RCC No. 91

RAILWAY CONVENTION COMMITTEE (1998)

(TWELFTH LOK SABHA)

THIRD REPORT ON RATE OF DIVIDEND FOR 1999-2000 AND OTHER ANCILLARY MATTERS

Presented in Lok Sabha on 21 April 1999

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LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921(S)

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RAILWAY CONVENTION COMMITTEE
(1998)

Shri Bijoy Krishna Handique — *Chairman*

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INTRODUCTION

I, the Chairman, Railway Convention Committee (1998), having been authorised by the Committee to present the Report on their behalf, present this Third Report on Rate of Dividend payable by the Railway Undertaking to the General Revenues and other Ancillary Matters for the financial year 1999-2000.

2. The Railway Convention Committee (1998) was constituted on 22 July, 1998. Based on an interim Memorandum submitted by the Ministry of Railways, in consultation with the Ministry of Finance, on 18 November, 1998, the Railway Convention Committee (1998) in their Second Report, had recommended, purely as an interim measure, that dividend for the year 1998-99 to the General Revenues be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 1997-98. The Second Report of Railway Convention Committee (1998) was presented to Lok Sabha on 24 February, 1999 and laid in Rajya Sabha on the same day. The action taken notes of the Government on the recommendations contained in the Second Report are awaited. However, the Ministry of Railways have furnished their final action taken notes on the Twelfth Report of Railway Convention Committee (1991) on 'Rate of Dividend for 1996-97 and other ancillary matters' on 9 February, 1999. The recommendations contained in the Twelfth Report of Railway Convention Committee (1991) and Action Taken by the Government thereon are at Appendix-III.

3. Another interim Memorandum on Rate of Dividend for the year 1999-2000 containing the views of both Ministries of Railways and Finance was furnished by the Ministry of Railways on 17 March, 1999 wherein the Ministry of Finance had proposed that dividend paid by the Railways needs to be gradually increased and that for the year 1999-2000, the Railways should pay dividend at the rate of 7.5% on Capital-at-charge irrespective of the year of investment. After considering this interim memorandum, the Committee had recommended, purely as an interim measure, that pending submission of a detailed memorandum in consultation with the Ministry of Finance after finalisation of Railways' Ninth Five Year Plan on Rate of Dividend and other Ancillary Matters to them, Dividend to General Revenues for the current financial year may be paid at the rate of 7 per cent on the entire capital invested on Railways from the General Revenues irrespetive of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 1998-99. All other concessions now available are also allowed to continue on the existing basis for the year 1999-2000.

4. The Committee considered, finalised and adopted this Report at their sitting held on 7 April, 1999. The Minutes of the sitting of the Committee are appended to the Report. For facility of reference, the recommendations and observations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
April 5, 1999
Chaitra 15, 1921 (S)

BIJOY KRISHNA HANDIQUE,
Chairman,
Railway Convention Committee.

REPORT

Genesis of Separation of Railway Finance

The first Railway in India as also in Asia was opened by the Great Indian Peninsular Railway Company (present Central Railway) formed in England. The Company completed the survey work taken in hand in 1850 in about 3 years. The first train steamed out of Bombay on April 16, 1853 to Thane—a distance of about 33 Kms. A new Chapter in the history of India was thus opened.

2. The growth and development of Indian Railways owes much to Lord Dalhousie, Governor-General of India (1848-1856), who suggested a system of trunk lines connecting the hinterland of Bombay, Bengal and Madras Presidencies with their principal ports and also with each other. As the Government had neither the funds nor the technical personnel to undertake the work, the same was entrusted to private companies who were guaranteed a return of 5 per cent on their Capital for a period of 25 years. On their part, the companies were expected to share their surplus profit with the Government and to sell the Railways to the Government after 25 years. As the expected profit failed to materialise and the guaranteed return continued to be a drain on the exchequer, the Government purchased the Railways on the expiry of the period of contract, though the management of the Railways continued to be with the companies. Following the recommendations of the Ackworth Committee (1920-21) the Government took over the management of the bulk of the Railways.

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

4. Under the 'Separation Convention' the Railways are required to pay dividend at a fixed rate on their Capital, the whole of which was advanced by the Government of India. The 'Rate of Dividend, payable by the Railway Undertaking to the General Revenues as well as other financial matters are determined periodically by the Railway Convention Committee of Parliament. This, in brief, is the genesis of Separate Railway Finance in India.

Guiding Principle of rate of dividend

5. The first Convention Committee was set up after Independence in April, 1949. One of the basic principles enunciated by this Committee was the fixation of definite rate of dividend which included an element of contribution to the General Revenues

over and above the bare interest paid by the Government on the Capital provided for Railways. This principle was enunciated on the consideration that, in essence, the general tax payer is the owner and sole shareholder of the Undertaking.

Financial Structure of Indian Railways

6. The financial arrangements between the Railways and the General Revenues have been reviewed from time to time and modifications/changes carried out to meet the requirements of the changing times. As a result, the administrative and financial set up of the Ministry of Railways has come to acquire a somewhat unique character, in that the Ministry of Railways have been delegated with substantial powers relating to all Railway matters. The Railways have their own independent and integrated financial set up, in that:—

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

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

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

(iv) Railway projects are also not cleared by PIB as is done for projects of other Ministries. Recently a system of clearance by Expanded Board has been introduced for projects costing over Rs. 50 crore.

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

7. The revenue receipts of the Railways are derived from Gross Traffic Receipts, which include passenger earnings, goods enarnings and sundry other earnings. The expenditure of the Railways falls in two categories:—

(i) Revenue expenditure or non-Plan expenditure; and

(ii) Other expenditure or Plan expenditure.

