

**RAILWAY CONVENTION COMMITTEE
(2004)**

(FOURTEENTH LOK SABHA)

**FOURTH REPORT
ON
REVIVAL OF CAPITAL FUND FROM 2005-06**

Presented in Lok Sabha on 22.12.2005

Laid in Rajya Sabha on 22.12.2005

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**LOK SABHA SECRETARIAT
NEW DELHI**

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RAILWAY CONVENTION COMMITTEE (2004)

CHAIRMAN

Shri Gingee N. Ramachandran, MP

MEMBERS **LOK SABHA**

2. Shri Atique Ahamad
- * 3. Prof. Rasa Singh Rawat
4. Shri Raghunath Jha
5. Shri Kailash Joshi
6. Shri Babu Lal Marandi
7. Shri Nizamoddin
8. Shri M. Rajamohan Reddy
9. Shri Madan Lal Sharma
10. Shri D. Venugopal
11. Shri Rajesh Verma
12. Shri Mahboob Zahedi

RAJYA SABHA

13. Shri Vijay J. Darda
14. Shri Surendra Lath
15. Dr. Narayan Singh Manaklao
16. Shri K.Rama Mohana Rao
17. Shri Dwijendra Nath Sharmah
18. Shri A. Vijaya Raghavan

SECRETARIAT

- | | | | |
|----|----------------------------|---|----------------------|
| 1. | Shri John Joseph | - | Secretary |
| 2. | Smt. Paramjeet Kaur Sandhu | - | Additional Secretary |
| 3. | Shri A.K. Singh | - | Joint Secretary. |
| 4. | Shri V.S. Negi | - | Director |
| 5. | Shri O.P. Shokeen | - | Under Secretary |

* Nominated vide Bulletin dated 29.3.2005 to be Member of RCC *vice* Shri S. Bangarappa, who resigned from Lok Sabha on 10th March, 2005

INTRODUCTION

I, the Chairman, Railway Convention Committee (2004), having been authorised by the Committee to present the Report on their behalf, present this Fourth Report on 'Revival of Capital Fund from 2005-06.'

2. The Railway Convention Committee (2004) took up for examination the Memorandum submitted by the Ministry of Railways on the subject 'Revival of Capital Fund from 2005-06'. The Committee took evidence of the representatives of the Ministry of Railways on 1st December, 2005 and after taking into consideration the views of the Ministry, the Committee recommended that the Capital Fund may be made operative from 2005-06 onwards so that surplus fund is ploughed back into the system (Railways) to give return to the system by way of improved efficiency.

3. The Committee wish to express their thanks to the representatives of the Ministry of Railways for placing before them their views and for furnishing information desired in connection with the examination of the Memorandum.

4. The Committee considered and adopted this Report at their sitting held on 21st December, 2005. The Minutes of the sittings of the Committee are appended to the Report in **Part – II**.

New Delhi ;
21th December, 2005
30 Agraphayana, 1927 (S)

(*Gingee N Ramachandran*)
CHAIRMAN
RAILWAY CONVENTION COMMITTEE

PART - I

REPORT

CAPITAL FUND - BACKGROUND

The Ministry of Railways in the year 1992-93, with the approval of Railway Convention Committee (1991), set up a Capital Fund with the express purpose of financing part of the requirement for works of a capital nature. After providing for appropriation to Development Fund the balance of 'Excess' is appropriated to the Capital Fund.

2. This Fund remained operational till 2001-02. Thereafter, as a result of the implementation of the Fifth Central Pay Commission's recommendations, Railways were not able to generate enough internal resources for being appropriated to this Fund. Hence, with the approval of the successive Railway Convention Committees, the Fund has been kept inoperative after 2001-02.

NEED FOR REVIVAL OF CAPITAL FUND

3. The Ministry of Railways have submitted that due to better and sustained performances in freight loading and passenger growth, this year as well as in the previous year as compared to earlier years, the fund balance of around Rs.10000 crore is likely to be achieved and some money can be appropriated to the Capital Fund. Further, the buoyant economy of the Country has necessitated for speedy completion of certain critical and throughput enhancement works and enhanced plan outlay. In the Mid Term Appraisal, Railways had projected the requirement at Rs.39,765 crore for the remaining two years of the Tenth Plan. The Planning commission, however, has made it clear that since the current level of Gross Budgetary Support of about Rs.7231 crore can be raised only marginally because of fiscal constraints, mobilization of additional resources through

various other measures is unavoidable. Budgetary Support is primarily used for project heads and also other financially viable works. As additional budgetary support in the remaining period is not assured there is an imperative necessity for the Railways to devise a mechanism to complete critical Doubling and other works through other means. It is, therefore, proposed to revive the Capital Fund to fund Doubling Projects and also other financially viable, critical and operationally required throughput enhancement and traffic facility works. This decision will be reviewed after a period of 3 years. The Railways will identify and freeze the number of works to be funded by the Capital Fund consistent with anticipated availability of resources in the next 3 years and categorize them as “Orange Book”.

