

16

**STANDING COMMITTEE ON RAILWAYS
(2005-06)**

FOURTEENTH LOK SABHA

**MINISTRY OF RAILWAYS
(RAILWAY BOARD)**

**EXPANSION OF RAILWAY NETWORK – NEW LINES, GAUGE
CONVERSION, DOUBLING AND ELECTRIFICATION**

SIXTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2005/Agrahanaya, 1927 (Saka)

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Presented to Lok Sabha on 08.12.2005

Laid in Rajya Sabha on 08.12.2005



LOK SABHA SECRETARIAT
NEW DELHI

December, 2005/Agrahanaya, 1927 (Saka)

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	4
INTRODUCTION	5
PART – I	
Report	
Report.....	6
Recommendations/Observations.....	29

COMPOSITION OF THE STANDING COMMITTEE ON RAILWAY (2005-06)

Shri Basudeb Acharia - **Chairman**

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LOK SABHA**

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3. Shri Dharendra Agarwal
4. Shri Atique Ahamad
5. Shri Ajaya Kumar
6. Shri Subrata Bose
7. Shri Bapu Hari Chaure
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9. Shri Giridhar Gamang
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13. Shri Mahesh Kanodia
14. Shri C. Kuppusami
15. Smt. Kalpana R. Narhire
16. Shri Rajendrasinh Rana
17. Shri Kishan Singh Sangwan
18. Shri Iqbal Ahmed Saradgi
19. Dr. Arun Kumar Sarma
20. Ch. Lal Singh
21. Mohd. Tahir

RAJYA SABHA

22. Smt. Kamla Manhar
23. Shri Karnendu Bhattacharjee
24. Maulana Obaidullah Khan Azmi
25. Shri Lalit Kishore Chaturvedi
26. Shri Su. Thirunavukkarasar
27. Shri Tarini Kanta Roy
28. Shri R. Kamraj
29. Shri Isam Singh
30. Shri Harendra Singh Malik
31. Shri Abani Roy

LOK SABHA SECRETARIAT

- | | | | |
|----|-----------------------|---|----------------------|
| 1. | Shri John Joseph | - | Secretary |
| 2. | Dr.(Smt.) P.K. Sandhu | - | Additional Secretary |
| 3. | Shri V.S. Negi | - | Director |
| 4. | Shri U.C. Bharadwaj | - | Executive Officer |

INTRODUCTION

I, the Chairman, Standing Committee on Railways (2005-06), having been authorised by the Committee to present the Report on their behalf, do present this Sixteenth Report of the Committee on 'Expansion of Railway Network – New Lines, Gauge Conversion, Doubling and Electrification'.

2. The Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on 11th August, 26th September and 8th November, 2005. They also took evidence of the representatives of Rail Vikas Nigam Limited on 8th November, 2005.

3. The Committee considered and adopted the Report at their sitting held on 7th December, 2005. Minutes of the sittings held on 11th August, 26th September, 8th November and 7th December, 2005 form Part-II of the Report.

4. The Committee wish to express their thanks to the representatives of the Ministry of Railways (Railway Board) and the Rail Vikas Nigam Limited for appearing before the Committee and furnishing the material and information desired by the Committee in connection with the examination of the subject.

NEW DELHI;
08 December, 2005
17 Agrahanaya, 1927 Saka

BASUDEB ACHARIA
Chairman,
Standing Committee on Railways

DRAFT REPORT

Expansion of Railway Network

Chapter-I

Introduction

The Indian Railways being a vital component of infrastructure required for continuous progress and development plays a paramount role in growth of country's economy. It started its maiden journey on 16th April, 1853 from Boribunder to Thane covering a short distance of 34 Kms. It was a giant leap for the necessity of economic development of sub-continent. The Indian Railways, as on 01.04.1951 had a rail network of 53596 kms including 25258 kms of broad gauge, 24185 kms of meter gauge and 4153 kms of narrow gauge. The process of Rail network expansion further continued and as on 31.03.2004 the Railways were having rail network of 63221 route kms comprising 46807 kms of broad gauge, 13290 kms of metre gauge and 3124 kms of narrow gauge. Indian Railways own a fleet of 228170 wagons, 40781 coaches and 7817 locomotives. They are running daily 13684 trains which includes 8622 passenger trains carrying about 14 million passengers and 1.6 million tonne freight traffic covering 7031 stations.

1.2 The Indian Railway system is managed through 16 Zones and 67 operating Divisions. There are six production units also engaged in manufacturing rolling stock, wheels and axles and other ancillary components to meet their requirement. The formation of policy and overall control of the Railways is vested in the Railway Board comprising the Chairman, Financial Commissioner and other functional Members for Traffic, Engineering, Mechanical, Electrical and Staff matters. Research, Designs and Standards Organisation (RDSO) located at Lucknow with the status of a Zonal Railway is the sole wing of the Railways for Research and Development activities. It functions as the technical Advisor and Consultant to the Ministry, Zonal Railways and Production Units.

1.3 Expansion and strengthening of the railway network which involves investment in new lines, gauge conversion, doublings, railway electrification and

metropolitan transport projects is a continued and relentless pursuit of the Indian Railways. These projects are sanctioned on the basis of their remunerative return and critical operational needs. To maintain and augment the existing capacity of railway system, Indian Railways draw up their Five Year Railway Plan as well as Annual Plan in consultation with the Planning Commission. Railways undertake exercises to identify the needs of their network taking into account the viability, operational requirement and socio economic developmental needs of the backward areas. Commercially non-viable but socially desirable projects are taken up in the national interest and also taking into account the considerable public interest usually evoked by public representatives.

1.4 Railway projects are being funded from the three sources viz. (i) Capital/Budgetary Support from the General Exchequer, (ii) Internal Generation of Resources and (iii) Market Borrowings. Apart from this, there are certain projects which are being executed on the basis of cost sharing with the State Governments, funded by Ministry of Defence and Public Private Partnership. The position in regard to funding and implementation of projects has undergone a considerable change in the past few years. A number of non budgetary initiatives have been taken to generate additional resources to expedite the completion of ongoing projects. In this pursuit, the Ministry of Railways have constituted Rail Vikas Nigam Limited (RVNL) in 2003 to mobilise the required funds from the open market and the expedite the execution of bankable projects on fast track.