The revenue expenditure is met out of the revenue receipts of the Railways. It consists of ordinary working expenses of Railways,—appropriations to the various reserve funds and other miscellaneous expenditure like subsidy/rebate to worked lines, expenditure on miscellaneous establishments, etc. The Plan expenditure is financed from budgetary support provided by the General Revenues, and withdrawals from various Railway Funds, including Capital Fund, as also from market borrowings.

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

9. In pursuance of the Resolution adopted by Lok Sabha on 2nd June, 1998, the Railway Convention Committee (1998) was constituted on 22 July, 1998 to review the rate of dividend payable by the Railway Undertaking to General Revenues, as well as other ancillary matters in connection with the Railway Finance *vis-a-vis* General Finance and to make recommendations thereon.

Determining the rate of dividend prior to presentation of railway Budget

10. The Committee generally persent their Report on 'Rate of Dividend' during the Budget Session of Parliament and their recommendations are reflected in the Railway Budget. The Memorandum of the Ministry of Railways on 'Rate of Dividend payable to General Revenues' is submitted to the Committee only after obtaining the comments/concurrence of the Ministry of Finance. However, Interim Memoranda on Rate of Dividend were submitted to the Committee after presentation of the Railway Budgets for the years 1998-98 and 1999-2000.

Capital-at-Charge of the Indian Railways

11. Capital-at-charge means Capital contributed by General Revenues. The Capital-at-charge on the Railways is in form of interest bearing loan capital, except that part of it on which no dividend is payable on the basis of reliefs recommended by successive Convention Committee and approved by Parliament. The Capital-at-charge of the Indian Railways has increased from Rs. 827 crore in 1950-51 to Rs. 27322.38 crore in 1998-99 (RE). This amount excludes Capital outlay on Metropolitan Transport Projects and Circular Railway (Calcutta).

Dividend Paid

12. The annual dividend payable to General Revenues used to be less than Rs. 100 crore till 31 March, 1964 but increased to Rs. 1751.70 crore by 1998-99 (RE). In all, the Railways have paid so far to the General Revenue an amount of Rs. 21230.25 crore as Dividend. It comes to 77.70 per cent of the Capital-at-charge on Indian Railways.

13. Statement showing important financial figures in respect of Indian Railways are at Appendix—I.

Payment of Dividend to General Revenues

14. In regard to Rate of Dividend, the Railway Convention Committee (1998) had, in paras 36 & 37 of their Second Report recommended that the Dividend for the year 1998-99 to General Revenues on the entire capital be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting States for financing safety works during the financial year 1997-98. All other concessions as already available on residential buildings, new lines, subsidies from General Revenues, etc. also be allowed to continue on the existing basis while framing the Railway Budget for 1998-99.

15. The dividend and the reliefs and concessions have been computed and adopted by the Ministry of Railways in both Budget Estimates and Revised Estimates for the year 1998-99.

16. Pleading their case for not increasing the Rate of Dividend, the Ministry of Railways submitted in their interim Memorandum dated 17 March, 1999, as under:—

> "It is submitted that in 1998-99, the freight traffic, which was forecast at 450 million tonnes, has been sluggish on account of the economy not

growing as anticipated and it is expected that Railways will achieve only around 424 million tonnes. Consequently, despite a mild increase in passenger earnings, a shortfall of over Rs. 1056 crore in the earnings for the year is anticipated. In view of this shortfall in earnings, cuts had to be imposed both in non-Plan and Plan expenditure. At the same time, the outgo on pension account is estimated to increase by about Rs. 1530 crore as a result of implementation of recommendations of the Fifth Central Pay Commission. This is proposed to be met by withdrawal from the balances of Railway Reserve Funds to the extent of approximately Rs. 1313 crore.

For the budget year 1999-2000, the freight traffic projection has been made at the level of 450 million tonnes, assuming that the growth of economy will accelerate during the year. As regards passenger traffic, a somewhat faster growth of 8.5% is expected since the loads of a number of popular trains are proposed to be augmented and other improvements in the pattern of train services are likely to take place. Despite this, the additional freight earnings, together with the assumed growth in passengers, are not sufficient to meet the growth in revenue expenditure as well as the Plan needs. In the result, the generation of internal resources has again come under considerable strain, forcing the Raiways to further drawdown the balances of the Railway Reserve Funds by Rs. 1000 crore. Any further increase in the rate of dividend payable to the General Revenues would not be practical."

17. The Ministry of Railways have, therefore, proposed to the Committee as follows:—

"It is proposed for the consideration of the Committee that the existing rates and modalities for determining the dividend as brought out in Appendix-II may be adopted for the year 1999-2000 also. All other concessions now available, as listed therein, may also be allowed to continue for the year 1999-2000."

18. In this connection, the Ministry of Railways have forwarded the following views of Ministry of Finance:—

"The rate of dividend has all along been fixed by the Railway Convention Committee having regard to the cost of borrowing. However, since 1980-81, the margin has been reduced and currently the average borrowing rate is considerably higher than the rate of dividend paid by the Railways.

Current year's Budget assumed Rs. 1777 crore, as dividend to be paid by the Railways. This figure includes an amount of Rs. 628 crore of subsidy paid to the Railways from the General Revenues. Thus, although dividend rate is calculated at 7% on capital-at-charge, effective rate of dividend after excluding the subsidy element is only 4.21% as compared to the average borrowing rate of Government (12.20%). While Railways do not return the Capital contributed from General Revenue, the General Revenue has to return the earlier borrowing through fresh borrowing at progressively higher rate of interest. Over and above this, the Tenth Finance Commission has recommended grants to the States to the order of Rs. 380 crore as payment to States in lieu of tax on Passenger fare. However, Railways pay only

Rs. 23 crore for passing the amount to States. Even this amount is included in dividend paid by Railways. Such a situation is costing every year the General Revenues an additional expenditure of Rs. 357 crore. In such a situation, the rate of dividend paid by the Railways need to be increased both in absolute and relative terms.

