RCC No. 116

RAILWAY CONVENTION COMMITTEE
(2009)

(FIFEENTH LOK SABHA)

FIRST REPORT
ON
RATE OF DIVIDEND FOR 2009-10 AND 2010-11 AND OTHER ANCILLARY MATTERS

Presented in Lok Sabha on 10.12.2010

Laid in Rajya Sabha on 10.12.2010

LOK SABHA SECRETARIAT

NEW DELHI

November, 2010/ Saka, 1932 (Saka)

CONTENTS

Page

Composition of the Railway Convention Committee (2009) **………** (iii)

Introduction ………………………………………………………… (v)

PART - I

1. **Report** ……………………………………………………………... 1
2. **Recommendations of the Committee** ……………………………… 24

APPENDICES

I. Statement showing important financial figures in respect of Indian Railways for the period 1950-51 to 2010-11 ………… 28

II Concessions/reliefs on dividend available to the Railways …… 30

III. Statement showing action taken on recommendations contained in the Ninth Report of Railway Convention Committee (2004) on `Rate of Dividend for 2008-09 and other ancillary matters' ………………………………….. 32

PART II

Minutes of the second sitting of the Railway Convention Committee (2009) held on 20th May, 2010 ………………............. 36

Minutes of the sixth sitting of the Railway Convention Committee (2009) held on 30th November, 2010 …………………. 38

INTRODUCTION

I, the Chairman, Railway Convention Committee (2009), having been authorized by the Committee to present the Report on their behalf, present this First Report on Rate of Dividend payable by the Railway Undertaking to General Revenues and Other Ancillary Matters for the financial years 2009-10 and 2010-11.

2. The Railway Convention Committee (2004) presented their Ninth Report on Rate of Dividend for the year 2008-09 and other Ancillary Matters to Lok Sabha on 20th October, 2008 and laid in Rajya Sabha on 22nd October, 2008. The action taken notes of the Government on the recommendations contained in the Ninth Report of RCC (2004) are given in Appendix-**III** to this Report.

3. Interim Memoranda on 'Rate of Dividend for the years 2009-10 and 2010-11 and other Ancillary Matters' containing the views of both the Ministry of Railways and the Ministry of Finance were furnished by the Ministry of Railways on 9th January, 2009 and 20th January, 2010 respectively. The Committee took evidence of both the Ministry of Railways and the Ministry of Finance together on 20th May, 2010.

4. After considering the Interim Memoranda and the oral evidence tendered by the officials of the Ministries, the Committee have recommended purely as an interim measure, that dividend to General Revenue for the years 2009-10 and 2010-11 may be paid at the rate of 6% on the entire capital (excluding dividend free capital) invested on Railways from the General Revenues irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 2008-09. All other concessions now available are also allowed to continue on the existing basis for the years 2009-10 and 2010-11.

5. The Committee considered and adopted this Report at their sitting held on 30th November, 2010. The Minutes of the sittings of the Committee are appended to the Report in **Part – II**.

6. The Committee express their thanks to the Representatives of the Ministry of Railways and of the Ministry of Finance for placing before them their views and for furnishing information desired by the Committee.

New Delhi;
30th November, 2010
9 Agrahayana, 1932 (S)

ARJUN CHARAN SETHI,
CHAIRMAN,
RAILWAY CONVENTION COMMITTEE.

PART - I

REPORT

I. Genesis of Separation of Railway Finance

Railway Finances till 1924 were included in the Budget of the Government of India. But in order to secure stability for Civil estimates by providing for an assured contribution from Railway Revenues and also to introduce flexibility in the administration of Railway Finance, the Railway Finances, were separated from the General Finance by a resolution of the Central Legislature adopted on 20th September, 1924 and was approved by the Secretary of State. The possibility of legislation to separate the Railway Finances from the General Finance was considered and it was decided that it would be preferable to ask the House to agree to a Convention. The advantage in a Convention being that it can be adjusted from time to time to varying needs and difficulties. This Convention is commonly known as 'Separation Convention'.

2. Under the 'Separation Convention', the Railways are required to pay dividend at a fixed rate on the Capital advanced by the Government of India. The 'Rate of Dividend' payable by the Railway Undertaking to the General Revenues as well as other financial matters are reviewed periodically by the Railway Convention Committee of Parliament.

II. Guiding Principle of Rate of dividend

3. The first Convention Committee was set up after independence in April 1949. One of the basic principles enunciated by this Committee was the fixation of definite rate of dividend which included an element of contribution to the General Revenues over and above the bare interest paid by the Government on the Capital provided for Railways. This principle was enunciated on the consideration that, in essence, the general taxpayer is the owner and sole shareholder of the Undertaking. This principle of

the rate of dividend being higher than the average borrowing rate of interest paid by the Government was followed by the successive Railway Convention Committees upto the year 1981-82. From 1981-82 onwards keeping in view the financial health of the Railways, the rate of dividend has been fixed by successive Railway Convention Committees at a level lower than the average borrowing rate of interest.

