

RAILWAY CONVENTION COMMITTEE (1985)

(EIGHTH LOK SABHA)

TENTH REPORT

**RATE OF DIVIDEND FOR 1988-89 AND
OTHER ANCILLARY MATTERS**

Presented in Lok Sabha on 23.2.1988

Laid in Rajya Sabha on 23.2.1988



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1988/Mughla, 1909 (Saka)

Price : Rs. 9.00

8857/13 R
ms. 10/2

CORRIGENDA TO THE TENTH REPORT OF THE
RAILWAY CONVENTION COMMITTEE(1985)

.....

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	1	4	devidend	dividend
	5		in the heading payment	payable
14	VI(B)	3	delete the word 'in'	
			after adopting	
16	SNo 19	-	Champo	Champa
18	15	3	retrrns	returns

CONTENTS

	PAGE
COMPOSITION OF THE RAILWAY CONVENTION COMMITTEE (1985)	(iii)
INTRODUCTION	(v)
REPORT	1

APPENDICES

I	Statement showing the recommendations contained in the Seventh Report of Railway Convention Committee (1985) on Rate of Dividend for 1987-88 and other Ancillary Matters and action taken thereon	9
II	Concessions/reliefs on dividend available to the Railways .	13
III	Financial results of new lines taken up on or after 1.4.1955 .	15
IV	Summary of recommendations/conclusions of the Committee .	17

PART II

Minutes of the sitting of the Railway Convention Committee (1985) held on 15th February, 1988	21
---	----

ATTENTION: LIBRARY
Central Govt. Publications
Acc. No. RC-71334(3)
Date.....

385.13R

M5.10.2

**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
7. Shri Ram Dhan
8. Shri Ram Ratan Ram
9. *Shri Madhavrao Scindia
10. Shri S. Thangaraju
11. Shri V. Tulsiram
12. **Shri Kailash Yadav

Rajya Sabha

13. Shri Vishwanath Pratap Singh
14. ***Shri Dipen Ghosh

*Nominated on 27.1.86 *vice* Shri Manvendra Singh resigned w.e.f. 11.12.85.

**Nominated on 26.12.86 *vice* Shri Bansil Lal ceased to be a Member of Lok Sabha w.e.f. 10.12.86.

***Nominated on 27.8.1987 *vice* vacancy caused by his retirement from Rajya Sabha on completion of his term as Member of Rajya Sabha on 10.7.87.

(iv)

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 B.D. Duggal—*Chief Financial Committee Officer*
3. Shri Hari Krishan—*Officer on Special Duty*

*Nominated on 19.6.86 *vice* Shri M. Maddanna ceased to be a member of Rajya Sabha w.e.f. 2.4.1986.

**Nominated on 22.12.86 *vice* vacancy caused by his retirement from Rajya Sabha on the completion of his term as Member of Rajya Sabha on 4.7.86.

INTRODUCTION

1, the Chairman of Railway Convention Committee (1985) having been authorised by the Committee to submit the Report on their behalf present this Tenth Report on the Rate of Dividend payable by the Railway Undertaking to the General Revenues and other Ancillary Matters for the financial year 1988-89.

2. The Ministry of Railways (Railway Board) submitted two separate memoranda containing proposals for payment of dividend to the general revenues for the entire quinquennium 1985-86 to 1989-90 and other ancillary matters. The Committee will consider these two memoranda while giving their final report. In the meantime, the Ministry of Railways (Railway Board) submitted their third Interim Memorandum on Dividend Payable by Railways to the General Revenues, contribution to the Railway Depreciation Reserve Fund and Railway Pension Fund etc. for the year 1988-89. The Committee considered the memorandum on 15th February, 1988. This Report of the Committee was also adopted on the same day. Minutes of the sitting form Part-II of the Report.

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

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

NEW DELHI ;

February 15, 1988
Magha 26, 1909 (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 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 Ministry of Railways on 2nd January, 1987, the Railway Convention Committee (1985) had made certain recommendations in regard to the rate of dividend for the year 1987-88 and other ancillary matters in their Seventh Report presented to Parliament on 24th February, 1987. The resolution approving the recommendations made in paragraphs 8 to 12 of the Seventh Report was moved in Lok Sabha on 18 March, 1987 by the Minister for Railways and was also adopted on that day.

3. The recommendations contained in the Seventh Report and action taken by Government thereon are indicated in Appendix—I.

