

SECOND REPORT
STANDING COMMITTEE ON RAILWAYS
(2004)

FOURTEENTH LOK SABHA

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

[Action taken by the Government on the Recommendations/Observations contained in the 15th Report of the Standing Committee on Railways – 2003 (13th Lok Sabha) on ‘Ongoing & Pending Projects’]

Presented to Lok Sabha on 03.12.2004
Laid in Rajya Sabha on 03.12.2004



LOK SABHA SECRETARIAT
NEW DELHI

December, 2004/Agrahayana, 1926 (Saka)

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STANDING COMMITTEE ON RAILWAYS

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| 5. | Shri. U.C. Bharadwaj | - | Executive Officer |

INTRODUCTION

I, the Chairman, Standing Committee on Railways (2004) having been authorised by the Committee to present the Report on their behalf, present this Second Report of the Standing Committee on Railways (2004), on Action Taken by the Government on the Recommendations/Observations contained in the Fifteenth Report of the Standing Committee on Railways(2003) (13th Lok Sabha) on ‘Ongoing and Pending Projects’.

2. The 15th Report of the Committee was presented to Lok Sabha on 16.12.2003 and it contained nine recommendations/observations. The action taken replies of the Government on all the recommendations/observations contained in the Report were received on 26.05.2004

3. The Standing Committee on Railways (2004) considered the draft Action Taken Report and adopted the same at their sitting held on 23.11.2004. Minutes of the sittings held on 23rd November,2004 form Part-II of the Report.

4. An analysis of the Action Taken by the Government on the recommendations/ observations contained in the 15th Report of the Standing Committee on Railways (2003), 13th Lok Sabha is given in Appendix – II.

New Delhi;
1st December, 2004
10 Agrahayana, 1926 (Saka)

(BASUDEB ACHARIA)
Chairman,
Standing Committee on Railways

CHAPTER-I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations/observations contained in the Fifteenth Report of the Standing Committee on Railways -2003 (13th Lok Sabha) on ‘Ongoing & Pending Projects’ which was presented in Lok Sabha on 16.12.2003.

1.2 Action Taken Notes have been received from the Government in respect of all the 9 recommendations/observations contained in the Report. These have been broadly categorized as follows:-

- (i) Recommendations/Observations which have been accepted by the Government- Para Nos. 3.5, 3.6 and 3.8,
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government’s replies – Para Nos. 3.1, 3.3, 3.7 and 3.9
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee – Para Nos. 3.2 and 3.4
- (iv) Recommendations/Observations in respect of which final replies are still awaited

–Nil

1.3. The Committee will now deal with the Action Taken by Government on some of their Recommendations/Observations.

Introspection by the Railways

Recommendations (Para No. 3.2)

1.4 The Committee had in paragraph 3.2 of the Report opined that it was high time for the Railways to introspect themselves and opt for a stocktaking exercise into their objectives and achievements. They therefore, recommended that the Railways should restrain their market borrowings and operating cost to the minimum and increase their internal generation of revenues to the optimum extent, Railways must overcome their built-in inefficiency and increasing operative costs. They were of the firm view that it can be done only by restructuring the entire administrative edifice of the Railway Board,

rationalizing the freight and passenger fare policy, establishing a mechanism for tariff fixation, improving operational productivity and efficiency, undertaking a vigorous commercial management and upgrading safety infrastructure.”

1.5 In their action taken reply, the Ministry of Railways have stated as under:-

“The Railways are aware of the fast changing scenario in transport sector and economy in general and are taking required steps to meet the growing demands of passenger and freight traffic, capacity enhancement, resource mobilisation and achieving reduced operating ratio.