III. Financial Structure of Indian Railways

4. The financial arrangements between the Railways and the General Revenues have been reviewed from time to time and modifications/changes carried out to meet the requirements of the changing times. As a result, the Ministry of Railways have been delegated with substantial administrative and financial powers relating to all Railway matters. The Railways have their own independent and integrated financial set up, *viz;*

(i) Railway Budget is presented and voted by the Parliament separately, independent of General Budget.

(ii) Railway Ministry enjoy substantial powers of financial sanction to incur expenditure.

(iii) Accounts are maintained by the Railways' own accounting cadres.

(iv) Railway projects are also free from clearance by Public Investment Board as it is not for the projects of other Ministries. Once the survey reports become available, these are thoroughly scrutinised in the Railway Board and those which show some potential are recommended to the Planning Commission for consideration. Projects costing up to Rs. 300 crore, Planning Commission is required to concur before the work can be included in the Budget. Works costing over Rs. 300 crore, the Planning Commission prepares an appraisal note on it which is then considered by an Expanded Board consisting of Members of the Railway Board and Secretaries of the Ministry of Finance (Expenditure), Planning Commission and the

Department of Programme Implementation. The proposals for projects are then sent to the Cabinet Committee on Economic Affairs (CCEA) for approval with the recommendations of the Expanded Board and once CCEA approves, the projects are included in the Railway Budget for seeking the approval of the Parliament.

5. Although the Railway Finances have been separated from the General Finances, the former continue to be part of the overall Government Finances as the estimates relating to receipts and expenditure of the Railways are incorporated in the General Budget as part of the total receipts and expenditure of the Government of India.

6. The Railways' revenue receipts are derived from the Gross Traffic Receipts, *viz.*, passenger earnings, other coaching earnings, goods earnings and other sundry earnings. The expenditure of the Railways falls in the following two categories; -

(i) Revenue expenditure or non-Plan expenditure: This expenditure is met out of the revenue receipts of the Railways. It consists of ordinary working expenses of Railways, appropriations to the various reserve funds and other miscellaneous expenditure like subsidy/ rebate to worked lines, expenditure on miscellaneous establishments, etc.

(ii) Other expenditure or Plan expenditure: The Plan expenditure is financed from budgetary support provided by the General Revenues and withdrawals from various Railway Funds including Capital fund and the market borrowings.

7. The allocation of Railway expenditure to one or the other of the above mentioned categories (referred to as allocation heads of expenditure) is governed by the Rules of allocation based on the principles introduced by the Railway Convention

Committee, 1949, as amended by the successive Railway Convention Committees from time to time.

8. The term of the Railway Convention Committee (2004) constituted on 17 September, 2004 in pursuance of Resolution adopted by both the Houses of Parliament came to an end on 18th May, 2009 i. e. on dissolution of the 14th Lok Sabha. In pursuance of the Resolution adopted by the 15th Lok Sabha on 15th December, 2009 and concurred in by Rajya Sabha on 17th December, 2010, the Railway Convention Committee was constituted on 15th March, 2010 to review the "Rate of Dividend" payable by the Railway undertaking to General Revenues, as well as other ancillary matters in connection with the Railway Finance *vis-à-vis* General Finance and to make recommendations thereon.

(A) Determining the Rate of Dividend

9. The Committee generally present their Report on 'Rate of Dividend during the Budget Session of Parliament and their recommendations are reflected in the Railway Budget. The 'Rate of Dividend' payable by the Railways to the General Revenue is based on the recommendations of the Committee. The Interim Memorandum for the year 2009-10 on 'Rate of Dividend payable to General Revenues' was submitted to the Committee by the Ministry of Railways on 09.01.2009 after obtaining the comments/ concurrence of the Ministry of Finance. Interim Memorandum on Rate of Dividend for the year 2010-11 was submitted to the Committee on 20.01.2010.

(B) Capital-at-Charge of Indian Railways

10. Capital-at-charge means Capital contributed to the Indian Railways by General Revenues in the form of interest bearing loan capital, except that part of it on which no dividend is payable on the basis of reliefs recommended by successive Convention Committees and approved by the Parliament. The capital-at-charge of the Indian Railways has increased from Rs. 827 crore in 1950-51 to Rs. 87,455 crore in 2009-10 (RE) and Rs. 1,02,329 in the year 2010-11 (BE).

(C) Dividend Paid

11. The annual dividend payable to General Revenues used to be less than Rs. 100 crore till 31 March 1964. It is observed from the Budgetary documents that this has tentatively increased to Rs. 5538.83 crore by 2009-10 (RE) and Rs. 6608.46 crore by 2010-11(BE).

