

RAILWAY CONVENTION COMMITTEE (1985)

(EIGHTH LOK SABHA)

SEVENTH REPORT

RATE OF DIVIDEND FOR 1987-88 AND OTHER ANCILLARY MATTERS

*Presented in Lok Sabha on 24-2-1987
Laid in Rajya Sabha on 24-2-1987*



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1987/Magha, 1908 (S)

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**RAILWAY CONVENTION COMMITTEE
(1985)**

Shri Subhash Yadav—Chairman

MEMBERS

Lok Sabha

2. Shri Basudeb Acharia
3. Shri B. Devarajan
4. Prof. Narain Chand Parashar
5. Shri Vijay N. Patil
6. Shri Janardhan Poojary
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9. *Shri Madhavrao Scindia
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11. Shri V. Tulsiram
12. **Shri Kailash Yadav

Rajya Sabha

13. Shri Vishwanath Pratap Singh
14. Shri Dipen Ghosh
15. @Shrimati Amarjit Kaur
16. Shri Bhagatram Manhar
17. £Shri Kalpnath Rai
18. Shri P. Upendra

SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary*
2. Shri Krishnapal Singh—*Senior Financial Committee Officer.*

*Nominated on 27-1-1986 *vice* Shri Manvendra Singh, resigned w.e.f. 11.12.1985

**Nominated on 26-12-1986 *vice* Shri Bansilal ceased to be a member of Lok Sabha w.e.f. 10-12-1986.

@Nominated on 19-6-1986 *vice* Shri M. Maddana ceased to be a member of Rajya Sabha w.e.f. 2-4-1986.

£Nominated on 22-12-1986 *vice* vacancy caused by his retirement from Rajya Sabha on completion of his term as member of Rajya Sabha on 4-7-1986.

INTRODUCTION

1. the Chairman of Railway Convention Committee (1985) having been authorised by the Committee to submit the Report on their behalf present this Seventh Report on the Rate of Dividend payable by the Railway Undertaking to the General Revenues and other Ancillary Matters for the financial year 1987-88.

2. The Ministry of Railways (Railway Board) submitted a Second Interim Memorandum on Dividend Payable by Railways to the General Revenues, contribution to the Railway Depreciation Reserve Fund and Railway Pension Fund etc. The Committee considered the memorandum on 8th January, 1987 and decided to call for further information on certain points arising out of the memorandum. The Committee reconsidered the memorandum along with the further information received from the Ministry of Railways at their sitting held on 23rd January, 1987.

3. This Report was considered and adopted by the Committee at their sitting held on 19th February, 1987. Minutes of the sittings of the Committee form Part-II of the Report.

4. The Committee wish to express their thanks to the Ministry of Railways (Railway Board) for placing before them all the information and material required in connection with the examination of the subject.

5. A statement showing the summary of the recommendations of the Committee contained in this Report is at Appendix IV.]

NEW DELHI;
February 19, 1987
Magha 30, 1908 (S)

SUBHASH YADAV,
Chairman,
Railway Convention Committee.

REPORT

In pursuance of the Resolution adopted by Lok Sabha on 20th March, 1985 and concurred in by Rajya Sabha on 28th March, 1985, the Railway Convention Committee, 1985, was constituted on the 21st May, 1985 "to review the rate of dividend which is at present payable by the Railway Undertaking to General Revenues as well as other Ancillary Matters in connection with the Railway Finance vis-a-vis the General Finance and make recommendations thereon".

2. Based on an interim memorandum submitted by the then Department of Railways on 15 January, 1986, the Railway Convention Committee (1985) had made certain recommendations in regard to the rate of dividend for the year 1986-87 and other ancillary matters in their Third Report, presented to Parliament on 21 February, 1986. The resolution approving the recommendations made in paragraphs 10 to 13, 15 and 16 of the Third Report was moved in Lok Sabha on 13 March, 1986 by the Minister for Railways and was also adopted on that day. The recommendations contained in that Report and action taken by Government thereon are indicated in Appendix I.