1.5 To keep pace with the growth of country's economy, the Railways have identified the modernisation of rail infrastructure as one of the high priority areas and formulated an Integrated Modernisation Plan covering the period 2005-06 to 2009-10 with the aim of transforming the Indian Railways into a modern system by global standards. This plan with an estimated cost of about Rs.24000 crore envisages modernisation of passenger business segment, freight business segment and other modernisation initiatives within a definite time frame for implementation. The passenger segment envisages running of trains at the speed of 150 KMPH on selected routes; increased induction of latest technology coaches with improved safety features. It also envisages running of freight trains at 100 KMPH on Golden Quadrilateral and its diagonals, introduction of higher axle load, double stack

containers and roll-on-roll-off wagons on the identified routes. Introduction of light weight and corrosion resistant steel and aluminum wagons, extension of Freight Operation Information System to cover Terminal, Rake and Crew Management System and completion of works identified under National Rail Vikas Yojana alongwith some other throughput enhancement works, modernisation of Track, Bridge Management System, Signalling, Telecommunication, mechanical and Electrical System. The Railways also included a premier scheme called 'Remote Area Rail Sampark Yojana' in their Interim Rail Budget 2004-05. This scheme envisages an investment of about Rs.20,000 crore in a time frame of 5 years to expedite the completion of 60 sanctioned new line and gauge conversion projects which have primarily been taken up on socio-economic consideration.

1.6 As on 01.04.2005, the Railways have 240 projects under execution which consist of New Lines, Gauge Conversion, Doubling, Railway Electrification and Metropolitan Transport Projects. The status of these ongoing projects Railway-wise and Plan Head-wise are given at Appendix-I. Out of these, 53 projects have now been transferred to Rail Vikas Nigam Limited (RVNL) for execution.

CHAPTER-II

Expansion of Rail Network - Policy & Procedure

Demands for railway projects such as new lines, doubling and gauge conversion are received by the Railway Board from State Governments, Members of Parliament and other public representatives, Ministry of Defence for construction of lines required on strategic considerations, Ministry of Coal for serving new coal mines, Ministry of Steel for construction of lines to serve the Steel Plants and so on.

Policy for Taking up New Projects

2.2 The policy for taking up New projects by the Railways has been as under:-

(a) New Lines – The policy for taking up New Line projects has been enunciated by the National Transport Policy Committee in 1980. As per this policy New Lines are to be taken up on the following criteria.

- (i) Projects oriented lines to serve new industries for tapping mineral and other resources.
- (ii) Missing links for completing alternative routes to relieve congestion on existing saturated routes;
- (iii) Lines required for strategic reasons; and
- (iv) Lines for establishment of new growth centers or giving access to remote areas.

(b) Gauge Conversion - The Policy followed for selection of routes to be taken up for Gauge Conversion under Project Uni-Gauge has been as under:-

- (i) To take up conversion of lines to develop alternative BG routes obviating the need for doubling existing BG lines on these routes.
- (ii) To establish new BG links between stations connected by other BG lines.
- (iii) To establish BG connection to ports, industrial centers and locations having potential for growth.
- (iv) To take up conversion of lines required on strategic considerations.

- (v) To minimize transshipment and to improve wagon turn around by avoiding delays at transshipment points.
 - (vi) To carry out the conversion of lines as per the above policy at least cost yet providing a standard of service not lower than what the rail users were getting on the MG.
- (c) Doubling – Doubling or multi lines are taken up on operational considerations when the carrying capacity of the existing lines is saturated. However, besides the above criteria, a number of projects are taken up under New Line and Gauge Conversions on socio-economic considerations to provide connectivity to backward, under developed and remote areas with the main stream.

Procedure for clearance and approval of projects

2.3 Surveys of the projects are taken up only after the examination of the demand for project prima-facie indicates the possibility of some traffic or developmental potential. Once the survey reports about feasibility, work content, approximate cost of construction, traffic potential, rate of return etc. become available, these are thoroughly scrutinize in the Railway Board and those surveys which show some potential are recommended to the Planning Commission for consideration. For projects costing up to Rs.50 crores Planning Commission's concurrence is required for inclusion of the project in budget. Project costing over Rs.50 crore is sent to Expanded Board along with appraisal note of the Planning Commission. The Expanded Board consists of Members of the Railway Board, Secretaries of the Ministry of Finance (Expenditure), Planning Commission and the Department of Programme Implementation. The proposals cleared by the Expanded Board are then sent to Cabinet Committee on Economic Affairs (CCEA) for approval. Finally on approval by CCEA, these project proposals are included in the Railway Budget for seeking approval of the parliament. To expedite the execution of bankable projects, the Ministry has now created Rail Vikas Nigam Limited (RVNL) as a Special Purpose Vehicle (SPV), which can directly approach Ministry of Finance for clearance of such projects.

2.4 While replying to a query whether the Railways are reviewing their Policy Guidelines adopted in the backdrop of National Transport Policy Committee, keeping into account the present scenario, the Chairman, Railway Board stated as under:-

“This thought has been the uppermost in our mind. A number of deliberations have taken place in the Railway Board before my taking over. We are facing competition from road as also from air. We had worked out, as a first step, that our approach should be goal-oriented. We identified our very busy corridors, the corridors which were carrying the maximum amount of traffic, which were obviously the Golden Quadrilateral and Delhi-Guwahati route. It was decided that we should concentrate our resources first on these routes. So, the thrust was that we should adopt a route-wise approach in upgrading our system to meet this challenge.”

Rate of Return (ROR)

2.5 The Railways have a fixed Rate of Return of 14% to decide the viability of a project. The Standing Committee on Railways in their Eleventh Report on ‘Tenth Five Year Plan of the Railways’ have recommended to review the extant ROR so that more and more projects could be brought into the ambit of viability. However, Action Taken is awaited from the Ministry in this regard.

2.6 The Financial Commissioner responding to the foregoing view of the Committee, commented as under:-

“we have a large shelf of projects. Most of them have got negative rate of return. Therefore, there is no proposal to bring down the rate of return. For the purpose of viability of a project, we do not propose to do anything because negative rate of return means that operating losses will go up as and when projects are completed. Therefore, if the Railways have to sustain the financial health, it is necessary to include only those projects which are viable. For the present, we do not consider any rate viable other than 14 per cent. We do not want to change it for the present. Actually, the year before last, the interest rate had come down. Again, the interest rates are going up. Therefore, taking into account the various factors and also the need to

maintain the financial health of the system, we do not propose to change it from 14 per cent.”

