for consideration the Draft Thirteenth Report of the Committee on the Action Taken by Government on recommendations/ observations contained in the Sixth Report of the Committee on 'Demands for Grants, 1994-95' of the Ministry of Railways.

3. The Report was adopted with the following minor amendments:

- (i) *Paragraph 6 in Line 7 after In their opinion Add 'initiative should be taken by the Railways themselves'*
- (ii) *Paragraph 19 in Line 12 after capital funds Add 'and leads to discontentment of the people of the concerned areas,'*

4. \* \* \*

5. \* \* \*

6. The Committee authorised the Chairman to finalise the Report after making consequential changes, if any, arising out of factual verification by the Ministry of Railways and to present the Report to both the Houses of Parliament.

*The Committee then adjourned.*

**PART III**

**ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE  
RECOMMENDATIONS/OBSERVATIONS CONTAINED IN  
THE SIXTH REPORT OF THE STANDING COMMITTEE  
ON RAILWAYS (1993-94) (TENTH LOK SABHA)**

		<i>% of Total</i>
(i) Total No. of recommendations	28	
(ii) Recommendations/Observations that have been accepted by Government ( <i>vide</i> Rec. Nos. 1.49, 1.53, 1.56, 1.57, 2.46, 2.54, 2.55, 2.57 and 2.58)	9	32.14%
(iii) Recommendations/Observations, which the Committee do not desire to pursue in view of Government's Reply. ( <i>vide</i> Rec. Nos. 1.50, 1.51 (a) & (b), 1.52, 1.55, 2.49, 2.50, 2.53, 2.56 and 2.63)	9	32.14%
(iv) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee. ( <i>vide</i> Rec. Nos. 1.48, 1.54, 2.44, 2.45, 2.47, 2.48, 2.51, 2.52, 2.61 and 2.62)	10	35.72%
(v) Recommendations/Observations in respect of which final replies of Government are still awaited. ( <i>vide</i> Rec. Nos. -Nil-)	-Nil-	-Nil-