3. The Ministry of Railways submitted Second Interim Memorandum on Dividend Payable by Railways to the General Revenues, Contribution to the Railway Department Reserve Fund and Railway Pension Fund, etc. to the Railway Convention Committee on 2 January, 1987. In their Second Interim Memorandum, the Ministry of Railways has submitted for the consideration of the Committee, whether pending their final proposals, the recommendations which were the basis for the preparation of the Budget for 1986-87, may generally be made applicable for the year 1987-88 also. They have made the following proposals:

"Dividend payable to General Revenues

- Dividend to General Revenues is at present being paid at 6 per cent on the capital invested on Railways up to 31-3-1980 (inclusive of payment to States in lieu of passenger fare tax etc.) and 6.5 per cent on capital invested thereafter. The Railway Convention Committee (1985) had provisionally approved of the continuance of these rates up to 1984-85 as an interim measure pending their final recommendations in this regard. However, the Committee became functus officio before making their final recommendations in the matter.

As far as the rate of dividend applicable during the 7th Plan viz., 1985-86 to 1989-90 is concerned, this Ministry's proposals are being finalised in consultation with the Ministry of Finance and will be submitted to the Committee in a separate Memorandum. Pending the submission of this separate Memorandum, it is proposed for the consideration of the Committee whether the present rate of dividend, that is, 6.5 per cent on the fresh capital investment may, provisionally, be adopted for the year 1987-88 also as was agreed to for the year 1986-87. All the other concessions now available, as listed in the Appendix II, may also be allowed to continue in the meantime.

Depreciation Reserve Fund:

The Railway Convention Committee (1985) in their Third Report, approving the recommendation of the then Department of Railways in the Ministry of Transport regarding contribution to be made to Depreciation Reserve Fund in 1986-87, had observed as under:

"The Committee confirms provisionally that the contribution to Depreciation Reserve Fund from Railways Revenues may be at Rs. 920 crores in 1985-86 which might be stepped up to Rs. 1250 crores in 1986-87."

The appropriation to the Fund during the 7th Plan is proposed at Rs. 6275 crores. This is much higher than the total appropriation of Rs. 2826 crores made in the Sixth Plan (1980-85). In the first two years of the 7th Plan, the appropriation to Depreciation Reserve Fund has been provided at about Rs. 2170 crores. The rate of annual contribution will need to be suitably increased in order to meet the requirements of replacements and renewals as also generation of adequate internal resources as Railways' share in the total plan resources. It is submitted for the consideration of the Committee that the appropriation to the Fund from Railway Revenues during 1987-88 may be stepped up suitably to about Rs. 1350 crores keeping in view the higher outlay on replacements/renewals expected next year.

Pension Fund:

Withdrawal from the Railway Pension Fund has been gradually increased over the years to cover the increasing number of Railway pensioners, reliefs granted from time

to time and liberalisation of the rules for payment of pension. It is likely to increase further after the Fourth Pay Commission's recommendations for pensioners are implemented. The position stated above will require enhanced appropriation from *Railway revenues to the Pension Fund*. For the past few years, appropriation to the Fund has been made with reference to likely withdrawals and it is submitted for consideration of the Committee whether appropriation to Pension Fund may be suitably enhanced in 1987-88 keeping in view the likely withdrawals during the year.

Interest on Railway Funds and Loan to Development Fund

The Railway Convention Committee (1980) in their Tenth Report recommended that "the balances in various Railway Reserve Funds (except Development Fund) during 1984-85 may carry the same rate of interest at which the dividend is actually paid in the Budget for 1984-85, viz., 6.5 per cent". They had also suggested in their Seventh Report that "the present arrangement of obtaining loan from General Revenues to meet expenditure chargeable to Development Fund in case of inadequate or no surplus may be continued, the interest on such loans being charged at the rate applicable to loans given to State Governments as recommended by the Railway Convention Committee (1977). In the interim Memorandum submitted to Railway Convention Committee (1985) earlier, it had been proposed that the same basis may be followed provisionally for the Revised Estimates for 1985-86 and Budget Estimates for 1986-87 subject to retrospective adjustments. The Committee recommended in their Third Report that the "balances in the various Railway Reserve Fund (other than Development Fund) may carry the same rate of interest as the rate of dividend" and that "the rate of interest on loans from General Revenues for Development Fund works may be the same as of dividend payable to the Central Government for the purposes of the Revised Estimates for 1985-86 and Budget Estimates for 1986-87". The arrangement of obtaining loan from General Revenues to meet expenditure chargeable to Development Fund is also required to be continued since no surplus is anticipated in the current year 1986-87. The Committee are requested to make appropriate recommendations in regard to these aspects for the purposes of Revised Estimates 1986-87 and Budget Estimates 1986-87".