Fixation of Priority

2.7 The Railways prioritized their projects in November, 1998 and since then they are doing the same exercise on year to year basis keeping into account the availability of funds and operational requirements. During the current year the Railways have prioritized the projects in the following four categories:-

Category-I - Ongoing New Lines and Gauge Conversion Projects where progress is more than 60% and throw forward is less than Rs.100 crore.

(Number of Projects – 8)

Category-II - Viable/Operationally Required Projects

(Number of Projects – 4)

Category-III - National Projects, projects in Assam & North East Region, Cost sharing with State Governments Defence funded projects and projects covered under public private partnership.

Number of projects –

(A) National Projects- 4

(B) Assam and Northeast Region – 8

(C) Cost Sharing with State Governments – 7

(D) Defence Funded – 2

(E) Public Private Partnership – 3

Category-IV - Others Ongoing Projects of New Lines and Gauge Conversion not covered in above categories (I,II, and III)

(Number of Projects –84)

From the above it can be inferred that 120 projects have been prioritized by the Railways. 53 Projects have been referred to RVNL. The remaining 67 projects out of the total 240 projects do not find any place in the priority list. The details of the prioritized projects alongwith their throw-forward as on 01.04.2005 is given at Appendix-II.

Chapter-III

Rail Network, Plan Investments and Throw forward

Expanded Rail Network

Since 1951 upto Ninth Five Year Plan including four Annual Plans in between, a total of 10,998 kms. of new lines, 12,048 kms. gauge conversion and 12,401 kms. of doubling have been completed. The details of the expanded Railway Network since the First Five Year Plan (1951-56) to Ninth Five Year Plan is as under:-

Figures in Kms.

Plan/Annual Plan	New Line	Gauge Conversion	Doubling	Total	Railway Electrification
1 st Plan (1951-56)	1300	56	370	1726	141
2 nd Plan (1956-61)	1253	89	1514	2856	216
3 rd Plan (1961-66)	2198	346	3228	5772	1678
Annual Plan (1966-69)	1060	0	1277	2337	814
4 th Plan (1969-71)	681	126	1452	2259	953
5 th Plan (1974-79)	798	479	550	1827	533
Annual Plan (1979-80)	140	0	75	215	195
6 th Plan (1980-85)	1047.94	1267	706	3020.9	1522
7 th Plan (1985-90)	881.25	327	875.38	2083.6	2812
Annual Plan (1990-91)	107.11	223	209.23	539.34	831
Annual Plan (1991-92)	193	135	212.89	540.89	726
8 th Plan (1992-97)	677	6897	941.84	8515.8	2708
9 th Plan (1997-2002)	662	2103	990	3755	2484

3.2 As per the Mid Term Appraisal Report, the achievement of targets in the first 3 years of Tenth Five Year Plan are as under:-

	Target for X Plan	2002-03 (Actual)	2003-04 (Prov.)	2004-05 (Target)	Total
New Lines (Kms.)	1310	178	162	205	545
Gauge Conversion (Kms.)	2365	830	854	841	2525
Doubling (Kms.)	1500	194	206	307	707
Railway Electrification (Kms.)	1800	455	504	375	1334

The actual achievement in the first 3 years of the Tenth Plan period has been as under:-

New Lines	-	490 Kms
Gauge Conversion	-	2463 Kms
Doubling	-	682 Kms
Railway Electrification	-	1279 Kms

The target of gauge conversion was enhanced to 4000 kms by Ministry of Railways during Mid Term Appraisal but the Report indicates the target as 2365 kms. only as fixed originally.

3.3 Responding to the concern of the Committee that the expansion of Railway network has not been satisfactory and at par with that of Chinese Railway, the Chairman, Railway Board stated as under:-

"I will put it slightly differently for you to appreciate that we had a broad-gauge network of 25,258 kms. Due to gauge conversion, new lines addition etc. today, we have a broad-gauge network of 47,736 kms. In the total network-you are right- we have added about 10,000 kms. But there has been a shift. The broad-gauge network has expanded. The meter gauge and the narrow gauge have contracted due to various decisions taken by the Ministry of Railways.

You have also mentioned about fast progress made by China whereas we are moving very slowly. It is a fact that we are moving slowly. We found that shortage of resources coupled with long time taken by us in implementing the projects made us advance very slowly."

3.4 On being asked by the Committee to give reasons for not giving enough attention or thrust in the past for expansion of railway infrastructure, the Chairman, Railway Board replied:-

"up to 1985, we depended on Annual Plans. We depended to a great measure on budgetary support. Our First Corporate Plan was drawn out in 1985. That was the first attempt at drawing the Corporate Plan and we worked it through. It had its own limitations. Half way through we found out that we have exceeded some of the targets set in the Corporate Plan. In some areas, we also diverted from the Corporate Plan. That was our first attempt. Somehow, we went through it. Based on that experience, we are now preparing the Second 15-year Corporate Plan. The drafts are ready; they are being discussed...the present Corporate Plan will be a better document which will reflect our intentions much more clearly than the previous one. There is however, no denying the fact that the growth in network was low particularly because of the in-adequate budgetary support."

Planned Investment

3.5 The Government over the planned periods have supported the Railways in their pursuit for expansion, development and modernisation of their rail network. The Railways have received Rs. 58,474 crore as Budgetary/Capital Support from the Central Exchequer upto 2004-05 (BE) for this purpose. However, the Railways paid Rs.34756 crore as dividend to the Central Exchequer in lieu of the foregoing support. The details of the investment made by the Railways till 2004-05 (BE) for the expansion of Rail Infrastructure are as under:-