12. Statement showing important financial parameters in respect of Indian Railways is a **Appendix-I.**

(D) Payment of dividend to General Revenues

13. The Railway Convention Committee (2004) had, in paras 49 and 50 of their Ninth Report had recommended that as a purely interim measure, the Dividend for the year 2008-09 to General Revenues on the entire capital (excluding dividend free capital) invested on Railways from the General Revenues be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable to States as grant *in lieu* of passenger fare tax and contribution for assisting States for safety works during the year 2007-08. All other concessions as already available on residential buildings, new lines, subsidies from General Revenues, etc. were also allowed to continue on the existing basis for the year 2008-09.

14. Apart from above, the Committee *vide* Para No. 23 of their Third Report had also extended the concession in payment of dividend as available on new lines on strategic consideration to on-going and future gauge conversion works taken up on strategic consideration. The basis for calculation of dividend payable to General Revenues as also the subsidy available in payment of dividend, based on recommendations of Railway Convention Committee (2004) applicable for 2008-09 has been brought out in **Appendix-II.**

(E) Present Status of Railway Finances

15. The financial position of Railways as explained by the Ministry of Railways, in their Fifth interim Memorandum on "Rate of Dividend for 2009-10 and other ancillary matters" during the Fourteenth Lok Sabha and their First Updated Interim Memorandum on "Rate of Dividend for 2010-11 and other ancillary matters" during the Fifteenth Lok Sabha submitted to the Committee on 09.01.2009 and 20.01.2010 respectively is detailed in the succeeding paragraphs.

16. The performance of the Railways during the year 2007-08: -

> "Railways ended the fiscal 2007-08 with a freight loading of 793.89 million tonnes (mt), which was higher than the budgeted target, thereby achieving an impressive incremental loading of 66.14 mt by registering a growth rate of 9.1% over the previous year. In the passenger traffic, the growth registered was 3.2%. As a result, the total traffic earnings at Rs. 71,645 crore for the fiscal was higher than the previous year by 14.9%. The internal resource generation for financing of Railways' Plan stood at Rs. 19,972 crore compared to the budgeted internal resources of Rs. 17,006 crore. The fund balances closed at Rs. 22,279 crore. Railway also cleared the entire deferred dividend liability with final payment of Rs. 664 crore in 2007-08".

17. The performance of the Railways during the year 2008-09: -

> "The financial performance of the Railways in the fiscal 2008-09 was marred by the recessionary trends being witnessed in the economy and the increase in expenditure due to steep rise in pay and pension bills due to implementation of the recommendations of the 6th CPC. The kind of growth in traffic and earnings seen in the previous years could not be sustained during 2008-09. The Railways slipped on the targeted loading of 850 MT by 17 MT. The earnings from all the streams of Railway business were below the targets. Overall, the Gross Traffic Receipts were short of the Revised Estimates of Rs. 82,293 crore by Rs 2,456 crore. The ordinary working expenses, on the other side, increased sharply from Rs. 41,033 crore in 2007-08 to Rs 54,349 crore in 2008-09 registering an increase of 32% , mainly due to implementation of the 6th CPC recommendations, which are likely to cost the Indian Railways more than Rs. 28000 crore during 2008-09 and 2009-10 benefiting about 14 lakh railway employees and about 11.5 lakh railway pensioners. The payout on account of arrears of salary increase alone is likely to be about Rs. 11,000 crore. The pensionary charges are also likely to be impacted by over Rs. 9,000 crore including the arrears. The arrears arising out of 6th CPC are to be paid in the ratio of 40:60 during 2008-09 and 2009-10.
>
> The shortfall in earnings due to recessionary trends and increase in expenditure due to 6th CPC is likely to bring in permanent depression of

about Rs. 13000 crore in the internal resource generation capacity of the Railways".

18. Performance of the Railways during the year 2009-10 :-

The slowdown in economy continues through the fiscal 2009-10 also with little improvement and there is obligation to provide for the full year impact of the recommendation of the 6th CPC besides the 60% arrears. The trend of loading and earnings for the first eight months of the current financial year is better than last year though not exactly upto the budgeted expectations. As against the loading target of 890 mt for the full year, Railway has achieved loading of 803.50 mt till February,2010, which is more than the budget proportion by about 0.02 mt and 52.20 mt more than the previous year. While the proportionate loading targtet is being achieved, the earnings have registered a shortfall of Rs. 1031 crore to end of February, 2010 mainly due to declining yield per million tones (YPMT).

It needs no reiteration that the Railways need substantially higher resources to undertake development expenditure and capacity augmentation to match the demand for transport infrastructure in India's growing economy.