The level of market borrowings which is need based, has remained steady and has been kept under control. Market borrowing through IRFC is resorted mainly to meet the funding requirement of Rolling Stock acquisition/replacement and modernization. This figure is restricted to the assessed requirement to meet the traffic demands only. As a percentage of total Plan outlay, market borrowing has come down from 36% during 1998-99 to 22% during the year 2003-04(RE). Railways efforts to control expenditure and augment earnings have begun to fructify visibly as a result of which, the operating ratio has improved considerably from 98.3% in 2000-01 to around 92% in 2003-04. The rate of growth of Ordinary Working Expenses has now come down to less than 4% from 8 to 14% in the pre-Fifth Pay Commission era. The internal resource generation for Plan has also improved progressively from Rs. 2831 crore after deferring dividend to the extent of Rs.1823 crore in 2000-01 to Rs.3837 crore in 2003-04(RE). The Railways’ efforts to augment earnings inter-alia cover rationalization of the traffic structure, innovative marketing strategies and focused business organisation.

The efforts of the Railways will be to concentrate on core activities of passenger and freight transportation. Improvement of safety infrastructure on the Railways is given utmost priority and a Special Railway Safety Fund has been created to wipe out the arrears of replacement/renewal of assets. Besides, a Corporate Safety Plan has also been formulated to guide the future investment on the Railways.”

1.6 From the action taken replies of the Ministry, the Committee find that the share of market borrowings in the Plan outlays has witnessed a downward trend from 36% in 1998-99 to 22% in 2003-04(RE) and in the case of Ordinary Working Expenses from 8-14% to 4% in the pre-Fifth Pay Commission era. However, they are of the view that more concrete measures are still required to be taken in this direction. They express their apprehension over the Operating Ratio which has been fluctuating in between 92% to 98.3% for the last few years. They are of the view that although net revenues in absolute terms have increased but the surplus revenues have not been adequate enough to meet the investment needs in the rail infrastructure. They further observe that in their reply the Ministry of Railways have not intimated the corrective steps taken on the issue of restructuring railway administrative edifice and tariff fixation policy nor adequately elaborated the measures taken for commercial management.

1.7 The Committee, therefore, desire that the Ministry of Railways should give utmost importance to their considered views/observations and sincerely consider all the issues contained in the said para and take adequate measures as suggested by them. They would like to be apprised of the further action taken in these matter.

Project-wise priority fixation

Recommendation (Para No.3.4)

1.8 The Committee had in paragraph 3.4 of the Report noted that as per the Ministry of Railways, the Budgetary Support as a part of the Annual Plan had witnessed a decreasing trend. It was 75% in the V Plan, which has drastically come down to 23% in the VIII Plan after the establishment of the Indian Railway Finance Corporation in December, 1986, which was incorporated with the sole objective of raising money from the market to finance partly the Plan Outlay and the developmental needs of the Railways. The Budgetary Support had now increased to 35% (approximately) in the year 2003-04. During the course of evidence, the Committee were apprised by the representatives of the Ministry of Finance and the Planning Commission that the Budgetary Support had increased in terms of percentage as well as in absolute term during the last 5-6 years. It has increased to 6.46% in 2001-02 from 3.97% in 1995-96 as a part of Central Plan. In absolute term also it had increased from Rs.1141 crore (75% of the Annual Plan) in the V Plan to Rs.14445 crore approximately (average 31% of the Annual Plans of the Railways) in IX Plan. Further they stated that providing additional funds to the Railways

to execute the ongoing projects was not a problem provided the Railways assure to deliver results. However, they emphasized that the Railways must select the last-mile projects and prioritize them realistically enough to complete the same in a time-bound manner. The Committee, having analyzed the scope of funding from the Central Exchequer, had reached the conclusion that the Ministry of Railways must workout an effective strategy and prepare a project-wise priority of their projects in consultation with the Planning Commission and the Ministry of Finance within three months so as to execute those projects first which ensure 100% results. They further emphasized that the project executing authorities must be made accountable for all causes of delay in execution except in the case of natural calamity and want of funds.

1.9 In their action taken reply, the Ministry of Railways have stated as under:-

“So far as prioritization exercise is concerned, it is pointed out that categorization of projects was earlier done in 1998 and approved by the Government in November, 1998. As per this, new line and gauge conversion projects were categorized in different categories. Further, as directed by the Government, re-prioritization exercise was again carried out duly identifying the projects for completion during Xth Plan and XIth Plan. The proposal was considered by the Government in August, 2003; however, the same was withdrawn. There is a system for monitoring of projects and the project executing authority is accountable for timely completion of projects except where the delay is not in his control.”