Annexure - I

Financing of Railways' Plan

Plan	Internal Resources		Borrowings through				Safety Fund				Total Internal & Extra-budgetary Resources		Capital from General Exchequer		Total		
	Amount	%age	I.R.F.C. Amt.	%age	BOLT & OYW Amt.	Total Amt.	%age	RSF Amt.	GBS Amt.	SRSF Rly Amt.	Total Amt.	%age	Amt.	%age		Amt.	%age
I	280	66%											280	66%	142	34%	422
II	467	45%											467	45%	576	55%	1043
III	545	32%											545	32%	1140	68%	1685
1986-89	320	42%											320	42%	442	58%	762
IV	397	28%											397	28%	1031	72%	1428
V	384	25%											384	25%	1141	75%	1525
1978-80	316	25%											316	25%	935	75%	1251
VI	2783	42%											2783	42%	3802	59%	6585
VII	7089	43%	2520	15%		2520	15%						7089	43%	9609	59%	16949
1980-81	2091	43%	1092	23%		1092	23%						2091	43%	3183	66%	4815
1991-92	2134	40%	1503	28%		1503	28%						2134	40%	3637	67%	5393
VIII	18832	58%	5565	17%	596	6161	19%						18832	58%	24993	77%	32306
IX																	
1997-98	3452	42%	2236	27%	559	2795	34%						3452	42%	6247	76%	8239
1998-99	3455	39%	2841	33%	276	3217	36%						3455	39%	6672	75%	8857
1999-2000	3550	39%	2785	31%	134	2919	32%						3550	39%	6468	71%	9057
2000-01	3229	34%	2818	31%	79	2897	31%						3229	34%	6126	70%	9395
2001-02	2051	20%	2167	31%	8	2175	21%	140	1000	434	1574	15%	2051	20%	4226	42%	10177
Total IX	16737	34%	12947	28%	1056	14003	31%	140	1000	434	1674	3%	16737	34%	29740	65%	45725
X																	
2002-03	1977	17%	2517	34%	0	2517	22%	164	1350	1136	2650	23%	1977	17%	4494	39%	11408
2003-04(Provis)	2492	19%	2807	27%	30	2837	21%	166	1600	984	2750	21%	2492	19%	5329	40%	13394
2004-05 (BE)	2870	20%	3400	23%	50	3450	24%	401	2075	858	3334	23%	2870	20%	6320	44%	14496

Rs 1137 cr additional Budgetary Support has been provided for 2004-05 by the Planning Commission. In addition Rs. 400 crores has been provided by Ministry of Finance for progressing in National project of Uddampur-Srinagar-Baramulla new line

3.6 The allocation made for the Plan Heads New Lines and Gauge Conversion during the year 2005-06 is Rs.658 crore and Rs.645 crore respectively, which is comparatively at very low side from that of the preceding year 2004-05. During the year 2004-05 the allocation at revised stage for new lines and gauge conversion was assessed Rs.1644 crore and Rs.1073 crore respectively.

3.7 During the reasons for lower allocation for New Lines and Gauge Conversion during the current year 2005-06 as compared with that of the preceding year 2004-05, the Financial Commissioner, stated:-

“So far as budget allocation is concerned, last year we got about Rs.700 crore for Udhampur-Srinagar line. This year they did not give any money but said that they will give it at the subsequent stages. About Rs.300 crore has been released for which we took Supplementary Demands for Grants. Another Rs.200 crore has now been released for taking through Supplementary Demands for Grants in the coming Winter Session of Parliament.

She further added:-

“Current budgetary support itself was much less than what we have got last year. We were told that there will be Special Purpose Vehicle (SPV) from which we can have access of Rs.3,000 crore of funds. Cabinet has approved only recent. Viability gap funding has also been set up only recently but we have to create post products and get funding. At the time of our discussion with the Finance Ministry, in the initial budgetary discussion, we were told that this SPVs will come possession, we can have access to these funds to the extend of Rs.3,000 crore during the subsequent budgetary stages. This what we are told. So, we are given less than what we have asked for. The total allocation itself was much less than what we have projected. We had to necessarily allocate the money within the three project plan heads subject to the lower limit, whichever is available with us. That is why new lines funding for 2005-06 has been only Rs.652 crore. We have been consistently pleading with the Finance Ministry for the allocation of funds for the new lines, which is a national project. We have got Rs.300 crore at the last stage and another Rs.300 crore now.”

Throw forward

3.8 The total throw-forward of the existing Railway projects as on 01.04.2005 is as under:-

Plan Head	Throw-forward as on 01.04.2005 (Rs. in crore)
New Line	25801
Gauge conversion	11597
Doubling	5180
Railway Electrification	658
Metropolitan Transport projects	4118
Total	47354

The main reasons for heavy throw-forward has been as under:-

- (i) Inclusion of large number of projects in 1990s from 1996 onwards and many of these projects were without requisite surveys.
- (ii) Changes in standards of construction over the years resulting into upward revision of the cost.
- (iii) Escalation in prices of labour, fuel and material and other commodities resulting into increase in cost of construction.

3.9 While enumerating the steps to mobilise the required resources to complete all the ongoing projects within 5 years, the Ministry stated that with the present level of funding on the projects, it is expected that about Rs.12,500 crore would be available in a period of five years through normal budgetary support for other projects not covered under RVNL. This leaves a gap of about Rs.17000 crore worth of projects mainly in the category of new lines and gauge conversions. To bridge this gap and considering the slow progress, projects especially in backward, underdeveloped and remote areas due to constraint of resources, Government had announced "Remote Area Rail Sampark Yojana" (RARSY) in the Interim Budget 2004-05 which envisages investment of about Rs.20,000 crore in a period of 5 years on ongoing projects taken up on socio-economic considerations. However, the funds for the Yojana are yet to be tied up. Government in has attached priority to

infrastructure development. Keeping this commitment in view, a proposal has been mooted for creation of Remote Area Rail Infrastructure Fund for financing the RARSY. If the Government approves the funding of this Yojana, all the ongoing projects will get completed in five years. The yojana is being processed in consultation with the Ministry of Finance for approval of the Government duly identifying the funding sources. A note in this regard is under process in the Ministry for consideration of Government.

3.10 Giving the details of the new initiatives to address the foregoing funds constraints, the Chairman, Railway Board stated as under:-

“Over the last few years, certain initiatives have been taken to see how we will fund over projects so that the pace of adding new lines, gauge conversion and doubling speeds up. We have introduced funding through defence for strategic lines. We have got some of the projects declared as the national projects where the funding is given directly by the Government. We have also initiated private participation in some cases, we have also launched the Rail Vikas Nigam Limited which is generating funds through various sources including the market borrowing. Our need was to generate about Rs.47,000 crore to take care of the projects on the shelf. Out of this, we found that we can generate about Rs.12,500 crore or so out of the normal Budgetary support as per the past trends. We would be generating about Rs.18,000 crore due to the new initiatives that have been taken in the past few years. It still leaves us a gap of about Rs.17,000 crore to take care of the projects which are by and large non-remunerative projects but they are on the shelf. These are the projects which are connecting distant areas, backward areas. They were sanctioned on socio-economic considerations and so many other considerations. Even for the sum of Rs.17,000 crore, which is our requirement, in the year 2004, in the Interim Budget, a scheme of Remote Area Rail Sampark Yojana was introduced. We are yet to finalise the funding pattern under this scheme. The effort is to involve the State Government’s participation into this scheme as also through other means. We are yet to give it a final shape.”