19. Current liabilities of the Railways:-

The Railways also absorb a significant burden of liabilities as explained below:-

"Railway is required to extend financial assistance to Konkan Railway Corporation (KRCL). The KRCL was set up with an investment of Rs. 3555 crore out of which Rs. 2755 crore was borrowed from the market on the strength of letters of comfort issued by Ministry of Railways. While KRCL has been able to generate revenues just sufficient to cover its operating expenses, it has not been able to service the interest and debt liability. As a result, Ministry of Railways has had to extend support to KRCL by way of loans. Upto March 2008, the loans extended to KRCL amounted to Rs. 2731.40 crore. As of 31.3.2008, this Ministry has lent around Rs. 2731 cr on this account on which an accrued interest of Rs. 491.06 crore As a part of the financial restructuring package recommended by Board of Re-construction of Public Sector Enterprises (BRPSE), this liability was converted into fully paid up Non-cumulative preferential Shares redeemable at par at the end of 20 years and the dividend rate payable on these Non-cumulative Redeemable Preferential Shares would be the same as being paid by Ministry of Railways to the General Exchequer. In 2008-09 Ministry of Railways has again extended Rs. 251.50 crore to KRCL which has again been converted into fully paid Non-cumulative Preferential Shares, redeemable at par at the end of 15 years carrying the same dividend liability payable by ministry of Railways to the General Exchequer. As per the recommendations, Ministry of Railways will have to provide financial assistance to KRCL to cover up full interest servicing and 50% of the Bonds for the financial year 2009-10 and 2010-11 which comes, to Rs. 297.37 crore and Rs. 308.18 cr respectively. Till KRCL is debt free, it will not provide any relief to Indian Railways resources.

As the Railway infrastructure expands, considerable burden is imposed on Railways resources for replacement and renewal of assets. The Indian Railways are consistently providing resources from internal generation to meet with this liability. The expenditure on replacement from DRF reflects a rising trend and may increase beyond Rs. 9000 crore in the next years".

20. **Capacity Augmentation Requirement**

In keeping with the demands of the growing domestic economy, the Railways will have to implement long term measures to augment carrying capacity of the Indian Railway system in both passenger and freight business. Railways expect to carry more than 1020 MT of revenue earning freight traffic and nearly 8400 million passengers by the end of XI Five Year Plan. This growth scenario warrants not only speedy completion of certain critical and throughput enhancement works but also taking up of ambitious mega projects for rapid modernization and expansion of the Railway network. While there had been steady growth in internal generation of resources till 2007-08, the same suffered a declining growth in 2008-09 & 2009-10. The other options of funding like market borrowing and Public Private Partnerships will have to be resorted to with prudence, in view of the cost of debt and intrinsic nature of Railway projects. Accordingly, the Railway's had proposed the XI Five Year Plan at Rs 2,51,000 crore, out of which Rs. 90,000 crore will be raised by the Railways internally, Rs. 75,000 crore through extra-budgetary resources and remaining Rs. 86,000 crore as Budgetary Support. As against this, the Planning Commission, has reduced the Plan size to Rs. 2,33,289 crore inclusive of reduction in the GBS to Rs. 50,063 crore (excluding the national projects), which is a substantial reduction and could adversely affect the expansion activity of the Indian Railways.

21. **Dedicated Freight Corridors**

With a view to reduce saturation in the high density Golden Quadrilateral route, mega projects for construction of two Dedicated Freight Corridors from Ludhiana to Sonenagar (Eastern Corridor) and extended upto Dankuni and other from Tughlakabad to Jawaharlal Nehru Port (Western Coridor) have been taken up in the XI Five Year Plan. Further Freight Corridors are also planned to interconnect the four Metropolitan cities on routes Mumbai-Kolkata, Mumbai-Chennai, Chennai-Delhi and Chennai-Kolkata. All these Freight Corridors would enable the movement of cargo at a higher speed through longer and heavier trains, thereby improving the overall efficiency in Railway operation and providing assured transit time for freight movement. These additional Freight Corridors alongwith accelerated programme of containerization would contribute towards increasing the share of Railways in non bulk traffic and create capacities to meet the exponential demand for container movement towards and from ports. Besides increasing the average speed of the goods trains, it will result in smooth flow of traffic. As per the present estimates, all these Freight Corridors would cost around Rs. 1,50,000 crore.