1.10 The Committee were apprised by the Planning Commission and the Ministry of Finance that providing of additional funds to the Railways to execute the ongoing projects was not a problem provided the Railways assure to deliver results by realistic prioritization of projects with weightage to last mile projects. The Committee had, therefore, recommended for working out an effective strategy to prepare a project-wise priority in consultation with the Ministry of Finance and the Planning Commission within three months. They had also emphasized for fixing responsibility/accountability of project executing authorities for all causes of delays except in case of natural calamity and want of funds.

1.11 The Committee find that the ongoing projects especially New Lines and Gauge Conversion projects were prioritized by the Ministry of Railways in November, 1998 and thereafter, on the direction by the Government, reprioritization exercise was again carried out by the Railways identifying the projects for completion during X and XI Plan. This proposal was considered by the Government in August, 2003 but was withdrawn. The Committee fail to understand as to why the advice tendered by the Ministry of Finance and the Planning Commission to the Ministry of Railways to reprioritise the ongoing projects for X & XI Plan has been withdrawn. During the examination of the Demands for Grants 2004-05 the representatives of the Railways informed the Committee that while the Planning Commission and the Ministry of Finance are emphasizing for fresh fixation of priority of projects the Cabinet is not agreeing to it. The Committee would, therefore, desire to be apprised of the reasons for withdrawal of the above proposal of reprioritization of projects. They would also like to know the specific reasons for which the Cabinet has not agreed to the proposal. Taking the perspective view of the subject, the Committee are constrained to recommend that the Railways should sincerely address the issue of reprioritization of projects at the earliest so that scarce and valuable resources are utilised productively.

CHAPTER-II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 3.5)

The Committee noticed that the Ministry of Railways have included in the past 103 projects (41 new lines, 51 gauge conversion, 3 doubling, 5 MTP and 3 Railway Electrification) in their Pink Book in between 1992-93 to 1998-99 without requisite clearance from the Planning Commission, Expanded Board and Cabinet Committee in Economic Affairs (CCEA) with the stipulation that these would be taken up after taking necessary clearance from these agencies. They also note that since the year 2001-2002, the Railways have taken a policy decision not to include any project in the budget in future without obtaining necessary clearance from the required agencies. However,, it has been noticed by the Committee that new projects are being included in the budget without the consultation and clearance from the aforesaid agencies in the garb of material modification and extension of the project. The Committee categorically disapprove of such tendencies on the part of the Railways and strongly recommend that a complete moratorium be imposed on inclusion of new projects in the budget at least for the next five years, except those which are required on strategic, operational such as new Mayanguri-Jogighopa New Line Project and safety requirements, so that the existing shelf of pending projects is cleared to a maximum extent.

Reply of the Government

It may not be desirable to impose strict moratorium on taking up new projects as recommended by the Committee as certain projects may be required to be taken up on operational/strategic importance and other considerations. However, as per the decision of the Government no new projects is being included in the budget without obtaining prior clearances of the CCEA.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Recommendation (Para No. 3.6)

To mobilize alternative resources for funding and expeditious completion of its existing projects, the Railways have issued in February, 2001 policy guidelines for participation by outside agencies on the basis of various models of public-private partnership schemes. During the evidence, the Committee were apprised that under the Built, Operate, Lease and Transfer (BOLT). System certain conditions were framed and the tenders were called, but due to deficiencies in these conditions, private investors were hesitant to invest in Railways. Therefore, the Railways have now reframed these conditions in the form of Built. Operate and Transfer (BOT) in consultation with the financial institutions such as ICICI, IDBI and major construction agencies. These conditions have now been cleared by the Ministry of Law and a fresh tender would be called for. They have further informed that the Railways have already entered into Memorandum of Understanding (MoU) with the State Governments of Karnataka, Jharkhand, Maharashtra and Tamil Nadu for sharing capital cost of certain identified projects to the extent of 2/3rd of the project cost. Similarly, in case of Andhra Pradesh, sharing of cost of certain projects has been agreed upon 50:50 basis and in case of West Bengal, sharing of 1/3rd of the cost by the State for extension of Metro Railway from Tollygunge to Garia. Though the Committee note the efforts made by the Ministry of Railways in mobilizing alternative sources for funding the projects, however, they are of the firm view that serious efforts are still required to be made by the Railways to actualize the private sector participation. They recommend that a Task Force consisting of the representatives of the Planning Commission and the Ministries of Railways, Finance and Programme Implementation be constituted to look into afresh into the entire perspective of private sector participation in the development of rail infrastructure and make recommendations thereon in a time-found manner.