4. On an enquiry of the Committee regarding reasons for the Ministry of Railways/Finance not being able to furnish proposals for the quinquennium 1985-86 to 1989-90, the Ministry of Railways furnished the following note:—

“As pointed out by the Committee, this Ministry accepts that there has been a delay in submission of the memorandum on the rate of dividend payable by the Railways to the General Revenues. However, this Ministry would like to submit before the Committee, that as the Committee are aware, in the financial year 1985-86 there was a major deviation proposed by the Government in financing the capital expenditure of the Railways. Till the year 1985-86, the expenditure chargeable to capital was financed from the budgetary support provided by the General Finance. This capital was treated as ‘loan-in-perpetuity’ and the rate of dividend payable on this loan-capital was decided on the recommendations of the Railway Convention Committee. When the Budget Estimates for the year 1986-87 were being framed, a proposal was mooted that part of the capital requirements of the Railways should be met from market borrowings which will be arranged through a Railway Finance Corporation (IRFC). Since this was a major deviation from the practice hitherto followed in financing the railway capital investments, a memorandum was submitted before the Railway Convention Committee for their recommendations. The recommendations of the Railway Convention Committee as well as the decision of the Government to go ahead with the formation of IRFC were received in December, 1986.

This Ministry was awaiting these recommendations of the Committee and the decision of the Government thereon before finalising its memorandum on the rate of dividend. The Committee will kindly appreciate that while making their recommendations on the rate of dividend payable on the capital provided by the General Finance, the Committee would be taking into consideration the share of the market borrowing in the capital investments and the higher cost of capital (interest and service charges) etc. which is being borne by the Railway resulting from this deviation in arrangements of financing the Railway Plan from the year 1986-87. Now that a decision in this matter has been taken, this Ministry has finalised its memorandum on the rate of dividend

and forwarded it to the Ministry of Finance on 20-1-1987 for concurrence before submission to the Committee.

The Committee is, therefore, requested to kindly view this delay in submission of the memorandum in the light of the above developments."

5. The Committee also pointed out that at present the 6.5 per cent. rate of Dividend was equal to the mean borrowing rate of the Government of India during the Sixth Five Year Plan and as such there was no element of 'contribution', which concept was suspended during the Sixth Five Year Plan and enquired whether the Ministry of Finance/Railways would consider the restoration of 'contribution'. The Ministry replied to the query as follows:

"The Committee has rightly pointed out that, at present, there is no element of contribution in the dividend being paid. It is submitted that after the memorandum on the subject is submitted by this Ministry, the Committee will be taking an overall view of the financial position of the Railways and the reasonable rate of dividend that should be payable. As has been submitted in the interim memorandum before the Committee, the recommendations of the Committee on the rate of dividend will be provisional. It is, therefore, submitted that for the current financial year (1986-87) and the Budget year 1987-88, the rate of dividend may be allowed to be retained at 6.5 per cent. Any adjustments that may become necessary as a result of the final recommendations of the Committee, on the rate of dividend, will be carried out in the subsequent years."

6. To another query of the Committee about the viability of the lines/projects, which enjoy exemption from dividend, the Ministry submitted:

"There are 5 strategic lines, 2 new lines known as National Investment Lines, 2 Ore lines, and 28 new Lines constructed on or after 1-4-1955, on other than financial considerations, on which exemption from the dividend is available. A list of these lines is enclosed (Appendix III). The detailed information about all these is being collected from the Railways and will be forwarded to the Committee".

7. The Committee regret that though the first two years of the Seventh Five Year Plan period are nearing completion, the Ministry of Railways have not been able to submit a memorandum to the

Railway Convention Committee containing proposals for payment of dividend to the general revenues for the entire quinquennium 1985-86 to 1989-90. Their argument that "when the Budget Estimates for the year 1986-87 were being framed, a proposal was mooted that part of the capital requirements of the Railways should be met from market borrowings" is not tenable. It has been proposed to raise Rs. 100 crores through market borrowing in the first instance. Rs. 100 crores is an insignificant part of the capital at-charge as on 31 March, 1985—Rs. 8,285.6 crores. This term borrowing, raised through market, will also not be subject to payment of dividend. The Committee have already dealt with the question of market borrowing and creation of a separate vehicle for this purpose in a separate Report. The Committee are unable to accept this explanation for the delay in the formulations of proposals for dividend payable by the railways even at the time of presentation of Railway Budget 1987-88. The Committee is constrained to observe that there has been a lapse on the part of the Ministry of Railways in this regard.