22**.** **Backlog of Projects**

The target of carrying 1020 MT by the terminal year of the XI Plan would be difficult to achieve until and unless the capacity of the system is augmented and also new connecting routes are opened for traffic. The Budgetary Support received by the Railways including funding for Special Railway Safety Fund (SRSF) and also National Projects during the year 2005-06, 2006-07, 2007-08 and 2008-09 has been Rs 7811 crore, Rs. 7554 crore, Rs. 8135 crore and and Rs. 9545 crore at 41 percent, 30 percent, 28 percent and 26 percent of the total plan outlay respectively. The Budgetary Support for the current financial year is Rs. 14,842 crore (excluding National Projects) constituting 36 percent of the total plan outlay of the railways. It is pertinent to point out that against Rs. 50063 crore of GBS during the XIth Plan, Railways have received Rs. 28,823 crore, in the first three years of the Plan which exclude Rs 1165 crore as contribution to SRSF and Rs 2534 crore as additional budgetary support for the National Projects in Jammu and Kashmir and NE Region. The budgetary support received so far constitutes 58 percent of the total committed GBS. Implementation of the 6th CPC recommendations has affected the capacity of internal generation of resources for meeting the Plan requirement. The Budgetary Support is primarily used for financing construction of new lines, works for gauge conversion, doubling, traffic facilities, railway electrification and workshops. All these projects are vital and very critical for augmenting the carrying capacity of the system which otherwise is now reaching a plateau. The throw forward on new lines is about Rs. 50,405 crores. With an outlay of around Rs. 2921 crores on new lines (including land acquisition for Dedicated Freight Corridor) in the year 2009-10 it would take around 25 years to complete the projects on hand with the current level of funding. The situation is likely to get worse with addition of new projects every year based on socio economic considerations and with cost escalation in the projects having long completion periods due to the funds getting thinly distributed among the projects. Besides this the throw forward in plan heads of doubling and gauge conversion as mentioned above is around Rs. 29,000 crore. Apart from the above Modernization of the Railway infrastructure has been identified as one of the high priority areas by the Government.

Though some of the new line projects are being funded separately as National Projects as those in Jammu and Kashmir and NE Region most of the other projects under new lines are funded entirely through Budgetary Support.

Most of the new line projects have low or negative rate of return. Thus taking these projects on PPP basis may not be feasible. It is also not possible to execute these projects against debts. Railways' internal resource generation are not enough to fully take care of the capacity augmentation works after providing for replacement and renewal requirements. Besides, the funding of Dedicated Freight Corridor would also require massive infusion of funds in the future.

For the timely completion of new lines and projects under other plan heads taken up through funds from GBS or internal and external resources it is felt that it is essential to substantially increase the Gross Budgetary Support and internal resource generation so that railways are able to expand their capacity in line with the growth of economy. However contrary to the increased requirement of funds through GBS, their share as a percentage of the plan outlay has been steadily decreasing from 41 per cent in 2005-06 to 36 per cent (excluding support for National Projects) in 2009-10. Further with the implementation of the 6th Pay Commission the expenditure of railways has increased substantially squeezing out the internal resource generation. The external borrowing is becoming increasingly costly and will put additional strain on the railways finances in terms of increased interest liability.

(F) Issue of Rate of Dividend for the years 2009-10 and 2010-11.

23. Keeping in view the financial position of Railways as indicated in aforesaid paragraphs, the Ministry of Railways vide their Interim Memoranda for the year 2009-10 and 2010-11 have requested as under:-

(i) In view of the facts brought out above, waiver of the Rate of Dividend for a period of five years from 2009-10 may be considered as a special case. Alternatively , if the waiver of dividend is not considered for acceptance then the rate of dividend may be considered for reduction to at least 6.0 percent for the year 2009-10 from present 7 percent.

(ii) The rate of dividend for the year 2010-11 may be reduced to at least 6.0 percent.

(iii) Other modalities for determining the dividend as brought out in **Appendix-II** may continue to be adopted for the year 2009-10 & 2010-11. All concessions now available, as listed therein may also be allowed to continue for the year 2009-10 & 2010-11.

(iv) The contribution to Depreciation Reserve Fund may be allowed to be made in consonance with the plan requirement for the years 2009-10 and 2010-11.

(v) The contribution to Pension Fund from Revenues in 2010-11 may be allowed to be made in keeping with the requirement submitted by the Railways in their Budget Estimates Projections.

(vi) The principles governing interest on various Railway Reserve Funds and Development Fund may remain as at present.

24. Disagreeing with the proposal of the Ministry of Railways on Rate of Dividend for the year 2009-10 and 2010-11, the Ministry of Finance has stated that it does not support the proposal of Ministry of Railways either for waiver of dividend for a period of 5 years or for payment of dividend on capital invested from General Revenues at 6% in view of the following reasons:

(a) The contention of Ministry of Railways to waive dividend payment/reduce rate of dividend on the grounds of additional expenditure arising out of the implementation of the recommendations of 6th Central Pay Commission, is not tenable, as the same commitments on a much larger scale for the entire Government has to be met from the General Revenues.