4. In pursuance of the recommendations of the Railway Convention Committee (1985) contained in their Seventh Report on rate of dividend for 1987-88, the Ministry of Railways submitted two separate memoranda containing proposals for payment of dividend to the general revenues for the entire quinquennium 1985-86 to 1989-90 and other ancillary matters. The Committee will consider these two memoranda while giving their final report.

In the meantime, the Ministry of Railways (Railway Board) furnish-ed their third interim memorandum on dividend payable by railways to general revenues, contribution to Railway Depreciation Reserve Fund and Railway Pension Fund etc. The Ministry of Railways have, in the interim memorandum, submitted for consideration of the Committee whether pending the final recommendations of the Railway Convention Committee, the recommendations which were the basis for preparation of budget for 1987-88 may generally be made applicable for the year 1988-89 also.

Dividend payment to General Revenues

5. The Ministry of Railways have made the following proposals :—

“Dividend to General Revenues is at present being paid at 6% on the capital invested on Railways upto 31.3.1980 (inclusive of payment to

States in lieu of passenger fare tax etc.) and 6.5% on capital invested thereafter.....it is proposed for the consideration of the Committee whether the present rate of dividend.....may provisionally be adopted for the year 1988-89 also as was agreed to for the years 1986-87 and 1987-88. All other concessions now available as listed in Appendix-II may also be allowed to continue in the meantime."

Depreciation Reserve Fund

6. The Railway Convention Committee (1985) in their Seventh Report, approving the recommendation of the Ministry of Railways regarding contribution to be made to Depreciation Reserve Fund in 1987-88 had observed as under :

"The Committee confirms 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."

The Ministry of Railways observed in this connection as follow :

"The appropriation to the Fund during the Seventh Plan period as per revised assessment is proposed at Rs. 6670 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 Seventh Plan, the appropriation to Depreciation Reserve Fund has been provided at 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 Railway's 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 1988-89 may be stepped up provisionally to about Rs. 1500 crores keeping in view the higher outlay on replacements/renewals expected next year."

Pension Fund

7. The Railway Convention Committee in their Seventh Report had observed, "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." In this connection the Ministry of Railway have submitted :

"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 including the reliefs sanctioned in terms of the Fourth Pay Commission's recommendations for pensioners. 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 1988-89, keeping in view the likely withdrawals during the year.

Interest on Railway Funds and Loan to Development Fund

8. The Railway Convention Committee (1985) in their Seventh Report had recommended 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.

They had also suggested that for the purpose of Revised Estimates for 1986-87 and Budget Estimates for 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 Works in case of inadequate or no surplus being available;
- (ii) On the rate of interest on such loans from general revenues ; and
- (iii) On the rate of interest of Railway Fund Balances.

Subsidy from General Revenues

9. In accordance with a suggestion made by the Committee in para 13 of their Seventh Report presented to Parliament in February, 1987, the Ministry of Railways conducted a financial review of 31 new lines (27 specified new lines constructed on or after 1.4.1955 on other than financial considerations, 2 new lines known as National Investment lines and 2 Ose lines) for the years 1984-85 and 1985-86. A statement showing the rate of return for the years 1984-85 and 1985-86 based on marginal cost principle for these 31 new lines mentioned above is at Appendix-III.

Element of contribution

10. The Railway Convention Committee in their Seventh Report had made the following observation in regard to restoring element of contribution in the rate of dividend :

“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”.

The Ministry of Railways in their reply have only stated that the recommendation has been 'noted'.

It may be recalled that the Ministry of Railways established Indian Railway Finance Corporation Ltd. in December, 1986 for the purpose of raising funds through public borrowing. The funds amounting to Rs. 560.00 crores were collected against the 1st Issue of Bonds floated by Indian Railway Finance Corporation in March, 1987. The rate of Interest for this issue is 10% for Rs. 250.00 crores and 9% for the balance Rs. 310.00 crores. The funds to be secured against the 2nd Issue of Bonds floated in January, 1988 carry the rate of interest at 9%.

11. The Committee recommend that the dividend to General Revenues and subsidy from the General Revenues to the Railways may be computed for the year 1988-89 at the rate of 6% on the capital invested on the Railways upto 31.3.1980 (inclusive of 1.5% on the capital invested upto 31.3.1964, 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.

12. The Committee 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, and 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 Estimate for 1988-89.

13. The Committee recommend that the contribution to Depreciation Reserve Fund from Revenue may be enhanced to Rs. 1500 crores in 1988-89.

14. The Committee recommend that the contribution to Pension Fund to which appropriation was Rs. 450 crores in 1987-88 be suitably enhanced in 1988-89, keeping in view the increasing number of Railway pensioners and reliefs granted from time to time including the reliefs sanctioned in terms of the Fourth Pay Commission's recommendations for pensioners.