8. The Committee have no objection to the Dividend to the General Revenues and subsidy from the General Revenues to the Railways being computed for the year 1987-88 on the provisional basis as adopted for 1985-86 and 1986-87 in the manner recommended by the Railway Convention Committee (1980).

9. The Committee confirm provisionally that the contribution to Depreciation Reserve Fund from Railway Revenues during 1987-88 may be stepped up suitably to about Rs. 1350 crores keeping in view the higher outlay on replacements/renewals expected next year.

10. The balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend.

11. The Committee recommend that for the purposes of Revised Estimates 1986-87 and Budget Estimates 1987-88 the rate of interest on the following items may continue to be as in the year 1986-87:—

- (i) loan from General Revenues to meet expenditure chargeable to Development workers in case of inadequate or no surplus being available;
- (ii) on the rate of interest on such loans from the General Revenues; and
- (iii) on the rate of interest on Railway Fund Balances.

12. The Committee recommend that the Pension Fund, to which the appropriation was Rs. 350 crores in 1986-87, be suitably stepped up during the year 1987-88, keeping in view the increasing number of Railway pensioners and likely withdrawals during the year.

13. The Committee would like that in the final memorandum to be submitted to the Committee, a review should be made about the viability of lines/projects, which enjoy exemption from dividend and have completed ten years after commissioning, with a view to seeing whether the concession can now be withdrawn.

14. The Committee would also like to know the views of the Ministry of Railways/Finance in restoring the element of "contribution" in the rate of dividend in the Seventh Five Year Plan period.

NEW DELHI;

February 19, 1987

Magha 30, 1908 (S)

SUBHASH YADAV

Chairman,

Railway Convention Committee.

APPENDICES

APPENDIX I

(Vide Para 2 of the Report)

STATEMENT SHOWING THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE RAILWAY CONVENTION COMMITTEE (1985) ON RATE OF DIVIDEND FOR 1986-87 AND OTHER ANCILLARY MATTERS AND ACTION TAKEN BY GOVERNMENT THEREON.

S. No.	Recommendation/Observation	Action taken by Govt.
1	2	3
1. (Para 10)	Pending submission of detailed memoranda, the Committee recommend that the existing rates of dividend of 6% on the capital invested on the Railways upto 31-3-1980 (inclusive of 1.5% on the capital invested upto 31-3-1984, less the capital qualifying for subsidy, for payment to States as grant in lieu of Passenger Fare Tax, and contribution for assisting the States for financing Safety Works) and 6.5% on capital invested thereafter may be adopted while framing the Revised Estimates for 1985-86 and the Budget Estimates for 1986-87.	The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1986-87.
2. (Para 11)	The concessions available to Railways in the matter of computing dividend and the subsidy to Railways from the General Revenues on the existing basis may also be adopted provisionally while framing Revised Estimate for 1985-86 and Budget Estimate for 1986-87.	The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1986-87.
3. (Para 12)	The balances in the various Railways Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend.	The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1986-87.
4. (Para 13)	The rate of interest on the loans from General Revenues for Development Fund works may be the same as of dividend payable to the Central Government for the purposes of the Revised Estimates for 1985-86 and Budget Estimates for 1986-87.	The Recommendation of the Committee has been noted.
5. (Para 14)	The Committee observe that the Railway working for the year 1985-86 is likely to result into a deficit of about Rs. 505	While noting the recommendation of the Committee, it may be men

S. No.	Recommendation/Observation	Action taken by Govt.
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crores at the current tariff of fares and freight due to increase in the cost of inputs etc. The Committee would urge the Ministry of Transport (Department of Railways) to effect speedy steps for intensive utilisation of railway assets and economy in avoidable expenditure so as to maximise the efficiency and arrest the increase in working costs.

tioned for the information of the Committee that the leading efficiency indicator viz. Net Tonne Kilometres per wagon per day (BG) improved by about 10.5 per cent from 1104 in April-December, 1984 to 1220 in April-December, 1985. There has also been an improvement in staff productivity in that the freight tonne kilometres plus passenger kilometres per employee is expected to increase to 2.66 lakhs traffic units in 1985-86 as compared to 2.55 lakhs traffic units in 1984-85. Efforts to improve will continue.