It is, therefore, proposed that Railways should pay a flat rate of 7.5% dividend on capital-at-charge for the year 1999-2000. Further, in order to align the dividend rate closer to the average borrowing rate of the Government, the rate of dividend may be stepped up by 0.5% each year so that it reaches a level of 9% by the year 2001-2002. The above gradual increase is suggested as a measure of relief to Railways. The endeavour should be to gradually restore, at least around the end of the Xth Plan, the old position of the Railways paying dividend at a rate closer to average borrowing rate, if not making contribution to General Revenues. Railways may get other dividend concessions at present available to them on the basis of the recommendations made by the RCCs".

19. Commenting on the above views of Ministry of Finance, the Railway Board have submitted the following for consideration of the Committee:—

"Ministry of Finance had made similar observations on the Railways' interim Memorandum on Rate of Dividend and other Ancillary Matters for the year 1998-99.

In response to these observations, the Ministry of Railways had submitted, *inter-alia*, the difficult financial position of the Railways arising from poor freight traffic, the increasing burden on their working expenses placed by lease charges to the Indian Railway Finance Corporation, the social burden borne by the Railways without any compensation and the fact that when Railways themselves are in need of resources, it would not be possible for Railways to share their resources with the State Governments. The Committee have accepted the view point of the Ministry of Railways and allowed the rate of dividend and other concessions to continue without change for 1998-99.

As pointed out earlier, the Railways have to drawdown their Fund balances in view of the difficulties in the generation of adequate internal resources in the year 1999-2000 also. Under the circumstances, the present is not favourable for raising the rate of dividend payable to General Revenues; even a half percent increase will impose a net additional outgo of about Rs. 100 crore on this account. The Committee are, therefore, requested to recommend continuance of the existing rate of dividend of 7% on capital invested on Railways from General Revenues, together with all other reliefs and concessions earlier recommended."

Depreciation Reserve Fund (DRF)

20. This fund has been created to meet the expenditure on replacement and renewal, including inflationary and improvement elements. Appropriation to this fund is met from out of revenues.

21. The Railway Convention Committee (1998) had, in para 38 of their Second Report, recommended the following:—

> "Although the Committee in their Third Report (Eleventh Lok Sabha) had recommended for an appropriation of Rs. 2000 crore to the Depreciation Reserve Fund (DRF) subject to suitable need based adjustment the final appropriation to DRF was kept at Rs. 1904 crore as warranted by the Plan needs for 1997-98. At the end of 1997-98 the balance in the DRF was expected to be Rs. 1516 crore only. Keeping in view the above position, the Committee agree with the proposal of the Ministry of Railways that the contribution to the DRF for the Budget Estimates of 1998-99 may be kept at Rs. 2473 crore, subject to the minor adjustments as warranted by the Annual Plan for 1998-99 and the capacity of the system to generate internal resources."

22. In this connection, the Ministry of Railways, in their Interim Memorandum have submitted the following:—

> "In the earlier Interim Memorandum submitted to RCC (1998), the appropriation from Revenue to DRF, in the Budget Estimates for the year 1998-99, was proposed at Rs. 2473 crore. This, together with the contribution of Rs. 49 crore from the Production Units and accrual of interest of Rs. 103 crore on the Fund balance, was to enable Railways to withdraw Rs. 2625 crore from the Fund. With the fall in earnings, the Plan outlay has been reassessed and scaled down. It has, therefore, been proposed in the Revised Estimates to reduce the appropriation to Rs. 1600 crore from Revenue which together with the appropriation from Production Units of Rs. 50 crore, accrual of interest of Rs. 89 crore on the Fund balance and a drawdown of Rs. 236 crore from the Fund balance will enable the Railways to meet the reduced requirement of Rs. 1975 crore from the Fund. The balance at the end of the year is expected to be Rs. 1198 crore.
>
> For the year 1999-2000 an appropriation to the Fund of Rs. 1589 crore from Revenue has been proposed, which together with contribution of Rs. 100 crore from Production Units and Rs. 61 crore by way of interest in the Fund and a drawdown of Rs. 600 crore from the balance in the Fund, will enable the Railways to meet the outgo of Rs. 2350 crore required to meet the Plan needs."

23. The Ministry of Railways have also stated that the above proposal has the concurrence of the Ministry of Finance.

Pension Fund

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

25. The Railway Convention Committee (1998) had, in para 39 of their Second Report recommended the following:—

> "The Committee note that the appropriation to Pension Fund (PF) from Revenues was kept at Rs. 2200 crore in the Budget Estimates of 1997-98. However, in order to meet the anticipated impact of the recommendations

of Fifth Pay Commission, the same was stepped up to Rs. 3367 crore in the Revised Estimates. The balance at the end of the financial year 1997-98 under this Head was expected to the Rs. 765 crore. Agreeing with the proposal of Ministry of Railways, the Committee recommend that the contribution to Pension Fund be kept at Rs. 2228 crore for the year 1998-99 subject to minor adjustment, keeping in view the likely withdrawals anticipated for the year and the financial position of the Railways."

26. In this connection, the Ministry of Railways, in their Interim Memorandum, have submitted the following for consideration of the Committee:—

> "The appropriation to the Pension Fund from Revenue had been kept at Rs. 2218 crore in the Budget Estimates for 1998-99, which along with appropriation of Rs. 10 crore under Miscellaneous Expenditure, Rs. 20 crore as contribution from Production Units and Rs. 52 crore by way of interest in the Fund was to meet an outgo which was anticipated at Rs. 2300 crore. It has, however, become evident now that the outgo from this Fund will be much more than anticipated, as substantial payment of arrears due to the implementation of the Fifth Central Pay Commission recommendations are being made to the Railway pensioners during the current year. It has now been proposed to appropriate to the Fund Rs. 3425 crore from Revenue which, together with appropriation of Rs. 10 crore under Miscellaneous Expenditure, 50 crore as contribution from Production Units and Rs. 53 crore by way of interest in the Fund and drawdown of Rs. 292 crore from the balance in the Fund, will enable the Railways to meet the outgo which is now estimated at Rs. 3830 crore.
>
> For the year 1999-2000, the appropriation to the pension Fund from Revenue has been proposed to be kept at Rs. 2954 crore which, together with appropriation of Rs. 10 crore under Miscellaneous Expenditure, Rs. 100 crore as contribution from Production Units and Rs. 36 crore by way of interest in the Fund and a drawdown of Rs. 200 crore from the balance in the Fund will meet the estimated outgo of Rs. 3300 crore."