15. The Committee note that from the 31 lines which enjoy relief, 18 lines are showing positive returns in the years 1984-85 and 1985-86. The Railway Reforms Committee had in this connection observed that the capital investment of all new lines should not attract dividend liability and that if these lines after their opening to traffic show a surplus on marginal costing principle, the surplus should be transferred to general revenues up to the level of normal dividend for that year. The Committee agree with

the above observation and would like the above recommendation to be implemented by the Ministry of Railways.

16. The Committee had sought the views of Ministries of Railway/ Finance about restoring the element of contribution in the rate of dividend in their Seventh Report on rate of dividend for the year 1987-88. It is relevant to point out that the Ministry of Railways have since established Indian Railway Finance Corporation for raising funds through public borrowings first at the rate of 10%, to supplement their investment plans. If the buoyancy of railway earnings permit public borrowing at higher rate of interest, there is sufficient justification to compensate the general revenues by providing higher rate of interest. The Committee recommend that the Government should give a careful thought to this question and provide suitable element of contribution to be included in the rate of dividend.

NEW DELHI ;

February 15, 1988
Magha 26, 1909 (S)

SUBHASH YADAV,

Chairman,
Railway Convention Committee.

APPENDICES

APPENDIX I

(Vide para 3 of the Report)

Statement showing the recommendations contained in the Seventh Report of the Railway Convention Committee (1985) on Rate of Dividend for 1987-88 and other Ancillary Matters and Action Taken by Government thereon.

S. No.	Para No.	Recommendation/Observation	Action taken by Government
1	2	3	4
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—	The Ministry of Railways (Railway Board) have furnished memoranda covering the entire quinquennium 1985-86 to 1989-90 vide their OMs No. 85/RCC/213 dated 10 July and 11 Dec., 1987 respectively.

1	2	3	4
		<p>Rs. 8,285.6 crores. This term borrowings, 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.</p>	
2.	8	<p>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).</p>	<p>The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1987-88.</p>
3.	9	<p>The Committee confirms 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.</p>	<p>The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1987-88.</p>

1	2	3	4
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.	The Recommendation of the Committee has been accepted and implemented in the Railway Budget for 1987-88.
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 : (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 on Railway Fund Balances.	The recommendation made by the Committee has been accepted and implemented in the Railway Budget for 1987-88.
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 withdrawals during the year.	The recommendation of the Committee has been accepted and implemented in the Railway Budget for 1987-88 by raising the amount of appropriation to Rs. 450 crores.

1	2	3	4
7.	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.	The recommendation of the Committee has been noted.
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.	The recommendation of the Committee has been noted.

APPENDIX II

(Vide para 5 of the report)

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 financing 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 in 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-Titlagarh.
- (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 year 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 9 of the Report)

Statement showing financial results of 31 new lines taken up on or after 1.4.1955 on other than financial considerations

Sl. No.	Name of the line	Rate of return %age		Remarks
		1984-85	1985-86	
1	2	3	4	5
1.	Katni-Singrauli	(+) 15.09	(+) 14.02	
2.	Bakhtiarpur-Rajgir	(—) 31.87	(—) 14.41	
3.	Barasat-Hasanabad	(—) 52.64	(—) 29.87	
4.	Pathankot-Madhampur	(+) 389.7	(+) 371.53	
5.	Raniwar-Bhildi	(—) 61.94	(—) 54.37	
6.	Barhan-Etah	(—) 27.30	(—) 36.85	
7.	Ghaziabad-Tughlakabad	(+) 72.85	(+) 136.96	
8.	Delhi Avoiding Line	(+) 28.78	(+) 75.64	
9.	Madhopur-Kathua	(+) 2.05	(+) 7.96	
10.	Robertsganj-Garwa Road	(—) 7.75	(+) 27.07	
11.	Kalkaliaghat-Dharamnagar	(—) 136.13	(—) 116.87	
12.	Quilon-Ernakulam	(+) 6.0 (67-68)	(+) 4.23 (68-69)	The MG line was later converted into BG (Opened on 23.11.75). Actual return on BG system was 11.5% during 6th year (1981-82) as against 12.8% anticipated.