- | | | |
|--------------|--|--|
| 6. (Para 15) | The Committee confirms provisionally that the contribution to Depreciation Reserve Fund from Railways Revenues may be at Rs.920 crores in 1985-86 which might be stepped upto Rs.1250 crores in 1986-87. | The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1986-87. |
| 7. (Para 16) | The objective of funding the pensionary liabilities of the serving Railway employees was to reflect the true commercial state of financial health of the Railways from year to year. The Committee observe that it is unfortunate that for the past some years the Railways have not been able to match the liability by making sufficient appropriations to the Pension Fund. The Committee would urge the Railways to ensure early finalisation of actuarial estimation and make arrangements to fund sufficient amounts to meet the future pensionary liabilities. The Committee, however, provisionally approve that the contribution to Pension Fund may be Rs. 265 crores in 1985-86 which might be enhanced to Rs. 350 crores in 1986-87, subject to retrospective adjustments in respect of paragraphs 10 to 12 above. | The Recommendation of the Committee has been noted. |

APPENDIX II

(Vide para 3 of the Report)

CONCESSIONS|RELIEFS DIVIDEND AVAILABLE TO THE RAILWAYS

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 (1980) applicable upto 1984-85 are as under:—

I. DIVIDEND

- (i) The rate of dividend is 6 per cent on capital invested on the Railways upto 31.3.1980, including 1.5 per cent on the capital invested upto 31.3.1964 (less capital qualifying for subsidy) for contribution for grants to States in lieu of Passenger Fare Tax and contribution for assisting the States for financial Safety works.
- (ii) The rate of dividend is 6.5 per cent on capital invested from 1-4-1980 onwards.

II. A concessional dividend of 3.5 per cent is payable on the capital cost of residential buildings.

III. 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 lines 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.

IV. 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.

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

VI. 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-Kanyakumari-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 per cent of the capital invested on all works in the current year and in the two previous years, excluding capital invested in strategic lines, North-east 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 6 of the Report)

LIST OF NEW LINES CONSTRUCTED AFTER 1-4-1955 ON OTHER THAN FINANCIAL CONSIDERATIONS ON WHICH EXEMPTION FROM THE DIVIDEND IS AVAILABLE

S. No.	Name of New Line	Railway
1	2	3
1	Khandwa-Hingoli	Central Railway
2	Bhuktiarpur-Rajgir	Eastern Railway
3	Barasat-Hasanbad	Eastern Railway
4	Kalkalighat-Dharmanagar	Northeast Frontier Railway
5	Pathankot-Madhampur	Northern Railway
6	Barhan-Etah	Northern Railway
7	Quilon-Ernakulan (MG)	Southern Railway
8	Fatehpur-Churu	Western Railway
9	Ramwar-Bhildi	Western Railway
10	Gandhidham-New Kandla	Western Railway
11	Sabarmati-Gandhinagar	Western Railway
12	Dabla-Singhana	Western Railway
13	Torangallu-Mudukelapenta	South Central Railway
14	Rail Link to Haldia Port	South Eastern Railway
15	Ghaziabad-Tughlakabad including second Yamuna Bridge	Northern Railway
16	Bangalore-Salem	Southern Railway
17	Delhi-Avoiding Line	Northern Railway
18	Singrauli-Katni	Central Railway
19	Madhopur-Kathua	Northern Railway
20	Hasan-Mangalore	Southern Railway
21	Guna-Maksi	Western Railway
22	Udaipur-Himmatnagar	Western Railway
23	Barabil-Panposh	South Eastern Railway
24	Champa-Korba	South Eastern Railway
25	Champa-Korba Extension	South Eastern Railway
26	Robertsganj-Garwa Road	Northern Railway
27	Hatia-Nawagaon	South Eastern Railway
28	Khojuriaghat-Malda	North Eastern Railway