27. The Ministry of Railways have also stated that the above proposal has been agreed to by the Ministry of Finance.

Development Fund

28. This Fund is used for meeting expenditure on

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

The amount required for the above is credited to this Fund, after clearing in full the dividend liability, from the excess of revenue over the total working expenses. In a year where the amount is not sufficient, the Railways borrow money from the General Revenues. This money together with the interest thereon has to be repaid.

29. The Railway Convention Committee (1998) had, in para 40 of their Second Report, recommended as follows:—

> "In regard to Development Fund (DF), the Committee find that an amount of Rs. 350 crore was finally appropriated in 1997-98 under this Head and a sum of Rs. 475 crore has been projected in the Budget Estimate 1998-99. The Committee desire that the Ministry of Railways, should in their Action Taken notes, apprise them about the actual amount that will be credited to this Fund at the end of the current financial year."

30. The Ministry of Railways, in their Interim Memorandum submitted the following for consideration of the Committee:—

> "In 1997-98, Rs. 345 crore were appropriated to this Fund. In 1998-99, the appropriation to this Fund which was kept at Rs. 475 crore in the Budget Estimates has been scaled down to Rs. 426 crore in the revised Estimates. For the year 1999-2000, the appropriation to this Fund has been proposed to be kept at Rs. 600 crore."

Capital Fund

31. The Capital component of Railways Plan expenditure was earlier being financed from out of the budgetary support received from the general exchequer. With the budgetary support declining over the years and market borrowings being expensive and uncertain, a new Fund named Capital Fund has been created *w.e.f.* 1 April 1992 with the approval of RCC (1991). This Fund is used to finance part of the capital works requirements on the Railways. After appropriation to Development Fund, the "Excess" is appropriated to the Capital Fund.

32. The Railway Convention Committee (1998) had, in para 41 of their Second Report, recommended as under:—

> "The Committee note that in 1997-98, Capital Fund has been credited with Rs. 1120 crore and an appropriation of Rs. 1181 crore to this Fund has been made in 1998-99, which, together with the Rs. 74 crore as interest likely to accrue, will permit withdrawal of Rs. 1255 crore estimated for Plan needs. However, the Committee desire the Ministry of Railways to apprise them about the actual amount that would be credited to this Fund at the end of the current financial year."

33. For the year 1999-2000, the Ministry of Railways have made the following proposal in their Interim Memorandum:—

> "An amount of Rs. 1190 crore was appropriated to this Fund during 1997- 98 and the Fund closed with a balance of Rs. 1201 crore. In the Budget Estimates of Rs. 1998-99, appropriation to this Fund was kept at Rs. 1181 crore which together with Rs. 74 crore as interest was considered sufficient to meet withdrawal of Rs. 1255 crore estimated for the Plan needs. The reduction in earnings and the consequent reduction in the "Excess" have necessitated suitable adjustments in both appropriation and withdrawal from this Fund in the Revised Estimates. The amount remaining out of this "Excess", after providing for an appropriation of Rs. 426 crore to the Development Fund is only Rs. 193 crore. Accordingly, it is now proposed

to appropriate Rs. 193 crore to the Fund which along-with Rs. 55 crore as interest in the Fund and a drawdown of Rs. 785 crore from the Fund balance will enable the Railways to withdraw Rs. 1033 crore for the purposes of the Plan. For the year 1999-2000 it has been proposed to appropriate the Fund Rs. 944 crore which together with interest of Rs. 21 crore in the Fund and a drawdown of Rs. 200 crore from the Fund balance will enable the Railways to meet the outgo estimated at Rs. 1165 crore".

34. The Ministry of Railways have informed the Committee that the proposed drawdown has been made in consultation with the Ministry of Finance.

Interest on Railway Funds and Loan to Development Fund

35. In para 42 of their Second Report, the Railway Convention Committee (1998) had recommended as under:—

> "The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and, therefore, recommend that the balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 1998-99."

36. In this connection, the Ministry of Railways in consultation with Ministry of Finance have submitted in their Memorandum as follows:—

> "It is submitted that the recommendations of RCC (1996) may be made applicable for 1999-2000 also in respect of interest on the balances in the various Railway Funds, as recommended by the RCC (1996) *vide* their Third Report for the year 1997-98. According to this, the balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Works..."

RECOMMENDATIONS

37. The Report on Rate of Dividend and other ancillary matters has to be presented to both the Houses of Parliament before the Railway Budget is presented to Lok Sabha. However, the Committee find that during the last two years there has been considerable delay on the part of the Ministry of Railways to furnish the Memorandum on the above subject. They therefore, desire to know the reasons for delay in submitting the Memorandum to them. The Committee also recommend that both the Ministries of Railways and Finance should ensure that the Memorandum on the above subject is submitted to them latest by the end of December each year so that the Committee can make an indepth study and present their Report well before the presentation of the Railway Budget.