Reply of the Government

National Rail Vikas Yojana, a non-budgetary initiative, was announced on 15th August, 2002 by the Hon'ble Prime Minister. Subsequently, Rail Vikas Nigam Ltd. has been formed to implement National Rail Vikas Yojana.

In accordance with the Hon'ble Prime Minister's announcement at the National Development Council meeting held in December, 2002 for forging public-private partnership in the widest possible range of activities in the both physical and social infrastructure and the decision taken in the Committee of Secretaries' meeting held on 9.9.2003, Planning Commission has decided to constitute the PPP Sub-Group on Infrastructure in October, 2003. The Composition is as follows:

Secretary, Planning Commission	-	Chairman
Secretary, D/o Economic Affairs, Ministry of Finance	-	Member
Chairman, Railway Board	-	Member
Secretary, Ministry of Road Transport and Highways	-	Member
Secretary, Ministry of Shipping	-	Member
Secretary, Ministry of Civil Aviation	-	Member
Secretary, Ministry of Power	-	Member
Secretary, Ministry of Water Resources	-	Member
Advisor, Transport, Planning Commission	-	Member

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Recommendations (Para 3.8)

During their study visit to Srinagar in June, 2003, the Committee were informed that the Udhampur-Srinagar-Baramulla 287 Kms. New Line National Project was sanctioned in two phases. Udhampur-Srinagar section was sanctioned in the year 1994-95 at an estimated cost of Rs.1500 crore and later in 1995-96 it has been modified and extended upto Baramulla at an estimated cost of Rs.3400 crore. The Committee were apprised that the cost of the project had now escalated to Rs.5400 crore reasons being the initial cost was calculated on comparative cost analysis method as the final location survey was not conducted due to project alignment passing through difficult terrain in some section. The Committee were given to understand that the location survey has now been completed. The land acquisition process by the State Government particularly in Qazigund-Baramulla stretch is slow despite the deposit of Rs.377 crore by the Railways with the State Government for disbursement of compensation. The target date for phase-I Udhampur-Katra is achievable if the required level of funding is made available, Katra-Qazigund depends upon adequate security cover and handing over the required land by the State

Government and Qazigund-Baramulla depends upon timely acquisition of land by the State Government.

The Committee while identifying the gray areas such as availability of proper security to the man power executing the projects, allocation of adequate fund as per requirement, recruitment of man power and acquisition of land from the State Government express their apprehension about the further cost escalation and timely completion of this project. They are of the view that for timely implementation of the project, integrated coordination among the concerned agencies like Prime Minister's Office, Planning Commission, Ministries of Finances, Home Affairs and Railways and the State Governments of J&K are necessary. This integrated coordination among these agencies will definitely provide a synergic effect to boost the implementation of the project. They, therefore, recommend that a Project Management Authority under the administrative control of PMO, involving the representatives from the PMO, the Ministry of Railways, the J&K Government and the Project executing agencies be constituted to coordinate and oversee the progress of the project in a holistic and synchronic manner. The Committee would like to be kept apprised of the action taken in this regard.