3.11 In response to the concern of the Committee as to why the completion targets of the projects are not being fixed, the Chairman, Railway Board stated as under:-

“most of these projects will not be completed in the next few years. In fact, the projects where target has not been given is because normally we give targets for projects which are going to be over in the next two to three years. But where it is going to be a distant period and where we do not know as to how much funds would be allocated for these projects, we do not give targets for those projects. So, wherever targets are given these are the projects which will take more than two to three years to get completed depending on how much funds are given. On our part, we have tried to revive the Capital Fund to see that we can put in more money.

Missing Links

3.12 For removal of capacity bottlenecks on high density corridors and other freight intensive routes Railways have given top most priority to it and works related to doubling and multiple lines on these routes have been taken up/are being planned so as to generate additional capacity. Seven high density corridors have been identified and route-wise approach is being adopted in implementation of various throughput enhancement works. It has also been decided to provide separate freight corridor on Delhi-Howrah and Delhi-Mumbai routes to deal with the anticipated traffic.

The construction of 4 mega bridges over river Ganga at Patna and Munger, over river Brahmaputra at Bogibeel and over river Kosi near Nirmali has been taken up. Out of these bridges, Munger and Bogibeel bridges are rail cum road bridges. The cost of these two bridges is to be shared by Ministry of Railways and Department of Road Transport and Highways (DORTH). However, no funds have so far been provided by the DORTH. The matter is being pursued and is proposed to be placed before the Government for the decision regarding providing additional

project specific funds for these two rail- cum-road bridges. The other two bridges at Patna and near Kosi are being implemented through normal budgetary support.

3.13 The major thrust in the Plan 2005-06 is on enhancing the throughput and removing the bottleneck on the system. The outlays under track renewals, doubling, traffic facilities, bridge works, signal & telecommunication, workshops besides replacement and acquisition of rolling stock and passenger amenities is higher than last year a provision of Rs.487.59 crore has been made under the Head-Traffic Facilities for the year 2005-06 for throughput enhancement works."

National Projects

3.12 In the absence of adequate internal generation of revenues by the Railways, the following projects has been declared by the Government as the national Projects in the National interest. The funding for these projects are ensured by the Central Exchequer in the form of additional Budgetary Support to the Railways.

Sl. No.	Projects	Plan	Kms.	Anticipated Cost	Anticipated Exp. Upto March, 2005	Throw forward as on 1.4.2005
1.	Udhampur-Srinagar-Baramula	New Line	290	5550.00	1639.78	3910.22
2.	Kumarghat-Agartala	New Line	109	700.00	423.90	276.10
3.	Jiribam-Imphal (Tupul)	New Line	97.7	727.56	3.00	724.56
3.	Lumding-Silchar including alignment between Migrendisa-Dittockchera and extension from Badarpur to Bhariagram	Gauge Conversion	292	1823.00	334.74	1488.26
	Total		788.90	8800.56	2401.42	6399.14

CHAPTER-IV

Rail Vikas Nigam Limited (RVNL) and Other Initiatives

4.1 Rail Vikas Nigam Limited (RVNL) a Special Purpose Vehicle was set up in January, 2003 in the backdrop of the National Rail Vikas Yojana (RNVY) to undertake project development, mobilisation of financial resources and implementation of bankable projects on a commercial format using largely non-budgetary funds. The forgoing Yojana with an estimated investment of Rs.15,000 crore comprises of the following components:-

- (i) Strengthening of the Golden Quadrilateral (GQ) and its diagonals (estimated cost Rs.8000 crore.)
- (ii) Providing Rail based port-connectivity (PC) and development of corridors to hinterland including multi-modal corridors for movement of containers (estimated cost rs.3000 crore).
- (iii) Construction of 4 Mega Bridges viz. At Patna and Munger over river Ganga, at Bogibeel over river Brahmaputra and near Nirmali over river Kosi (estimated cost Rs.3500 crore).

4.2 The RVNL was constituted with a view to remove capacity bottlenecks and to provide strategic rail communication link. Ministry of Railways has so far transferred 53 projects to RVNL. 32 projects pertain to strengthening of golden quadrilateral and diagonals. These projects are primarily in the nature of laying of additional lines by way of doubling, third line and fourth line, etc., and Electrification of missing links on golden quadrilateral. 21 projects pertain to provisioning/strengthening of port connectivity and corridor to hinterland. These projects are in the nature of gauge conversion, new line and doubling of track. These projects are largely to be funded from non-budgetary resources. RVNL has completed draft bankability report of 26 projects out of which 16 projects are found to be prima-facie bankable. The details of the projects transferred to RVNL along with their status is given in Annexure-III

The golden quadrilateral projects are likely to involve capital expenditure of about Rs.8000 crore. These projects are to be funded by budgetary support of Rs.1500 crore, ADB loan of Rs.1500 crore and market borrowings of Rs.5000 crore.

The port connectivity projects are likely to involve capital expenditure of about Rs.4000 crore. These projects are planned to be funded by borrowing from market and public private partnership. For this purpose, 8 of the projects are being planned to be implemented by creation of Special Purpose Vehicle through equity participation by the strategic investors.

4.3 The Company started the initial activities of setting up an office and creation of organisation in August, 2003. It became fully operational only in March, 2005, with the posting of all the functional Directors and the Managing Director. The Board of the Company has been further expanded recently by posting of four part-time non-official Directors.

The Company initially focused on implementing projects through ADB funding, as the loan was already approved and available for disbursement. With intensive discussion and dialogue with ADB, the process to be followed for requiring ADB's approval at every stages has been simplified and a Time Table has been laid and projects are likely to get implemented faster.

Out of 53 projects, 13 projects require sanction by the Ministry of Railways. Funding for 30 projects has been tied-up and the projects are at various stages of physical execution. 10 projects mostly being the last mile projects are under execution through the construction department of the Zonal Railways and are being funded through budgetary support.