4. While explaining before the Committee, the necessity for reviving of the Capital Fund, Member, Engineering (Railway Board), elaborated as under:

“Practically, all the trunk routes are now saturated or super saturated. Passenger and goods trains are moving one after another. We are having trains in such a condition that there is overcrowding and queue formation. As a result, a single obstruction or equipment failure affects trains, running in a big way. It is because of the buoyant economy of the country that our traffic is also increasing. We were using and trying all our methods for improving our throughput. But a situation has now come that unless we do something for improving our throughput enhancement works in a big way, in the years to come we shall not be able to carry traffic offered to us. Whereas with this resurgence in the economy of the country, Railways are expected to carry more traffic. In all, probably we will not be able to carry the traffic for want of line capacity. we want to get the benefit of dedicated freight corridors which will take a long time but action should be taken in that direction. So, for the next three or four years, if we have to survive, it would be only by improving our throughput works and doubling works etc. That is why this Capital Fund, which will be mostly used for these identified projects and which will improve our capacity for carrying more traffic, will be utilized.”

5. While proposing for revival of the Capital Fund, the Ministry of Railways have submitted the following facts:

(i) Financial Performance of Indian Railways

(a) 2004-05

Railways ended the fiscal year 2004-05 with a freight loading of 601.89 million tonnes, which was higher than the enhanced Revised target of 600 mt. The incremental freight loading for 2004-05 works to 44.5 mt. over the freight loading of 2003-04. In the passenger segment also, the anticipated growth in originating passengers was achieved. As a result, the freight and passenger earnings for the fiscal surpassed the revised targets. The overall traffic earnings at Rs.46,762 crore exceeded the Revised target of Rs.46,635 crore, which itself was Rs.1838 crore higher than the Budget Estimates target of Rs.44,797 crore. The internal resource generation also increased to Rs.5473 crore over the budgeted internal resources of Rs.3775 crore and the revised estimate of Rs.4951 crore. As per revised estimates of 2004-05, the fund balances were expected to close at Rs.6963 crore. Due to improved results, the actual closing balances are at Rs.7785 crore, indicating an improvement of Rs.822 crore over Revised Estimate. Railways also cleared the deferred dividend liability to the extent of Rs.483 crore as against Rs.300 crore projected in the Revised Estimate.

(b) 2005-06

The trend of loading and earnings from the figures available for the first 5 months of the current financial year also is encouraging. The loading to end August, 2005 is 5.66mt more than the target and 25.84 mt. more than the loading during the corresponding period of previous year. As against the budgeted growth of 6% in freight traffic and 4% in

passenger traffic, the performance during April to August in the current year reflects a healthy growth of about 11% in freight traffic and 7% in passenger traffic. Accordingly, the earnings of the Railways upto August (Approx.) in the current year have far exceeded the proportionate target by Rs.768 crore. The growth in earnings to end of August 2005 works out to 14% over the earnings achieved during the corresponding period of the previous year. It may also be mentioned that to maintain the tempo of growth in passenger traffic and increase in the market share of goods traffic, an action plan has been drawn up for achieving the mission of loading 700 mt. of revenue earning freight and bringing down the Operating Ratio from 91% to 85%. Though the working expenses are also expected to increase (partly on account of the increase in diesel prices during this year, and partly due to the increase in level of activity), surplus projected in the Budget Estimate may go up even after providing for the likely increase in Railways' working expenses.

6. While elaborating the physical performance before the Committee, the Chairman, Railway Board, stated as under:-

“This year, our performance is even better than last year. Up to October this year, Railway had loaded 31.72 mt. more than the comparative performance of the previous year. Railways target for 2005-06 of freight loading in the Budget Estimate was 635 mt. we have revised it to 650 mt. Railways is also witnessing passenger growth of 6.5 per cent, which is almost double of what we used to witness in the earlier years, when it used to be around three per cent. This year, it is at 6.5%; the non-suburban growth is 9.5%.. This is moving further up during current month. Railways earnings are 14.5% more than the last year whereas the expenditure has increased by only 9% up to the end of October.”