Reply of the Government

For monitoring of Central Projects for Railways and Roads in the State of Jammu and Kashmir, Standing Committee of Secretaries or Development Programmes of J&K under the Chairmanship of the Cabinet Secretary reviews the progress of projects periodically. A Sub-Group-I under the Chairmanship of Special Secretary (Home) has also been formed comprising officials from PMO, Planning Commission, Ministry of Finance and other concerned Ministries. The progress of the projects is being reviewed by this Group once in two months.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

CHAPTER-III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

Recommendation (Para No. 3.1)

The Committee note that as on 1.4.2003 there are 300 ongoing, 7 pending and 3 frozen projects in the Railways' Pink Book. Out of these ongoing/pending projects, 233 projects are in progress at present having a throwforward of RS.44,733 crore while 74 projects have been completed with some residual works to be executed. These ongoing projects comprise of 82 New Lines, 70 Gauge Conversions, 116 Doublings, 15 Metropolitan Transport (MTP) and 17 Railway Electrification Projects with a throwforward of Rs.24,450 crore, Rs.10149 crore, Rs.4911 crore, Rs.4385 crore (including the share of State Government) and Rs.838 crore respectively which poses a severe financial burden for the Indian Railways. The Committee further note that the Railway Projects are mainly financed through general budgetary support and also from the revenues generated from market borrowings and internal generation. The total outlay for these projects during 2003-04 is about Rs.4800 crore including Rs.2210 crore from sources other than normal Budgetary Support like State Governments sharing, funds from Ministry of Defence and through Built Operate and Transfer (BOT)/special Purpose Vehicle (SPV). As per the Ministry of Railways at the present rate of allocation, without considering escalation, the expected time for completion of these ongoing projects, category wise, would be 13 years for New Lines, 10 years for Gauge Conversion, 6 years for MTP, 5 years for Doubling and 4 years for Railway Electrification. Due to acute constraint of resources, the completion target of projects at present are fixed on year to year basis keeping in view the progress of the work and availability of resources. The Committee also find that after excluding the projects which have been completed physically, the percentage viability of the existing ongoing projects is very low particularly in the case of New Line projects (10%), Gauge Conversion (38%) and MTP (33%). The Ministry of Railways have attributed this low viability to the projects taken up for providing rail infrastructure in backward and other regions on social consideration and projects taken up in far flung areas such as Jammu & Kashmir and North East region to bring socio-economic development.

According to the Ministry of Railways, the throwforwards in majority of the projects under plan heads viz., Doubling, MTP and Railway Electrification are manageable and expected to be completed by the end of 10th Plan but the real problem of funding lies with the New Line and Gauge Conversion projects which will depend on actual availability of funds. The Committee attributes the present precarious financial state of the Railways to unabated addition of new projects every year without ensuring adequate allocations, declining share of internal revenue from 58% in VIII Plan to 21% in the 2002-03, increase in market borrowings from 19% in VIII Plan to 36% in 2001-02 and increase in staff cost upto 56% of the total working expenses from 1998-99 onwards. The Committee, having taken into account all these factors, find that the Indian Railways are actually at cross-roads at present, finding difficult to realize their identity, objectives and goals. Taking a holistic view of the entire economic, administrative and social perspectives of the Indian Railways, the Committee strongly recommend for an urgent crisis management approach on the part of Railways to reassess and rejuvenate their financial health in view of the mammoth throw forwards.”

Reply of the Government

The availability of resources for the projects has increased considerably in the past two years as a number of initiatives have been taken for generation of resources other than normal budgetary support. These include public/private partnership, sharing of cost by the State Governments, Defence funding for strategic lines, National Rail Vikas Yojana and projects specific funding for National Project of Udhampur-Srinagar-Baramulla. Further, Minister of Railways in his interim budget speech 2004-05 has announced Remote Area Rail Sampark Yojana with an additional outlay of Rs.20,000 crore to be completed in next five years. With this, it is expected that all the ongoing projects would get completed in a period of next five years.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Recommendation (Para No. 3.3)

The Committee have reasons to believe the funding is not the sole cause of the slow progress in the execution of projects. There are varied drawbacks such as spending capacity of the Railways and lack of proper and effective coordination between the project executing authorities at project site and administrative machinery at the Centre. There is also a major

defect in the planning of a project where no time frame for completion and phase to phase funding is ensured. The Committee are of the considered view that unless a vigorous and professional approach towards the project selection, proper planning and execution of the same is adopted, nothing is going to deliver tangible results. Therefore, they recommend that a mechanism like a Project Management Cell be evolved and established at all levels from the projects sanctioning authority to the executing authority in the Railway Board to ensure effective implementation of the projects in a time-bound manner and for planning and to see each and every project separately so that funds required over different periods of time for completion of the projects is known.”