4.4 Some of the important projects, under execution directly by RVNL, are second bridge over river Mahanadi near Cuttack, doubling of Panvel to Jawaharlal Nehru Port in Mumbai, gauge conversion of second line between Delhi and Rewari, Daitari-Banspani new line and Haridaspur-Paradip New Line in the state of Orissa.

RVNL is associated with the project specific SPV in the name Hassan-Mangalore Rail Development Company, which is implementing Hassan-Mangalore gauge conversion project. The project is now ready for opening for traffic RVNL has created Kutch Railway Company, which is implementing Gandhidham-Palanpur gauge conversion project. Bhildi-Samdari gauge conversion project is also likely to be implemented by Kutch Railway Company. Bharuch-Dahej gauge conversion and

Obulavaripalle-Krishnapatnam new line are the projects which are under sanction and are proposed to be implemented through project specific SPV.

4.5 A year-wise action plan has been made by RVNL for execution of these projects. A total of 9 projects have been targeted for completion in the year 2005-06, viz. Delhi-Rewari Gauge Conversion of 2nd MG Line (83 Km); Palanpur-Samkhiali (250 Km) of Gandhidham-Villupuram GC; Kumbakonam-Mayiladutharali (32 Km) of Thanjavur-Villupuram GC; Virddhachalam-Attur (31 Km) of Cuddalore-Salem GC; Hagari-Bellary (16 Km) of Hospet-Guntakal Doubling; Torangallu-Hospet (32km) of Hospet-Guntakal Doubling; Panvel-JNPT Doubling (29 Km); Korukkepet-Ennore (12 Km) of Attipattu-Korukkepet Doubling, Raghunathbaril-Rajgoda (8 Km) of Panskura-Haldia Ph-I Doubling.

As per present plan of RVNL, 11 projects are targetted for commissioning in 2006-07, 15 projects in 2007-08 and 14 projects in 2008-09. The entire projects shall be implemented within a total time frame of 5 years.

4.6 Responding to the concern of the Committee regarding the timely completion of projects under RVNL, the Chairman, RVNL stated as under:-

“Actually RVNL is working on a new work culture. We have appointed a Project Management Consultancy (PMS) for the first time. The Project Management Consultancy is an international practice and this agency is supervising the work and inspecting it.

Then, all the RVNL works are also to be sanctioned on a fast track basis. So, the sanctioning process is rather different. The works are taken up only when they are bankable. Then the project report is examined by the Railway Board and after it is approved by Minister for Railways, directly it goes to the Finance Ministry for approval. It does not have to go through the Planning Commission and CCEA etc. So, the while procedure is on a fast track basis.”

Remote Area Rail Sampark Yojana

4.7 The Minister of Railways in his Interim Budget Speech 2004-05 had announced a new scheme called 'Remote Area Rail Sampark Yojana' to expedite the completion of sanctioned projects which have primarily been taken up on socio-economic consideration to provide linkage to remote areas. The propose scheme comprises of 42 New Line projects and 18 Gauge Conversion projects spread over 19 States. On completion, these projects will add 5063 kms. of new rail access to remote and rural areas and convert 3342 kms. of existing MG lines.

This Yojana envisages investment of about Rs. 20,000 crore to complete these projects in a time frame of 5 years. In order to facilitate a balanced funding arrangement by both the Central and State Governments, various options are under active consideration of the Government. Funding support from State Government may include a certain minimum share of funding from their revenues. The Minister for Railways has written to Chief Ministers of the State involve for their acquiescence and support for shared funding of these projects. Support from Central Government may include levying of some fee from railway suppliers apart from budgetary support other than non-budgetary initiatives will also be considered. Cabinet note in this regard is under process at present.

Integrated Railway Modernization Plan

4.8 Government have identified Indian Railways as a key infrastructure sector requiring modernization. Accordingly, Integrated Railways Modernization Plan of Five Years covering from the period 2005-06 to 2009-10 has been formulated with the aim of transforming Indian Railways into a modern system of global standards by identifying activities with definite time frame for implementation. Indian Railways intends to achieve an originating freight loading of 776 million tones (growth rate of 6%) and 6366 million originating passengers (growth rate of 3.5%) by the year 2009-10.

4.9 In this Integrated Railways Modernization Plan which envisages modernisation of Freight and Passenger Business Segment and other modernisation initiative, a total requirement of Rs.24,000 crore has been projected which includes Rs.10,260 crore under Capital, Rs.2910 crore under Development Fund, Rs.500 crore under Depreciation Reserve Fund, Rs.4,000 crore under Special Railway Safety Fund (SRSF) and Rs.5,980 crore to be raised through Market Borrowings. A small amount required under Revenue will be covered under ordinary working expenses of the Railways and the rest would form a part of the overall Plan.

4.10 Passenger Business Segment envisages running of trains of 150 Kmph speed trains on New Delhi-Howrah and New Delhi-Chennai routes, increased induction of latest technology coaches in all Rajdhani/Shatabdi trains, expansion of Passenger Reservation System (PRS) and Unreserved Ticketing System (UTS) across the country, Environment Friendly toilets in coaches, Improved Safety features in coaches in terms of its crash worthiness and fire retarding features.

4.11 Freight Business Segment envisages running of freight trains at 100 Kmph on Golden Quadrilateral and its diagonals, Introduction of Higher Axle Load. Double stack Containers and Roll-on-Roll-Off wagons on the identified routes, introduction of light weight and corrosion resistant steel and aluminium wagons, Extension of Freight Operations Management System to cover Terminal, Rake and Crew Management System, Completion of works identified under National Rail Vikas Yojana along with some other throughput enhancement works etc. Other modernization initiatives include Track modernization and its maintenance practices, modernization of Bridge Management System, Signalling and Telecommunication System, Mechanical and Electrical System and the Disaster Management System.

4.12 While appearing before the Committee during the examination of DFG 2005-06, the Chairman, Railway Board explained the modernization plan as under:-

“We have taken axle load as a part of the modernization plan. We are going for 25 tonne axle load on some select sections which are in captive mines. This is one area we have to harness in the years to come. Other countries of the worlds are also going for much higher loads... The only impediment could

be that our bridges might not be fit for those axle loads. We have to upgrade and strengthen those bridges. Higher axle loads have to be given priority”.

He further added:-

“Our modernization plan is forgoing for higher speeds for express trains. We are also aiming at 100 kmph speeds for goods trains. We are also going for aluminum wagons which would give 400 tonnes payload in identified sections. These are our efforts to increase our throughput in modernization plan”.