(b) In 2003-04 the Rate of Dividend was 7 % when the performance of Railways was far below and not comparable to the vastly improved performance and surpluses in recent years. Dividend must be paid at the existing rate from the surplus generated by Railways, from the moneys invested out of General Revenues.

(c) The weighted average cost of market borrowings for the Government has increased from 5.74% in 2003-04 to 8.03% in 2005-06. This rate stood at 7.80% in 2006-2007 and 7.84% in 2007-08. During the current year viz. 2008-09, the weighted average cost of market borrowings stands higher than last year at 7.69% (since revised). In the current year, the weighted average cost of market borrowing is 7.19% upto December 4, 2009.

(d) Railways have been getting number of reliefs and concessions from Government. One of the important concessions, in the form of dividend relief, is subsidy from General Revenues on capital invested in respect of certain specific items. After taking into account concession in the form of subsidies (Rs. 1735.17 crore) and other losses (Rs. 646 crore) that are reimbursed, the effective rate of dividend in 2008-09 (Rs. 4717.48 crore minus Rs. 2381.17 crore) works to 3.68% of the total capital at charge upto 2007-08 (Rs.63,380 crore).

(e) The rate of interest on the investments in the form of loans to Public Sector Enterprises for the current year stands at 11.5%. As against this, investment made in Railways, being treated as 'loan in perpetuity', is highly concessional even at 7% though in practice it translates into much lower rate of dividend payment at 3-4%, after taking into account the concessions and reliefs allowed.

(f) The Railway have also made the proposal for waiver of dividend as a special case for five year in view of backlog of sanctioned projects and adverse implace of 6th Central Pay Commission. In this context it may be mentioned that even in 200-01 when the Railways could not generate adequate surplus, the dividend was only deferred and not waived off. The Railways has subsequently cleared the entire deferred dividend liabilities. In the current scenario, the Railways is poised to continue with the trend of generating surplus even after meeting the additional liability on account of 6th CPC implementation, and therefore the dividend due to the General revenues cannot be agreed to be waived off.

(g) The surplus of Railways has been consistently growing from Rs. 1091.41 crore in 2003-04/ Rs. 2,074.23 crore in 2004-05 to Rs 10,669.68 crore in 2006-07. The surpluses of Railways stood at Rs. 13,431 crore in 2007-08 and Rs. 4,456 crore in 2008-09 (Provisional Actual). BE 2009-10 assumes a surplus of Rs. 2,642.26 crore after payment of dividend to General Revenues.

(h) The reduction of rate of dividend payable by Indian Railways on capital-at-charge from 7% to 6% will not, in any way, be of any great help to Railways as the savings arising out of lower rate of dividend works out to Rs. 395 crore approximately based on the dividend payable in the year 2009-10.

(i) Ministry of Railways are getting committed additional budgetary support during the course of financial year over and above Gross Budgetary Support provided by the Planning Commission towards the projects of national importance such as Udhampur-Srinagar-Baramulla new line and other projects in North Eastern Areas. The following amounts were provided to these projects of 'national importance' over the recent years.

(Rs. In crore)

Year	Additional Budget Support	Purpose
2004-05	700	Udhampur-Baramulla (700)
2005-06	665	Udhampur-Baramulla (500) & NE Projects (165)
2006-07	1050	Udhampur-Baramulla (900) & NE Projects (150)
2007-08	1235	Udhampur-Baramulla (900) & NE Projects (335)
2008-09	2227*	Udhampur-Baramulla (600) & NE Projects (699)
2009-10	731.30	Udhampur-Baramulla (410) & NE Projects (321.30)

* *Of this amount, Rs. 1299 crore was towards projects of national importance and the balance amount of Rs. 928 crore was towards stimulus package as additional budget support for normal projects as well*.

(j) Finally, in view of the current economic scenario where the Government is committed to stimulate the economic growth through higher public expenditure and its committed liability for higher outlays on social section programmes in the areas of education, health, rural development and for increased subsidy claims on the one side and trends of decreasing revenue collection against the budget estimates, this Ministry is for retaining the existing rate of 7% for payment of dividend by Railways to General Revenues.

25. The Ministry of Railways have, however, put forth further arguments for dividend waiver as follows: -

(a) "Railways Plan and non-Plan expenditure together constitute only about 16% of the Government Budget, the Railways is one of the largest employers in the country and the Pay Commission liabilities of the Railways are nearly 40% of the Pay Commission liabilities of the Government of India. Further, Railways has to absorb the impact of the Pay Commission without resorting to increase in tariff and fares so that economy and the Railway users are not adversely impacted.

(b) The overall Gross Budgetary Support to the Railways is not increasing to match the growing plan size of Railways. Whereas expectations from the railways for capacity augmentation in a growing economy are on the rise. In 2003-04 the share of GBS was 52% in Plan Outlay whereas this stands reduced to 19% in BE 2008-09.