Reply of the Government

A well established and effective system of monitoring of projects at various levels exists in the Railways. The progress is being monitored continuously at the field and Zonal Railway level by appropriate officers. General Managers of the Railways also review the position regularly. At the Boards level also, progress is being monitored through monthly progress reports and through regular review meetings with Railways. The project monitoring system is effective and by and large the projects are being implemented as per the annual targets fixed. However, some times there have been delays due to various reasons beyond Railways’ control like prolongation of monsoon, failure of contractors, adverse law and order situation, delay in land acquisition, forestry clearances etc. Such constraints also are being addressed in the regular review meetings and remedial action taken wherever required.

The projects can be implemented in a time bound manner only when required funding is assured. There is a heavy throw-forward of ongoing projects on the Railways and with the limited availability of resources, it is not feasible to assure funding for most of the projects. However, with augmentation of additional resources through various initiatives taken up in the last two years and with announcement of Remote Area Sampark Yojana, it is expected that the implementation of projects would get expedited and all the ongoing projects are likely to be completed in next 5 years.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Recommendation (Para No. 3.7)

The Committee note with concern that the existing criteria for prioritization of projects as approved by the Cabinet Committee on Economic Affairs in November, 1998 has led to unproductive results. They find that because of the large shelf of ongoing projects particularly under New Lines and Gauge Conversion, the limited resources available with Railways get spread thinly over a large number of projects leading inevitably to a very long completion period. The fund invested in the project gets locked up and does not yield any return. The Committee, therefore, are of the view that under the prevailing financial situation, the existing criteria requires a thorough review so as to allocate the funds to the on going projects based on realistic needs. The priority criteria must lead to a result oriented fund allocation process. The Railways should give priority to those projects which augment the capacity of the Railway system in high density corridors apart from investment needed for ensuring safety and reliability of the services. The Committee, therefore, recommend that the Ministry of Railways should carry out a fresh exercise on prioritization of projects considering the available budget allocation as well as need to complete as many projects as possible within a reasonable time period. The Committee would like to be apprised of the action taken by the Ministry in this regard.

Reply of the Government

As mentioned in reply to para 3.1, all the ongoing projects are likely to be completed in next 5 years and there may not be any need for reprioritization of the projects.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Para No. 3.9

The Committee would also like the Ministry of Railways to expedite the implementation of the projects as mentioned in the minutes of the Eighteenth sitting of the Committee held on 24.09.2003.'

Reply of the Government

The progress of works mentioned by the Committee have been expedited. The detailed project wise progress is as under:-

Amravati-Narkher - (New Line)

The work of earthwork of bridges has been taken up in the entire stretch from Amravati to Narkher. In phase-I, work from Amravati-Chandurbazar (44 kms.) is planned for completion during 2004-05.

Miraj-Latur - (Gauge Conversion)

The work from Khuruduwadi to Pandharpur (52 kms.) and Latur – Latur Road (33 kms.) has already been completed and lines commissioned. The work is in progress in rest of the section. Latur – Yedshi is being planned for completion during 2004-2005 and Yedshi-Khuruduwadi during 2005-2006.

Viramgam-Jodhpur, Bhildi-Samdari-Luni - (Gauge Conversion)

Viramgam-Jodhpur gauge conversion consists of two projects namely Bhildi-Viramgam gauge conversion and Bhildi-Samdari Gauge Conversion project. Samdari to Luni is already Broad Gauge.

On Bhildi-Viramgam Project, gauge conversion of Viramgam-Mehsana (65 kms.) is under progress through BOT and targeted for completion during 2004-2005. The work of Mehana-Patan gauge conversion is also being planned to be taken up.