RECOMMENDATIONS

Integrated Transport Policy

1. The Committee find that the Indian Railways have made a tremendous contribution towards the economic development of the country especially during the initial years of Independence. The Railways provided the necessary fillip to industrial growth by inter-connecting the primary production areas, industrial centres and the markets. However, the Committee note that with the upcoming of Road Sector as a potential mode of transport, gradually Railways lost a substantial share of traffic to the road sector. The constitution of National Highway Authority of India in 1988 and launching of National Highway Development Programme in 1998 on the Golden Quadrilateral and East-West & North-South corridors has put up a stiff challenge to the Railways.

In the backdrop of National Transport Policy (1980), the Railways prepared their First Corporate Plan in 1985 for 15 years. However, due to inherent weaknesses such as inadequate funds for investment for the expansion of railway network and ad-hoc policies in taking up new projects without ensuring commensurate funds, the Railways could not come up to the expectation in general and to the people of this country in particular. The Railways have now started preparing their Second Corporate Plan to address the aforesaid challenges. The Committee while taking a serious note of these challenges are of the considered view that Railways being the integral part of National infrastructure for growth and development of the country's economy cannot be left in isolation to decide their Plans. They are of firm view that time has come now for an Integrated Transport Policy to be defined on urgent basis clearly stating the role of Railways as well as Road Sector. This will enable the Railways to manage their business productively and efficiently through better

management of their assets and resources in close coordination with other modes of transport like Roadways, Waterways etc.

Expansion of Rail Network

2. The Indian Railways had a Rail network of 53596 route kms. including 25258 kms. broad gauge, 24185 kms. meter gauge and 4153 kms. narrow gauge as on 01.04.1951. Since then during the last 54 years i.e. upto 31.03.2004, Railways have been able to expand its network to 63221 route kms. comprising 46807 kms. broad gauge, 13290 kms. meter gauge and 3124 kms. narrow gauge with a growth rate of about 0.33% per annum. The Committee notice that the pace of expansion of rail network in the country has been very tardy in comparison to other World Railways particularly that of China.

The Committee further notice that though the Railways have made continuous efforts to expand their network but due to shifting priorities and ad-hoc policies, they could not make much head-way in their pursuit. They further note that the Railways' emphasis has mainly been on the development and strengthening of Golden Quadrilateral and diagonal routes whereas the projects taken up on socio-economic consideration have been given a low priority. They are of the view that a sound infrastructure heralds the economic development of an area and the Railways being an important contributor of infrastructure can make a remarkable difference by developing the backward regions. The Committee further observe that the Railways could not draw a perspective Plan for the development and expansion of Rail network in a holistic way.

The Committee also note that the railway shelf presently contains 240 projects of New Lines, Gauge Conversion, Doubling, Electrification and Metropolitan Transport Projects. The total throw-forward of these projects as on 01.04.2005 has been assessed to Rs. 47354 crore. Out of

these, 53 bankable projects have now been handed over to Rail Vikas Nigam Limited (RVNL) for execution. In view of in-adequate fund allocation, this huge throw-forward is bound to upsurge further and further at the end of every year. Thus funding of ongoing projects has become a challenging task for the Railways. To address this, the Committee find that the Railways have embarked upon a number of initiatives like Public Private Partnership, Special Purpose Vehicle, Rail Vikas Nigam Limited etc. in order to mobilize the required funds. Further the major challenge before the Railways is to arrange funds for about 60 projects sanctioned on socio-economic considerations. The Committee find that to implement these projects a new scheme – Remote Area Rail Sampark Yojana envisaging an investment of about Rs.20,000 crore in a period of 5 years has been announced in the interim Rail Budget 2004-05. However, till date no funding arrangement has been tied up. Considering the large shelf of projects and huge requirement of funds which is not available with the Railways, the Committee cannot but strongly recommend that budgetary support to the Railways be adequately enhanced so that the projects taken up especially in hilly, tribal and backward area could be completed as early as possible. They also recommend that an Expert Committee consisting of eminent economists and representatives of the Planning Commission and the Ministry of Finance be constituted to explore new sources of funding and suggest remedies so that all the sanctioned projects are completed in a maximum period of five years. The Committee desire that the findings and recommendations of the aforesaid Expert Committee be intimated to them.

Priority of Projects

3. The Committee find that the Railways do not have any pre-fixed criteria for fixation of priority of projects. Railways are deciding the priority of projects on year to year basis keeping into account the availability of funds. Moreover, they do not fix the completion date of the project unless they are assured of required funds on annual basis. In

November, 1998 the Railways had evolved some criteria for prioritization of projects with the approval of CCEA, however, it was not implemented. Further a fund allocation on the basis of population, area and the backwardness of the State has contributed towards thinly spreading of inadequate resources leading to inordinate delay of projects and huge cost and time overruns.

The Committee deplore such kind of irrational distribution/allocation of funds in their earlier Report also. However, due weightage to the Committees recommendation was not given by the Railways. The Committee again strongly recommend that they should decide the priority of all projects afresh in consultation with the Ministry of Finance and the Planning Commission so that some tangible results may be witnessed on the ground by completing some projects. While deciding the priority of the projects, the Committee desire that other ongoing projects categorized in category IV should also be accorded due priority.

New Lines

4. Railways from the very beginning has accorded top priority to construction of new lines. However, after 1968-69 priority has been shifted to other Plan Heads like Doubling, Electrification and Gauge Conversion. The Committee find that since 01.04.1951 the Railways have constructed only 11488.3 kms. of New Lines upto 01.04.2005. According to the Railways the funding has been the major problem for the Plan Head new lines. The ideal allocation for new lines projects should be one sixth of the throw-forward. The Plan Head New Lines experienced the maximum resource-crunch as most of the projects were sanctioned on socio-economic considerations. The Committee have noted that this Plan-Head has the highest throw forward of Rs.25801 crore as on 01.04.2005. During 2005-06 the allocation made under this Head has been only Rs.658 crore as against Rs.1644 crore allocated in the preceding year. During their study tour, the Committee also found that in Southern Railway only

Rs.5 crore has been allocated to 5 new line (one crore each) projects as against their throw-forward of Rs.1000 crore approximately.