1	2	3
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National Investment Lines

- | | | |
|---|---|------------------|
| 1 | Kathua to Jammu | Northern Railway |
| 2 | Tirunelveli-Trivandrum-Kanyakumari line | Southern Railway |

Strategic Lines

- | | | |
|---|---|----------------------------|
| 1 | Bhatinda-Suratgarh . . . | Northern Railway |
| 2 | Pathankot-Mukerian . . . | Northern Railway |
| 3 | Jaiselmer-Pokaran | Northern Railway |
| 4 | Rangapara North Lakhimpur
Mukong-Selak | Northeast Frontier Railway |
| 5 | Siliguri-Joghighopa including B.G.
Conversion of Siliguri-Haldibari. | Northeast Frontier Railway |

Ore Lines

- | | | |
|---|----------------------|-----------------------|
| 1 | Samabalpur-Titlagarh | South Eastern Railway |
| 2 | Kirituru-Bimalgarh | South Eastern Railway |
-

APPENDIX IV

(Vide para 5 of the Introduction)

Summary of the Conclusions/Recommendations of the Committee

S. No.	Para No.	Conclusions/Recommendations
1	2	3
1	7	The Committee regret that though the first two years of the Seventh Five Year Plan period are nearing completion, the Ministry of Railways have not been able to submit a memorandum to the Railway Convention Committee containing proposals for payment of dividend to the General Revenues for the entire quinquennium 1985-86 to 1989-90. Their argument that "when the Budget Estimates for the year 1986-87 were being framed, a proposal was mooted that part of the capital requirements of the Railways should be met from market borrowings" is not tenable. It has been proposed to raise Rs. 100 crores through market borrowings in the first instance. Rs. 100 crores is an insignificant part of the capital at-charge as on 31 March, 1985—Rs. 8,285.6 crores. This term borrowing, raised through market, will also not be subject to payment of dividend. The Committee have already dealt with the question of market borrowing and creation of a separate vehicle for this purpose in a separate Report. The Committee are unable to accept this explanation for the delay in the formulations of proposals for dividend payable by the railways even at the time of presentation of Railway Budget 1987-88. The Committee is constrained to observe that there has been a lapse on the part of the Ministry of Railways in this regard.
2	8	The Committee have no objection to the Dividend to the General Revenues and subsidy from the General Revenues to the Railways being computed for the year 1987-88 on the

S. No.	Para No.	Conclusions/Recommendations
1	2	3
		provisional basis as adopted for 1985-86 and 1986-87 in the manner recommended by the Railway Convention Committee (1980).
3	9	The Committee confirm provisionally that the contribution to Depreciation Reserve Fund from Railway Revenues during 1987-88 may be stepped up suitably to about Rs. 1350 crores keeping in view the higher outlay on replacements/renewals expected next year.
4	10	The balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend.
5	11	The Committee recommend that for the purposes of Revised Estimates 1986-87 and budget Estimates 1987-88 the rate of interest on the following items may continue to be as in the year 1986-87:— <ul style="list-style-type: none"> (i) loan from General Revenues to meet expenditure chargeable to Development Works in case of inadequate or no surplus being available; (ii) on the rate of interest on such loans from the General Revenues, and (iii) on the rate of interest of Railway Fund Balances.
6	12	The Committee recommend that the Pension Fund, to which the appropriation was Rs. 350 crores in 1986-87, be suitably stepped up during the year 1987-88, keeping in view the increasing number of Railway pensioners and likely withdrawal during the year.
7	13	The Committee would like that in the final memorandum to be submitted to the Committee, a review should be made about the

S. No.	Para. No.	Conclusions/Recommendations
1	2	3
		viability of lines/projects, which enjoy exemption from dividend and have completed ten years after commissioning, with a view to seeing whether the concession can now be withdrawn.
8	14	The Committee would also like to know the views of the Ministry of Railways Finance in restoring the element of "contribution" in the rate of dividend in the Seventh Five Year Plan period.

PART II

**Minutes of sittings
of the Railway Convention Committee (1985)
held on 8 and 23rd January and 19th February, 1987.**

RAILWAY CONVENTION COMMITTEE

(1985)

24th Sitting

8-1-1987

The Railway Convention Committee held its sitting from 15.00 hrs. to 15.45 hrs.