As regards Samdari-Bhildi gauge Conversion, it is mentioned that the project is being implemented under National Rail Vikas Yojana. Tenders for ballast supply and civil works for part length are under finalisation.

Tamluk-Digha - (New Line)

New Line from Tamluk to Kanthi (56 kms.) has already been commissioned for passenger traffic on 20.11.2003. The balance section is targeted for completion during 2004-2005.

Neemuch-Ratlam - (Gauge Conversion)

Earthwork, bridge works and ballasting is in progress. The work will be progressed and completed in the coming years as per availability of resources.

Gandhidham – Palanpur - (Gauge Conversion)

This work is proposed to be implemented through SPV named Kutch Railway Co. Government of Gujarat has shown willingness to share part cost of the project along with other beneficiaries namely Kandla Port and Mundra Port. MOU in this connection has been signed on 03-01-04 and Kutch Railway Co. has been registered by RVNL. A total of Rs. 200 crore shall be the equity for SPV in which Railways, Government of Gujarat,

Kandla & Mundra Ports have share of 50%, 4%, 26% and 20% respectively. A shareholder agreement in this connection is under finalisation.

The work is under National Rail Vikas Yojana and is being executed by Railway for Rail Vikas Nigam Ltd. Earthwork, bridge works, ballasting etc. are in progress.

Rajkot – Veraval (Gauge Conversion)

Rajkot-Junagarh section (102 km) opened for goods traffic on 30.03.2003 and passenger traffic on 27.07.03. Junagarh-Veraval (86 km) section has also been completed recently. Extension of Veraval upto Somnath (3 kms) is in progress.

Udhna-Jalgaon - (Railway Electrification)

Work completed and commercial services introduced on 29.08.2003.

Jayanagar-Darbhanga-Narkatiaganj (Gauge Conversion)

Jayanagar-Darbhanga-Narkatiaganj (268 kms.) gauge conversion was included in the Budget 1997-98 and an expenditure of Rs.32.5 crore has been incurred upto March, 2004. An outlay of Rs.25.04 crore has been provided for the project during 2004-05. The work is being progressed in phases.

In Jayanagar-Darbhanga-Sitamarhi (136 km) section, earthwork in a length of 127 km has been completed. Out of 90 minor bridges, 8 bridges are being retained. 24 minor bridges and 1 major bridge have been completed. Work on 2 major bridges is in progress.

In Sitamarhi-Raxaul-Narkatiaganj (132 kms.) section, the earthwork tender has been awarded for the entire length and work is in progress.

Karur-Salem (New Delhi)

The work was included in the budget 1996-97. The anticipated cost of the work is Rs. 229.88 crore and an expenditure of Rs.64.69 crore has so far been incurred upto March, 2004. An outlay of Rs.5 crore has been provided for the project during 2004-05.

Out of the 14 reaches (85 km.), contracts for earthwork and bridges have been awarded and works are in various stages of progress in 10 reaches (69 km.). 32.76 lakh cum out of 54.89 lakh cum earthwork, 21% work on major bridges, 49 out of 117 minor bridges and 5 out of 29 ROBs have been completed. Tenders for balance 4 reaches have been processed.

There have been litigations regarding land acquisition in some areas which are being sorted out. In one of the court cases, the High Court has given stay order to the Government Order.

As a first phase, completion of works between Salem and Namakkal (51 km) is being given priority.

[M/o Railways O.M No. 2003/BC-II/XIII/300/2 dated 8.9.2004]

CHAPTER-IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Para No. 3.2)

The Committee feel that it is a high time for the Railways to introspect themselves and opt for a stocktaking exercise into their objectives and achievements. They therefore, recommend that the Railways should restrain their market borrowings and operating cost to the minimum and increase their internal generation of revenues to the optimum extent, Railways must overcome their built-in inefficiency and increasing Operative Costs. They are of the firm view that it can be done only by restructuring the entire administrative edifice of the Railway Board, rationalizing the freight and passenger fare policy, establishing a mechanism for tariff fixation, improving operational productivity and efficiency, undertaking a vigorous commercial management and upgrading safety infrastructure.