1	2	3	4	5
13.	Bangalore-Salem	(+)2.95	(+)1.15	
14.	Hasan-Mangalore	(—)2.76	(—)2.26	
15.	Khandwa-Hingoli	(+)6.17	(+)20.0	
16.	Toranagallu-Mudukulapenta (Ranjeetpura)	(+)39.58	(+)40.30*	*Under DCF Method
17.	Rail link to Haldiaport	(+)1.32	(+)1.93	
18.	Barabil-Panposh	(+)108.70	(+)102.62	
19.	Champo-Korba	(+)1749.12	(+)3566.96	
20.	Champa-Korba extension	(+)230.88	(—)1.64	
21.	Hatia-Nawagaon	(—)1.21	(—)0.63	
22.	Fatehpur-Churu	(—)27.23	(—)65.53	
23.	Sabarmati-Gandhinagar	(+)14.44	(+)14.64	
24.	Dabla-Singhana	(+)30.07	(+)19.46	
25.	Guna-Maksi	(—)2.04	(—)8.42	
26.	Udaipur-Himmatnagar	(—)32.91	(+)9.09	
27.	Gandhidham-New Kandla	(—)108.42	(—)57.86	
NATIONAL INVESTMENT LINES				
1.	Jammu-Kathua	(+)19.96	(+)95.23	
2.	Tirunelveli-Kanyakumari Trivandrum-Nagarcoil	(+)0.25	(+)1.80	
ORE LINES				
1.	Sambalpur-Titlagarh	(+)1.64	(+)3.05	
2.	Bimlagarh-Kiriburu	(+)154.52	(+)200.68	

APPENDIX IV

(*Vide* para 4 of the Introduction)

Summary of the Conclusions/Recommendations of the Committee

S. No.	Para No.	Conclusions/Recommendations
1	2	3
1.	11	The Committee recommend that the dividend to General Revenues and subsidy from the General Revenues to the Railways may be computed for the year 1988-89 at the rate of 6% on the Capital invested on Railways upto 31.3.1980 (inclusive of 1.5% on the capital invested upto 31.3.1964, 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.
2.	12	The Committee 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, and 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 Estimate for 1988-89.
3.	13	The Committee recommend that the contribution to Depreciation Reserve Fund from Revenue may be enhanced to Rs. 1500 crores in 1988-89.
4.	14	The Committee recommend that the contribution to Pension Fund to which appropriation was Rs. 450 crores in 1987-88 be suitably enhanced in 1988-89, keeping in view the increasing number of Railway pensioners and reliefs granted from time

1

2

3

to time including the reliefs sanctioned in terms of the Fourth Pay Commissions' recommendations for pensioners.

5. 15

The Committee note that from the 31 lines which enjoy relief, 18 lines are showing positive returns in the years 1984-85 and 1985-86. The Railway Reforms Committee had in this connection observed that the capital investment of all new lines should not attract dividend liability and that if these lines after their opening to traffic show a surplus on marginal costing principle, the surplus should be transferred to general revenues up to the level of normal dividend for that year. The Committee agree with the above observation and would like the above recommendation to be implemented by the Ministry of Railways.

6. 16

The Committee had sought the views of Ministries of Railway/Finance, about restoring the element of contribution in the rate of dividend in their Seventh Report on rate of dividend for the year 1987-88. It is relevant to point out that the Ministry of Railway have since established Indian Railway Finance Corporation for raising funds through public borrowings first at the rate of 10% to supplement their investment plans. If the buoyancy of railway earnings permit public borrowing at higher rate of interest, there is sufficient justification to compensate the general revenues by providing higher rate of interest. The Committee recommend that the Government should give a careful thought to this question and provide suitable element of contribution to be included in the rate of dividend.

PART—II

*Minutes of the sitting of the Railway Convention Committee
(1985) held on 15th February, 1988.*

RAILWAY CONVENTION COMMITTEE (1985)

**40th Sitting
15.2.1988**

The Railway Convention Committee held its sitting from 15.00 hrs. to 15.40 hrs.

PRESENT

MEMBERS OF THE COMMITTEE

1. **Shri Bhagatram Manhar—*In the Chair***
2. **Shri Vijay N. Patil**
3. **Shri B. Devarajan**
4. **Shri V. Tulsiram**
5. **Shrimati Amarjit Kaur**

SECRETARIAT

1. **Shri K.H. Chhaya—*Joint Secretary.***
2. **Shri Hari Krishan—*Officer on Special Duty.***

In the absence of Chairman, Railway Convention Committee, Shri Bhagatram Manhar was elected to preside.

The Committee considered and adopted the draft Report on "Payment of Rate of Dividend and other Ancillary Matters for 1988-89", subject to minor deletion in paragraph 16 of the draft Report.

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

Thereafter the Committee adjourned.