Further, the internal resource generation capacity of the Railways has come under great strains in view of the 6^{th} CPC and the recession that has come in the global economy.

(c) In view of the shrinking Gross Budgetary Support, the Ministry of Railways is forced to resort to higher levels of borrowings from the market and the average cost of borrowings of Indian Railways Finance Corporation (IRFC) is higher than that of Government of India. Infact, recently IRFC has to raise funds at a cost as high as 11%.

(d) The Railways are seeking waiver of dividend primarily for addressing the backlog in completion of sanctioned projects. These projects reflect the aspirations of people in diverse parts of the country seeking to join the main-stream through better rail connectivity. For want of adequate Gross Budgetary Support, all these projects are languishing and are inordinately delayed in completion. Further, as has already been mentioned, the internal resource generation capacity is likely to reduce in view of implementation of the 6^{th} CPC and the recession that has come in the global economy.

(e) The impact of the Pay Commission and the recession in the economy will no doubt reduce the surpluses of the Indian Railways. The Railway surpluses are increasingly becoming the main source of financing projects. If we resort to market borrowings or other forms of extra budget resources, these trend to have higher cost which would adversely affect the performance of the Railways and tariff charged. This is contrary to the need to move more and more traffic by rail given its fuel efficiency and less harmful impact on the environment.

(f) The Railways have a critical role to play in boosting economic activity in the country. On the one hand, expansion of the rail network links the new ares covered to the main stream and on the other hand, demand for steel, cement and employment rises with construction of new rail lines providing necessary economic stimulus. The savings that the Railways gets on account of less payment of dividend will release these sources for Railways to stimulate economic activity in the country. It is also desirable that rail transportation be offered at competitive tariff to increase movement of cargo by rail in view of the fuel efficiency of rail versus road. This requires funds being made available for infrastructure at relatively less cost.

(g) If the budgetary support is not increased substantially or the relief in payment of dividend is not extended as desired the burden of financing capital needs from its own resources will soon put the railway finances under great strain which may lead to a situation similar to the one faced in late nineties when the Railways were not even able to take care of its replacement and renewal needs necessitating the Government to set up the SRSF of Rs. 17,000 crore for attending to the same".

26. As per the proposal for reduction in rate of dividend for the year 2010-11, the Ministry of Railways advanced the following arguments:-

(a) "Railways pay dividend in perpetuity whereas the borrowings of the Government have a fixed tenor.

(b) Concessions in payment of Dividend termed subsidy are in fact mostly a legitimate grant due to the Railways, recognizing investments undertaken by Railways in projects and development expenditures that are unremunerative and economically unviable and yet important for national development. Most of these works were taken up only at the instance of the Government itself and the exemption in payment of dividend on them is available after due deliberations as per the recommendation of Railway Convention Committee.

(c) It may also be worth mentioning here that the Railways also carry social service obligation of around Rs. 9,700 crore by carrying certain passenger and goods services below cost in the larger interest of society on socio-politico considerations, without being compensated. Thus, the Railways in a way, is returning to the Nation the amount of social service obligation of Rs. 9,700 crore also in addition to the dividend being paid.

(d) The overall Gross Budgetary support to the Railways is not increasing to match the growing plan size of Railways. Thus Railways are increasingly resorting to Market Borrowings and internal generation for financing investment on capacity expansion. This affects the sustainability of the Railways. Carrying more than 6400 million passengers at low cost tariffs, the Railways are rendering national service. The current focus on global warming also mandates that the fuel & energy efficient mode of transport receives maximum state support in national interest reducing overall fuel consumption and carbon emission.

(e) Railways have, over the past few years, consistently improved operational efficiency to generate more revenues for development expenditure. All internal generations of the Railways arising from this improvement in performance are ploughed back into expansion and modernization projects, thereby affording considerable relief to the general exchequer.

(f) As has already been submitted, even with this improved productivity the internal resource generation for investments in rail infrastructure are very inadequate. The railways expect to carry 1020 million tones per annum and 8400 million passengers per annum by the end of the 11^{th} Plan. Thus several new initiatives like the Heavy Haul Dedicated Freight Corridors, projects for strengthening the Golden Quadrilateral and diagonals, Freight and passenger terminal up-gradation, 25 T axle load freight movement on identified routes, Port connectivity projects, locomotives and coaches with latest technology and improved performance are being planned for. This apart, the Railway also has a considerable shelf of sanctioned projects with a throw forward liability of around Rupees one lakh crore. The debt servicing liability in respect of Konkan railway Corporation is also being borne by the Railways. In view of the above, the Ministry of Railways requests the Committee to lower the rate of dividend to 6% for the year 2010-11".