The source of funding for New Line projects has largely been Budgetary Support from the Central Exchequer. After deducting share of National Projects and other important projects like mega bridges, the remaining part of the Budgetary Support is earmarked to different Plan-Heads on the basis of allocation formula. As per the ideal criteria of allocation referred to above, the allocation should be more than Rs.4000 crore annually to complete all the ongoing projects within a time span of 5-6 years. The Committee have also noted that new alternative sources of funding like Special Purpose Vehicle (SPVs) and viability gap funding have been identified by the Railways to supplement the existing source of funding. The Committee emphasize that the Railways with all possible sources at their disposal should complete all the ongoing projects of New Lines within a period of 5-6 years. The Committee also recommend that separate funds be provided for national projects besides the annual budgetary support given to the Railways.

Rate of Return

5. The Railways have fixed Rate of Return (ROR) at 14% to decide the viability of a project. The Committee have in the past after having discussed the issue with the Planning Commission and Ministry of Railways have recommended in their earlier Reports to bring it down to a more reasonable level. While replying to the concern expressed by the Committee in this regard, the Financial Commissioner categorically expressed their inability to bring this down. However, the representatives of RVNL who also decide the bankability of the projects have informed the Committee that the prevailing market rate of interest is taken into consideration while determining the bankability of project. To bring more and more projects within the ambit of RVNL, it is essential to bring the extant Rate of Return i.e. 14% to a more practical level. The Committee, therefore, recommend that the present Rate of Return be

reviewed on an urgent basis and suitably be brought down to the extent possible. Further, this criteria of ROR should not be made applicable to the projects taken up in hilly and tribal areas.

Rail Vikas Nigam Limited (RVNL)

6. The Committee note that to mobilise funds for bankable projects from non-budgetary sources, Rail Vikas Nigam Limited was setup in January, 2003, which became fully operational in March, 2005. The Railways have transferred 53 projects to RVNL for execution. Out of these 32 Projects pertain to strengthening of Golden Quadrilateral and diagonals and the remaining 21 pertain to strengthening of port connectivity and corridor to hinter land. 13 Projects are yet to be sanctioned by the Ministry of Railways. According to RVNL funding for 30 projects has been tied-up and the projects are under various stages of physical execution. 10 Projects are being executed through the construction department of the Zonal Railways being the last mile projects and are funded through budgetary support mostly. The Golden Quadrilateral projects involve capital expenditure of about Rs.8000 crore whereas the Port connectivity projects involve capital expenditure of about Rs.4000 crore. The funds for Golden Quadrilateral projects amounting to Rs.1500 crore are to be provided through a Budgetary Support, Rs.1500 crore from Asian Development Bank and Rs.5000 crore from market borrowings. The Port connectivity projects are to be funded by borrowing from market and Public Private Partnership. For this purpose, 8 projects are being planned to be implemented by creation of Special Purpose Vehicles through equity participation by strategic investors.

During their study visit to North Frontier, East Coast and Southern Railway in the Month of October, 2005, the Committee noted that the RVNL has awarded the construction contracts of some of their projects to the Zonal Railways. In such cases the possibility of diversion of funds as well as materials by the Zonal Railways to their own projects cannot be

ruled out. The Committee during their tour has witnessed a glaring example of the same in the Southern Railways where the Zonal Railway has used the concrete sleepers purchased by the RVNL for their own (Railways') project. The Committee recommend that such type of things may not be repeated at any cost in future by the Zonal Railways. The Committee at the same time recommend that the RVNL should have an activated monitoring mechanism to check that such things should not take place in future. Further they also desire that the RVNL should expedite the process of tying up the funds and ensure the completion of all the projects transferred to them for execution within the stipulated time.

Missing Links

7. Efficiency and productivity are the hallmarks of modern management. The Railways can improve their efficiency and productivity by de-congesting the routes which are over saturated and by removing the bottlenecks by linking the missing links in doubling, gauge conversion, electrification and signalling & telecommunication system and better management of terminals on the viable routes. The Committee find that in the year 2005-06 Railways have given thrust to throughput enhancement works and linking of missing links. To this effect the Railways have made an allocation of Rs.487.59 crore under the Head Traffic Facilities in the year 2005-06. The Committee are of the considered view that the completion of missing links and throughput enhancement works on the viable routes will substantially improve the efficiency and productivity of the Railways. They further find that certain Sections in between the main BG line for example Bardhaman-Katwa and Azimganj-Katwa in Eastern Railway have not so far been converted into BG causing lot of inconvenience to railway commuters and traders. Therefore, they strongly recommend that the Railways should identify such areas without any further delay and link all the missing links of gauge conversion, doubling, electrification and signalling & telecommunication works and adequate allocation be made for these

works so that the same could be completed in time and line capacity is increased.

The Committee also find that some uneconomical branch lines connected with the main line, which caters to the needs of the people in and around the area have not been converted into broad gauge so far. The Committee desire that such uneconomical branch lines (MG as well as NG) be identified and converted into BG lines so that it may lead to socio-economic development of these areas.

National Projects

8. The Committee note that there are four projects which have been declared by the Government as National Projects. Out of these three projects are of New Lines and the one relates to Gauge Conversion. Till March, 2005 Rs.1639.78 crore have been incurred on Udhampur-Srinagar-Baramula (New Line), Rs.423.90 crore on Kumarghat-Agartala (New Line) and Rs.334.74 crore on Lumding-Silchar (Gauge Conversion) Projects. However, they are surprised to find that only meagre amount of Rs.3.00 crore has been spent on the Jiribam-Imphal (Tupul), New Line project upto March, 2005 against an estimated cost of Rs.727.56 crore. The total throw-forward of these four National Projects as on 01.04.2005 has been assessed at Rs.6399.14 crore and Rs.2401.42 crore has been incurred by March 2005 on these projects. The Udhampur-Srinagar-Baramula and Kumarghat-Agartala New Lines Projects are to be completed by August, 2007 and by March, 2007 respectively.

The Committee further note that the pace of progress of these projects has not been picking-up at the desired rate. Their progress is directly linked with many other factors like timely release of funds by the Central Exchequer, acquisition of land by the State Governments concerned and handing over the same to the Railways for execution etc. The Committee express their concern over the slow progress of these projects and strongly recommend for timely release of funds by the Centre

and expeditious execution of these projects by the Railways. They also recommend that the State Governments concerned should in all cases must extend every logistic support necessary for the speedy and smooth implementation of these projects.

NEW DELHI ;
08 December, 2005
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BASUDEB ACHARIA
Chairman,
Standing Committee on Railways