(ii) Reduction in Rate of Dividend

7. While taking note of the need for a downward revision of the rate of dividend, the Railway Convention Committee (2004) had recommended for reduction in the rate of

dividend from 7% to 6.5% for the years 2004-05 and 2005-06 and was approved by the Parliament.. The relief provided in the rate of dividend has had a favourable impact on the Railway Finances in the year 2004-05 and is expected to continue for the year 2005-06 also. Thus, Railways are expected to generate more surplus than originally envisaged for the year 2005-06.

(iii) Re-payment of Deferred Dividend Liability

8. When asked whether the Ministry of Railways have cleared their deferred dividend liability, the Ministry of Railways in their memorandum submitted as under:-

“.....due to critical financial position, Railways had deferred dividend payment to the extent of Rs.2823 crore in 2000-01 and 2001-02. With the improvement in financial position, Railways have started repayment of this amount from 2002-03 onwards. An amount of Rs.833 crore has already been repaid upto 2004-05 and now the balance left is Rs.1990 crore. In the Budget Estimates for the current year, a provision of Rs.300 crore has been made towards deferred dividend payment. As per Government’s decision, the deferred dividend was to be repaid in nine years. This time frame was subsequently reduced to eight years. With the improvement in the financial position as brought out above, it is now intended to repay the deferred dividend in five years. The amount to be paid on this account in the current year would now come to Rs.663 crore instead of Rs.300 crore budgeted.

OBSERVATIONS OF THE MINISTRY OF FINANCE ON REVIVAL OF CAPITAL FUND

9. Ministry of Finance’s observations on the Railways’ proposal on reviving the Capital Fund are as under:-

“As the balances from the Capital Fund are proposed to be spent on special capital expenditure such as doubling projects and other financially viable, critical and operationally required throughput enhancement and traffic facility works, we support the proposal of the Railways on operation of Capital Fund”.

RECOMMENDATIONS

10. After taking into account the financial performance of the Railways for the years 2004-05 and 2005-06 and also the observations of the Ministry of Finance on the subject 'Revival of the Capital Fund', the Committee are of the view that there is a need of revival of the Capital Fund for operationally required throughput enhancement and traffic facility works. Therefore, the Committee recommend that the Capital Fund may be made operative from 2005-06 onwards so that surplus fund is ploughed back into the system (Railways) to give return to the system by way of improved efficiency.

11. However, the Committee desire that the exact amount appropriated in the Capital Fund; Railway projects/works taken up/to be taken up for execution from this Fund; their target dates of completion; time and cost over-run, if any, may be placed before the Committee.

New Delhi ;
21st December, 2005
30 Agrahayana, 1927 (S)

Gingee N Ramachandran
CHAIRMAN
RAILWAY CONVENTION COMMITTEE

PART - II

**MINUTES OF THE THIRTEENTH SITTING OF THE RAILWAY
CONVENTION COMMITTEE (2004) HELD ON 1st DECEMBER, 2005.**

* * *

The Committee sat on Thursday, the 1st December in Main Committee Room, Parliament House Annexe New Delhi from 1515 hrs to 1640 hrs.

PRESENT

Shri Gingee N. Ramachandran - Chairman

MEMBERS
LOK SABHA

2. Shri Madan Lal Sharma
3. Shri Rajesh Verma

RAJYA SABHA

4. Shri Vijay J. Darda
5. Shri Surendra Lath
6. Dr. Narayan Singh Manaklao

SECRETARIAT

1. Shri A.K. Singh - Joint Secretary
2. Shri V.S. Negi - Director
3. Shri O.P. Shokeen - Under Secretary

REPRESENTATIVES OF MINISTRY OF RAILWAYS

- (i) Shri J.P. Batra - Chairman, Railway Board and ex-officio Principal Secretary to the Government of India.
- (ii) Shri R. Sivadasan - Financial Commissioner, Railways and ex-officio Secretary to the Government of India
- (ii) Shri R.R. Jaruhar - Member Engineering, Railway Board and ex-officio Secretary to the Government of India.
- (iv) Shri S.B. Ghosh Dastidar - Member Traffic, Railway Board and ex-officio Secretary to the Government of India.

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee xxxxxxxxxxxxxxxxxxxxxxxxxxxx Thereafter, he also welcomed the representatives of the Ministry of Railways (Railway Board) and invited their attention to Direction 58 of the Directions by the Speaker, Lok Sabha.. Thereafter, the Committee took the oral evidence of the representatives of the Ministry of Railways on the subject 'Revival of Capital Fund from 2005-06'. The representatives of the Ministry of Railways briefed the Committee and placed their views on the subject before the Committee. The evidence concluded.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