38. From the Memorandum submitted to them, the Committee find that the Ministry of Finance have argued for a higher rate of dividend. They have

proposed that the Railways should pay a flat rate of 7.5% dividend on the Capital-at-Charge for the year 1999-2000 and in order to align the dividend rate closer to the average borrowing rate of the Government, the rate of dividend may be stepped up by 0.5% each year so that it reaches a level of 9% by the year 2001-02. According to them the endeavour should be to gradually restore, at least around the end of the X Plan, the old position of the Railways paying dividend at a rate closer to the average borrowing rate. Considering the budgetary support from the General Exchequer being reduced from the level of 75% in the Fifth Plan to 23% in the Eighth Plan and the increasing dependence of the Railways on market borrowings, the Committee feel that any unilateral increase in the rate of dividend without compensating the Indian Railways for carrying social obligations will only put additional pressure on the already strained Railways Finances. The Committee, therefore, reiterate their earlier recommendation made in para 35 of their Second Report on 'Rate of Dividend for 1998-99 and other ancillary matters' that any further increase in the rate of dividend by 1/2 per cent cannot be dealt with in isolation and without resolving the issue of compensation for carrying social burden obligation. In this connection, the Committee want to point out that on the basis of the recommendation made by the RCC (1991) in their Twelfth Report, an Inter-Ministerial Working Group consisting of representatives of Ministry of Railways, Ministry of Finance and Planning Commission was constituted to look into the social burden obligation borne by the Railways. The Working Group had submitted its unanimous Report in May, 1997 wherein the social service obligation borne by the Railways during 1994-95 was reassessed at Rs. 886 crore. The Committee are constrained to note with disapproval the attitude of Ministry of Finance of not agreeing to the unanimous recommendation of the Working Group for compensating the Railways even on this reduced scale. The Committee recommend that the unanimous recommendations of the Working Group to which the Ministry of Finance was also a party should be accepted without any further delay.

39. Agreeing with the views of the Ministry of Railways, the Committee recommend that in order to give the Indian Railways a level playing field with other modes of transportation, the Indian Railways need to be compensated under the various heads like losses incurred on transportation of essential commodities, subsidised movement to North Eastern States, operation of unremunerative lines, commuter services, etc. The above losses should become explicit charges on the allocations made to the various Central Ministries of Government to cover their specific areas of social responsibility thereby relieving Railways of this burden in order to operate as a commercial enterprise.

40. Pending submission of a detailed Memorandum in consultation with the Ministry of Finance after finalisation of the Ninth Five Year Plan and considering the present proposals given by the Ministry of Railways alongwith the views expressed by the Ministry of Fianance, the Committee, recommend, purely as an interim measure, that for the year 1999-2000 dividend to General Revenues may be paid at 7% on the entire capital invested on Railways from the General Revenues, irrespective of year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1998-99.

41. All other concessions now available on residential buildings, new lines, subsidies from General Revenues etc. may be allowed to continue on the existing basis for the year 1999-2000.

42. Although the Committee in their Second Report (Twelfth Lok Sabha) had recommended for an appropriation of Rs. 2473 crore to the Depreciation Reserve Fund (DRF) subject to suitable need based adjustment, the final appropriation to DRF was reassessed and scaled down to Rs. 1600 crore in the Revised Estimates for 1998-99 due to fall in earnings. This amount together with the appropriation from Production Units of Rs. 50 crores, accrual of interest of Rs. 89 crore on the Fund balance and a drawdown of Rs. 236 crore from the Fund balance will enable the Railways to meet the reduced requirement of Rs. 1975 crore from the Fund. The Committee find that at the end of 1998-99 the balance in the DRF is expected to be Rs. 1198 crore only. Keeping in view the above position, the Committee agree with the proposal of the Ministry of Railways that the appropriation from revenue to the DRF for the Budget Estimates of 1999- 2000 may be kept at Rs. 1589 crore, which together with contribution of Rs. 100 crore from Production Units and Rs. 61 crore by way of interest in the Fund and a drawdown of Rs. 600 crore from the balance in the Fund, will enable the Railways to meet the outgo of Rs. 2350 crore required to meet the Plan needs.

43. The Committee note that the appropriation to Pension Fund (PF) from Revenues was kept at Rs. 2228 crore in the Budget Estimates for 1998-99. However, due to the implementation of the Fifth Central Pay Commission (CPC) the outgo from this Fund was much more than anticipated as substantial payment of arrears were made to the Railway pensioners during the year 1998-99. It has now been proposed to appropriate to the Pension Fund Rs. 3425 crore from the Revenue which, together with appropriation of Rs. 10 crore under Miscellaneous Expenditure, Rs. 50 crore as contribution from Production Units and Rs. 53 crore by way of interest in the Fund and a drawdown of Rs. 292 crore from the balance in the Fund, will enable the Railways to meet the outgo which is now estimated at Rs. 3830 crore. Agreeing with the proposal of Ministry of Railways, the Committee recommend that the appropriation to Pension Fund from revenue be kept at Rs. 2954 crore for the year 1999-2000 which, together with appropriation of Rs. 10 crore under Miscellaneous Expenditure, Rs. 100 crore as contribution from Production Units and Rs. 36 crore by way of interest in the Fund and a drawdown of Rs. 200 crore from the balance in the Fund will meet the estimated outgo of Rs. 3300 crore.

44. In regard to Development Fund (DF), the Committee find that an amount of Rs. 426 crore was finally appropriated in 1998-99 under this Head and a sum of Rs. 600 crore has been projected in the Budget Estimate 1999-2000. The Committee, agreeing with the proposal of the Ministry of Railways, desire that they should, in their action taken note, apprise the Committee about the actual amount that will be credited to this Fund at the end of the current financial year.