PRESENT

MEMBERS OF THE COMMITTEE

1. Shri Subhash Yadav—*Chairman*
2. Shri B. Devarajan
3. Prof. Narain Chand Parashar
4. Shri Vijay N. Patil
5. Shri Ram Dhan
6. Shri Ram Ratan Ram
7. Shri Kailash Yadav
8. Shrimati Amarjit Kaur
9. Shri Bhagatram Manhar
10. Shri Kalpnath Rai
11. Shri P. Upendra

SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary.*
2. Shri Krishnapal Singh—*Senior Financial Committee Officer.*

The Chairman, Railway Convention Committee first welcomed Shri Kailash Yadav, MP from Lok Sabha and Shri Kalpnath Rai, MP from Rajya Sabha as Members of the Committee.

2. The Committee then considered the Memorandum received from the Ministry of Railways (Railway Board) on Dividend Payable by the Railways to General Revenues—1987-88 and desired

that information on the following points may be called for in the first instance:--

- (i) Though the first two years of the Seventh Five Year Plan period are nearing completion, the Ministry of Finance| Railways have submitted only an Interim Memorandum. By now, the Committee expect proposals for the quinquennium 1985-86 to 1989-90. Reasons for this may kindly be stated.
- (ii) At present the 6½ per cent rate of Dividend is equal to the mean borrowing rate of the Government of India during the Sixth Five Year Plan. Thus there is no element of 'contribution', which concept was suspended during the Sixth Five Year Plan. Will the Ministry of Finance/Railways consider the restoration of 'contribution'?
- (iii) The Committee would like to know about the viability of the lines/projects which enjoy exemption from dividend.

* * * *

Thereafter the Committee adjourned.

RAILWAY CONVENTION COMMITTEE

(1985)

25th Sitting

23-1-87

The Railway Convention Committee held its sitting from 15.00 hrs. to 15.45 hrs.

PRESENT

MEMBERS OF THE COMMITTEE

1. Prof. Narain Chand Parashar—*in the Chair*
2. Shri B. Devarajan
3. Shri Vijay N. Patil
4. Shri Ram Dhan
5. Shri Ram Ratan Ram
6. Shri S. Thangaraju
7. Shri Kailash Yadav
8. Shri Dipen Ghosh
9. Shrimati Amarjit Kaur
10. Shri Bhagatram Manhar
11. Shri Kalpnath Rai
12. Shri P. Upendra

SECRETARIAT

1. Shri K. H. Chhaya—*Joint Secretary.*
2. Shri Krishnapal Singh—*Senior Financial Committee Officer.*

Prof. Narain Chand Parashar was elected to preside over the sitting of the Committee in absence of the Chairman (Shri Subsash Yadav).

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Thereafter, the Committee considered the memorandum received from the Ministry of Railways (Railway Board) regarding

dividend payable by the Railways to the General Revenues—1987-88. Pending the submission of a final memorandum, the Committee approved the present rate of dividend i.e., 6.5 per cent on fresh capital investment provisionally for the year 1987-88. They also decided that all other concessions available to the Railways at present in this regard may continue as an interim measure. The Committee also approved appropriation to the Depreciation Reserve Fund from the Railway Revenues during 1987-88 may be stepped up to Rs. 1350 crores.

Thereafter the Committee adjourned.

RAILWAY CONVENTION COMMITTEE
(1985)

27th Sitting

19-2-1987

The Railway Convention Committee held its sitting from 15.00 hrs. to 15.30 hrs.

PRESENT

MEMBERS OF THE COMMITTEE

1. Shri Ram Dhan—*in the Chair*
2. Shri Kailash Yadav
3. Shrimati Amarjit Kaur
4. Shri Bhagatram Manhar
5. Shri Kalpnath Rai

SECRETARIAT

1. Shri Krishnapal Singh—*Senior Financial Committee Officer.*

In the absence of Chairman, Railway Convention Committee, Shri Ram Dhan was elected to preside.

The Committee considered and adopted the draft Report on "Payment of Rate of Dividend and other Ancillary Matters for 1987-88".

The Committee authorised the Chairman to finalise the Report and present the same to Parliament.

Thereafter the Committee adjourned.