Reply of the Government

The Railways are aware of the fast changing scenario in transport sector and economy in general and are taking required steps to meet the growing demands of passenger and freight traffic, capacity enhancement, resource mobilisation and achieving reduced operating ratio.

The level market borrowings which is need based, has remained steady and has been kept under control. Market borrowing through IRFC is resorted mainly to meet the funding requirement of Rolling Stock acquisition/replacement and modernization. This figure is restricted to the assessed requirement to meet the traffic demands only. As a percentage of total Plan outlay, market borrowing has come down from 36% during 1998-99 to 22% during the year 2003-04(RE). Railways efforts to control expenditure and augment earnings have begun to fructify visibly as a result of which, the operating ratio has improved considerably from 98.3% in 2000-01 to around 92% in 2003-04. The rate of growth of Ordinary Working Expenses has now come down to less than 4% from 8 to 14% in the pre-Fifth Pay Commission era. The internal resource generation for Plan has also improved progressively from Rs. 2831 crore after deferring dividend to the extent of Rs.1823 crore in 2000-01 to Rs.3837 crore in 2003-04(RE). The Railways' efforts to augment earnings inter-alia cover rationalization of the traffic structure, innovative marketing strategies and focused business organisation.

The efforts of the Railways will be to concentrate on core activities of passenger and freight transportation. Improvement of Safety Infrastructure on the Railways is given utmost priority and a special Railway Safety Fund has been created to wipe out the arrears of replacement/renewal of assets. Besides, a Corporate Safety Plan has also been formulated to guide the future investment on the Railways.

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

Recommendation (Para No.3.4)

As per the Ministry of Railways, the Budgetary Support as a part of the Annual Plan has witnessed a decreasing trend. It was 75% in the V Plan, which has drastically come down to 23% in the VIII Plan after the establishment of the Indian Railway Finance Corporation in December, 1986, which was incorporated with the sole objective of raising money from the market to finance partly the Plan Outlay and the developmental needs of the Railways. The Budgetary Support has now increased to 35% (approximately) in the year 2003-04. During the course of evidence, the Committee were apprised by the representatives of the Ministry of Finance and the Planning Commission that the Budgetary Support has increased in terms of percentage as well as in absolute term during the last 5-6 years. It has increased to 6.46% in 2001-02 from 3.97% in 1995-96 as a part of Central Plan. In absolute term also it has increased from Rs. 1141 crore (75% of the Annual Plan) in the V Plan to Rs.14445 crore approximately (average 31% of the Annual Plans of the Railways) in IX Plan. Further they stated that providing additional funds to the Railways to execute the ongoing projects is not a problem provided the Railways assure to deliver results. However, they emphasized that the Railways must select the last-mile projects and prioritize them realistically enough to complete the same in time-bound manner. The Committee, having analyzed the scope of funding from the Central Exchequer, have reached the conclusion that the Ministry of Railways must work out an effective strategy and prepare a project-wise priority of their projects in consultation with the Planning Commission and the Ministry of Finance within three months so as to execute those projects first which ensure 100% results. They further emphasize that the project executing authorities must be made accountable for all causes of delay in execution except in the case of natural calamity and want to funds.

Reply of the Government

1.12 So far as prioritization exercise is concerned, it is pointed out that categorization of projects was earlier done in 1998 and approved by the Government in November, 1998. As per this, New Line and Gauge Conversion projects were categorized in different categories. Further, as directed by the Government, re-prioritization exercise was again carried out duly identifying the projects for completion during X Plan and XI Plan. The proposal was considered by the Government in August, 2003; however, the same was withdrawn. There is a system for monitoring of projects and the project executing authority is accountable for timely completion of projects except where the delay is not in his control.”

[M/o Railways O.M No.2003/BC-II/XIII/300/2 dated 26.5.2003]

CHAPTER-V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES
OF THE GOVERNMENT ARE STILL AWAITED**

NIL

**New Delhi;
23.11.2004
2 Agrahayana, 1926 (Saka)**

**BASUDEB ACHARIA
Chairman,
Standing Committee on Railways**