45. The Committee note that in 1998-99, Capital Fund was to be credited with Rs. 1181 crore. However, due to reduction in earnings and consequent reduction in excess an appropriation of Rs. 193 crore to this fund would be made in 1998-99. The appropriation of Rs. 193 crore along with Rs. 55 crore as

interest in the Fund and a drawdown of Rs. 785 crore from the Fund balance would enable the Railways to withdraw Rs. 1033 crore for the purpose of Plan expenditure for the year 1998-99. The Committee agree with the proposal of the Ministry of Railways to appropriate to the Fund Rs. 944 crore for the year 1999-2000 which together with interest of Rs. 21 crore in the Fund and a drawdown of Rs. 200 crore from the Fund balance will enable the Railways to meet the outgo estimated at Rs. 1165 crore. However, the Committee desire the Ministry of Railways to apprise them about the actual amount that would be credited to this Fund at the end of the current financial year.

46. The Committee are concerned to find that the Ministry of Railways proposed drawdown from the Railway Reserve Fund balances totalling to Rs. 1313 crore in 1998-99 and Rs. 1000 crore in 1999-2000. The Committee are of the firm view that the Ministry of Railways should avoid drawdown from the funds and rather make concerted efforts to reduce their expenditure by increasing their efficiency and to increase their earnings.

47. The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and, therefore, recommend that the balance in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 1999-2000.

NEW DELHI;
April 5, 1999
Chaitra 15, 1921 (*S*)

BIJOY KRISHNA HANDIQUE,
Chairman,
Railway Convention Committee.

APPENDIX I
(*Vide* Para 13)

(Rs. in crores)

Year	*Capital at Charge	Investment from Capital Fund	Gross Traffic Receipts	Total Working Expenses	Net Revenue	Dividend Paid*	Excess(+) Short-fall(-)	Operating Ratio
1	2	3	4	5	6	7	8	9
1950-51	827.00	0.00	263.01	210.23	47.56	32.51	15.05	81.0
1951-52	850.11	0.00	290.82	224.35	61.75	33.41	28.34	77.0
1952-53	857.38	0.00	270.56	218.17	47.18	33.99	13.19	80.6
1953-54	869.30	0.00	274.29	231.75	86.92	84.36	2.56	84.4
1954-55	901.58	0.00	286.78	236.09	44.06	84.96	9.10	82.3
1955-56	968.98	0.00	316.29	258.22	50.34	36.12	14.22	81.6
1956-57	1071.71	0.00	347.57	279.27	58.38	38.16	20.22	80.3
1957-58	1222.44	0.00	379.78	309.44	57.78	44.40	13.38	81.5
1958-59	1856.69	0.00	390.21	321.44	59.32	50.89	8.93	82.4
1959-60	1432.28	0.00	422.33	334.62	74.55	54.43	20.12	79.2
1960-61	1520.87	0.00	456.80	358.24	87.87	55.86	32.01	78.4
1961-62	1682.98	0.00	500.50	390.51	99.75	75.85	24.40	78.0
1962-63	1896.81	0.00	566.79	429.52	123.32	81.26	42.06	75.8
1963-64	2159.63	0.00	632.21	472.27	145.19	95.95	49.24	74.7

1	2	3	4	5	6	7	8	9
1964-65	2135.12	0.00	660.85	528.11	118.11	101.93	13.18	79.9
1965-66	2680.82	0.00	733.57	583.04	134.84	116.20	18.56	79.5
1966-67	2841.57	0.00	768.78	639.25	114.12	182.39	318.27	83.2
1967-68	2978.03	0.00	818.14	693.80	110.00	141.53	—31.53	84.7
1968-69	3101.27	0.00	898.84	741.93	142.81	150.67	—7.86	82.5
1969-70	3195.51	0.00	951.28	790.02	146.56	156.39	—9.83	83.0
1970-71	3330.78	0.00	1006.69	847.34	144.73	164.58	—19.84	84.2
1971-72	3520.99	0.00	1096.59	911.85	169.08	151.24	17.84	83.1
1972-73	3725.81	0.00	1162.42	982.62	164.43	161.51	2.92	84.5
1973-74	3893.38	0.00	1137.89	1066.88	55.41	170.91	—115.51	93.7
1974-75	4105.56	0.00	1408.19	1317.29	73.64	187.47	—113.83	93.5
1975-76	4354.78	0.00	1767.01	1609.62	137.03	198.14	—61.11	91.1
1976-77	4533.70	0.00	2036.11	1718.56	296.29	209.05	87.24	84.4
1977-78	4797.12	0.00	2123.42	1750.12	352.79	226.56	126.23	83.0
1978-79	5023.92	0.00	2151.04	1867.55	260.82	224.16	86.66	87.5
1979-80	5484.64	0.00	2337.84	2142.38	227.29	293.53	—66.24	91.5
1980-81	6096.35	0.00	2624.02	2536.46	127.49	325.36	—197.87	96.1
1981-82	6698.05	0.00	3538.24	3182.05	408.06	356.47	46.59	89.4
1982-83	7251.09	0.00	4376.21	3883.35	554.29	485.98	118.31	88.3
1983-84	7567.80	0.00	4986.24	4661.46	378.95	423.70	—44.75	93.9
1984-85	8285.65	0.00	5358.77	5142.17	270.10	465.69	—195.59	96.3
1985-86	9078.07	0.00	2084.16	5823.14	685.87	507.04	178.83	90.6

1986-87	10373.10	0.00	7505.66	6900.56	680.84	578.85	101.99	92.2
1987-88	11622.22	0.00	8435.25	7802.95	723.15	638.86	84.29	92.5
1988-89	12987.51	0.00	9259.29	8632.99	737.33	715.66	21.67	93.0
1989-90	14629.45	0.00	20739.41	9887.73	982.07	808.81	173.26	91.5
1990-91	16125.80	0.00	12096.49	11153.86	1113.78	938.11	175.67	92.0
1991-92	17620.02	0.00	13729.74	12389.19	1540.95	1105.95	435.00	89.5
1992-93	20123.20	0.00	15688.44	13980.08	1955.43	1514.38	441.05	87.4
1993-94	20373.58	1746.99	17946.02	15134.54	3102.13	1296.05	1806.08	82.9
1994-95	21762.92	3161.88	20100.99	16590.12	3808.11	1361.71	2446.40	82.6
1995-96	22247.85	5465.04	22417.85	18524.90	4135.07	1264.44	2870.63	82.5
1996-97	23474.67	7437.10	24319.41	21000.80	3624.46	1507.46	2117.06	86.2
1997-98	25320.28	8526.05	28589.03	25876.03	3024.43	1545.62	1535.22	90.9
1998-99 (RE)	27322.38	9559.05	30416.16	28400.00	2371.09	1751.70	619.39	94.3
1999-2000 (BE)	29562.18	10724.05	33311.00	30283.00	3457.73	1914.08	1543.65	91.6

*Dividend paid inclusive of payment of deferred dividend also.

APPENDIX II

(*Vide* Para 17)

The rate of dividend on the Capital-at-charge of the Railways and reliefs in dividend and by way of subsidy, based on the recommendations of the Railway Convention Committee (1996) applicable for 1997-98 are as under:—

I. Dividend

(a) The rate of dividend is 7 per cent on the entire Capital invested on the Railways irrespective of the year of investment including 1.5% on the Capital invested upto 31.3.1964 (less Capital qualifying for Subsidy) for contribution for grants to the States in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1996-97.

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

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

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

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

II. Subsidy from General Revenues

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

(a) Strategic lines.

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

(c) Northeast Frontier Railway (Non-strategic portion).

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

(e) The Ore Lines between Bimalgarh-Kiriburu and Sambalpur-Titlagar.

(f) Ferries and Welfare buildings.

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

APPENDIX III

(*Vide* Para 2 of Introduction)

Statement showing the recommendations contained in the Twelfth Report of the Railway Convention Committee (1991) on Rate of Dividend for 1996-97 and other Ancillary Matters and action taken thereon

Sl. No.	Para No.	Recommendation	Action taken by Government
1	2	3	4
1.	40	The Committee had, in their Ninth Report recommended, purely as an interim measure that the capital invested on the Railways upto 1952 may be treated as 'Dividend free' and the dividend for the year 1995-96 to General Revenues on the remaining capital invested thereafter be paid at the rate of 7% irrespective of year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1994-95. After considering the views of the Ministries of Railways and Finance, the Committee have come to the conclusion that there is no justification to modify their above interim recommendation. In view of the arguments given by the Ministry of Finance, the Committee do not agree with the proposal of the Ministry of Railways to treat the capital invested after 1952 to 1969-70 as dividend free. The Committee, therefore, finally recommend that the capital invested on the Railways upto 1952 may be treated as 'dividend free' and the dividend for the year 1996-97 to General Revenues on the remaining capital invested thereafter be paid at the rate of 7% irrespective of year of investment inclusive of the amount that was payable by Railways to the General Revenues for payment to	It has been decided by the Government that as an exceptional case, not to be quoted as a precedent, dividend payable for the two years—1995-96 and 1996-97 be computed after excluding the Capital invested upto 1952; the dividend payable in the subsequent years would continue to be calculated as in the past. Accordingly, necessary adjustment of dividend on pre-52 capital for 1995-96 and 1996-97 has been carried out in 1997-98.

1	2	3	4
		States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1995-96.	
2.	41	All other concessions now available *viz.* dividend on residential buildings, new lines, subsidies from General Revenues etc. may also be allowed to continue on the existing basis while framing Budget Estimates for 1996-97.	The recommendation has been implemented in 1996-97.
3.	42	The Committee in their Fifth and Ninth Reports (Tenth Lok Sabha) had recommended that the Railways should carry out a fresh study regarding compensation to be paid to the Railways for carrying social burden. The Committee feels that there is some discrepancy about the exact amount of social burden being borne by the Indian Railways because in their final Memorandum the Ministry of Railways have stated that the Railways carried a social burden amount to Rs. 1515 crores during 1994-95. Whereas, the Chairman, Railway Board deposed during evidence that it was Rs. 1973 crores in 1994-95 and after subtracting the cost towards staff welfare, law and order etc. it comes to Rs. 1215 crores. The Committee desire that in order to clear the doubt the Ministry of Railways should inform them about the exact amount of social burden borne by them during 1994-95. They also recommend that the Ministry of Railways should finalise in consultation with the Ministry of Finance the exact amount of social burden being borne by the Railways. The Committee reiterate their original recommendation made in para 59 of their Ninth Report that Railways should adequately be compensated for carrying social burden.	The figure of Rs. 1515 crores on account of social burden as indicated in the final memorandum was an estimate prepared on the basis of revised estimates for 1994-95. This amount was recalculated as Rs. 1215.64 crores after taking into account the actuals for the year 1994-95 after deducting the expenditure on staff welfare and law & order. This figure has also been shown in the Indian Railways Year Book for 1994-95 and may be treated as the amount of social burden borne by Railways during 1994-95. In pursuance of the recommendation of RCC in their 5th and 9th report, a study on social service obligation (social burden) was undertaken by the Railways and a copy of the same was submitted to the RCC. The view of the Ministry of Finance

1	2	3	4
			was that the matter should be studied by an Inter-Ministerial Working Group having representatives from the Ministry of Finance, Planning Commission and the Ministry of Railways. Accordingly, an Inter-Ministerial Working Group was constituted. It submitted its unanimous report in May, 1997 wherein the social service obligation borne by the Railways during 1994-95 was reassessed at Rs. 886 crores. The Ministry of Finance has, however, indicated that it would not be possible to agree to
4	43	Although the Committee had recommended for an appropriation of Rs. 2650 crores to the Depreciation Reserve Fund (DRF), yet the final appropriation to DFR was kept at Rs. 2000 crores in the budget estimates as warranted by the Plan needs for 1995-96. However, they find that at the end of the current financial year the balance in the DRF is expected to be Rs. 1200 crores. In this connection, the Ministry of Railways have informed the Committee that the Report of the working group on DRF which was initially submitted on 29 April, 1995, was referred back to the group for carrying out more detailed analysis. The Committee note that the revised report has since been submitted and is under examination of the Ministry of Railways. They expect that the above report would be examined without any further delay and a copy of the same alongwith action taken thereon may be made available to them at the earliest.	Reply awaited.

1	2	3	4
5	44	The Committee further note that a sizeable investment in rolling stock has been made by IRFC over the last few years. As the rolling stock is not the property of Railways and is with the Railways on lease only, no provision towards their replacement needs to be made. Keeping in view the fact that the IRFC investment is deployed partly against the assets requiring replacements which would have otherwise been met out of the DRF and that a substantial balance is already under DRF, the Committee agree with the proposal of Ministry of Railways that the contribution to the fund in 1996-97 may be kept at Rs. 2000 crore, subject to minor adjustment as warranted by the Annual Plan for 1996-97 and the capacity of the system to generate internal resources.	The appropriation to DRF has finally been kept at Rs. 2200 crore in actuals, 1996-97 as warranted by the Plan needs.
6	45	The Committee note that the balance in the Pension Fund is expected to be around Rs. 771 crore at the end of the current financial year. The Committee agree with the proposal of the Ministry of Railways that the contribution to Pension Fund may be enhanced to Rs. 2450 crore in 1996-97, keeping in view the increase in the number of pensioners and the pension being increased with each DA instalment. However, the contribution to the fund will be subject to minor adjustment keeping in view the likely withdrawals and the financial position of the Railways.	The appropriation to the Pension Fund has finally been kept at Rs. 2615 crore in actuals 1996-97.
7	46	With regard to Development Fund (DF) the Committee note that out of the excess of revenue over the total working expenses and after clearing in full the dividend liability, the amount required for the passengers and users' amenities (DF-I), labour welfare works (DF-II), Unremunerative Operatinig Improvements (DF-III) and Safety Works (DF-IV) is credited to this Fund. The Ministry of Railways have stated that the Budget Estimates 1995-96 provided for appropriation of Rs. 350 crore to this Fund. The Committee desire that the Ministry of Railways should, in their action taken notes, apprise them about the actual amount that will be credited to this Fund at the end of the current financial year.	The appropriation to the Development Fund has finally been kept at Rs. 297.20 cr. in actuals, 1995-96 and at Rs. 314.21 cr. in actuals, 1996-97 respectively.

1	2	3	4
8	47	Capital Fund, to which all surplus left after payment of dividend and appropriation to Development fund, etc. are to be credited, is used to finance Capital Works on the Railways. In 1995-96, this fund is estimated to be credited with Rs. 1705 crores. The proposal of the Ministryof Railways to make the appropriation to Capital Fund as first charge on the net revenue followed by dividend and appropriation to Development Fund is not acceptable to the Committee as this fund was agreed to be created on the suggestion of the Ministry of Railways itself from the year 1992-93. When there is no possibility of generating sufficient excess for appropriation to this Fund, it is incomprehensible to the Committee as to why the above proposal was mooted by the Ministry. The Committee are, therefore, of the opinion that in case the Railways feel that there will not be any scope to generate sufficient surplus in near future for appropriation to the Capital Fund, there is no Point in continuing this Fund any further. The Ministry of Railway may, if consider necessary, abolish it and the surplus after making payment of all the liabilities may be credited to Development Fund as was being done earlier.	The Ministry of Railways do not consider it necessary to abolish the Capital fund. In 1995-96 and 1996-97, an amount of Rs. 2573 cr. and Rs. 1803 cr. have been appropriated to the Capital Fund. As a result, this fund closed with a comfortable balance of Rs. 1031 cr. in 1995-96 and Rs. 1024 cr. in 1996-97 respectively.
9	48	The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and therefore recommend that the balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 1996-97.	The recommendation has been accepted and made applicable in 1996-97.

PART II

MINUTES OF THE EIGHTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (1998) HELD ON 7 APRIL, 1999

Eighth sitting of the Railway Convention Committee was held on Wednesday, the 7th April, 1999 in Committee Room 53, Parliament House, from 1400 to 1445 hrs.

The following Members were present:

Shri Bijoy Krishna Handique—*Chairman*

Lok Sabha

2. Shri Basudeb Acharia
3. Shri Mullapallay Ramachandran
4. Shri Bashist Narayan Singh
5. Shri Taslimuddin

Rajya Sabha

6. Shri John F. Fernandes
7. Shri Suresh Pachouri
8. Shri Md. Salim
9. Shri Janardan Yadav
10. Shri Ranjan Prasad Yadav

SECRETARIAT

1.	Dr. A.K. Pandey	—	*Additional Secretary*
2.	Shri John Joseph	—	*Joint Secretary*
3.	Shri R.C. Gupta	—	*Deputy Secretary*
4.	Shri S.S. Kalra	—	*Assistant Director*

2. After examining the Memorandum furnished by the Ministry of Railways, the Committee took up for consideration the draft Report on 'Rate of Dividend for 1999-2000 and other ancillary matters' and adopted the same with amendments/modifications as shown in Annexure.

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

*   *   *

The Committee then adjourned.

ANNEXURE

AMENDMENTS/MODIFICATIONS

Page No.	*Para No.*	*Line No.*	
15	38	16	*Add* at the end the following:— 'The Committee recommend that the unanimous recommendations of the Working Group to which the Ministry of Finance was also a party should be accepted without any further delay.'
18	46	6	*Add* 'by increasing their efficiency' after the word 'expenditure.'

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