27. During the oral evidence on 20 May, 2010, the Financial Commissioner (Railway Board) pleaded as under:-

"As you are aware, the financial scenario in the Railways is presently of some concern. This of course is a result of the global economic recession which we have witnessed in the last two years. This is being worsened by the severe body blow as it were of the Pay Commission impact, which has cost us almost Rs. 55,000 crore by virtue of both salary and arrears, and annual outgo of Rs. 15,000 crore in perpetuity. The Pay Commission impact having made its inroads into our finances, the surplus that the Ministry has been able to generate has also come down progressively. In 2006-07, there was a surplus of Rs. 14,445 crore, which went up to Rs. 18,927 crore and then came down to Rs. 11,506 crore, which now stands at Rs. 5,508 crore. This is the position on the one side.

Recently our hon'ble Minister has also unfolded a Vision Document where she has laid down the roadmap the Railways will take in the next ten years. She has made traffic projection. Presently, we hope to carry 944 million tones, which will go up to 1,020 million tones in the next year, which is the terminal year of the 11^{th} Five Year Plan, representing an increase of 76 million tones, which is expected to go up to 2,165 million tones by 2020. In order to achieve the vision set forth, one of the major hurdles that we face is the capacity enhancement and our inputs to the infrastructure.

As we are all aware, presently there is a large shelf of projects of more than Rs. 1, 00,000 crore consisting of numerous new lines, gauge conversions, doublings and railway electrification. The Railway has done an in-house exercise, because we cannot deal with all these projects at one go, of segregating 147 projects which cost about Rs. 26,000 crore consisting of new line, gauge conversioin, doubling and electrification and identified a five-year completion period. By achieving this five-year completion, we will have an increase in the line capacity and we will be able to carry almost 1,500 million tones from 944 million tones. This would almost take us half way in our vision otherwise in addition to this we also need inputs by virtue of rolling stock requirements. Of couse, we will also resort to market borrowing and increasing our internal investments. Market borrowing has also doubled in the last five years from Rs. 4,611 crore to Rs. 9,520 crore through the IRFC. Of course, this has had an impact, but the lease charges have also increased from Rs. 3,595 crore to Rs. 5,367 crore.

In addition to this, we have some very important projects, like the dedicated freight corridor, on the anvil. The deicated freight corridor at the present project estimates is costing around Rs. 60,000 crore. The equity component, which the Ministry of Railways has to bear, is Rs. 17,700 crore as also the land cost of Rs. 4,200 crore.

In the background of all these immediate requirements, we have requested very earnestly and fervently for a dividend waiver for a period of five years. This would give us a relief of Rs. 23000 crore which we have worked out assuming an increase in the GBS by 10%. Of course, the other option suggested was a reduction in the percentage of dividend by 1 per cent, will give us a relief of Rs. 450 crore or Rs. 530 crore per annum as the case may be.

My very earnest and sincere plea from the Ministry of Railways, given this background, would be for dividend waiver because it will enable us to make very vital infrastructure inputs to tide us over the present situation, which we find ourselves in.

Our internal generations will also improve in the next few years, and we will also resort to larger market borrowings. We will garner better resources, and the overall position is likely to improve. At this present juncture, the background of the request being made for the dividend waiver is based on the circumstances as we find overselves in".

28. Reacting to the views of the Financial Commissioner, Railway Board, the Secretary, Department of Expenditure stated as under:-

"The point is that when we request that the dividend from the Railways on the capital should be seven per cent. It is actually not seven per cent on all the investments because we are also giving some concessions and subsidies. For example as far as capital investment on residential building is concerned, there is already a concession that only 3.5 per cent should be paid. In addition, there is a subsidy given to the Railways as relief for no dividend paid on investment on strategic lines. Further, the loss that is borne on strategic lines operation is also given from the general revenues and it is not borne by the Railways. Similarly, we provide subsidy for gauge conversion works. As regards the new lines, which were taken – apart from the 28 new lines – from 01.04.1955, on that also for five years after completion, no dividend is paid and dividend is paid only if they are showing a surplus on it, and the limit is 20 years, that is, if no dividend is paid within 20 year, then they do not have to pay at all.

These are several concessions, which are already there. So, the effective dividend, which they are actually paying comes to much less than seven per cent. For example, in 2009-10, it came to 2.99 per cent. If we presume seven per cent and what we have given back in terms of subsidies and concessions and losses on strategic lines, the effective dividend will be 2.99 per cent. So, it has been progressively coming down. For example, in 2007-08, it was 3.33 per cent; it was 3.24 per cent in 2008-09; and it will be 2.99 per cent in 2009-10 on the Revised Estimates.

As I have already mentioned that when they pay us the dividend we give it back a substantial part to them in terms of losses incurred on strategic lines and various other reliefs and subsidies. Over and above that, we have also given them separately for the national Projects. If you see the Gross Budgetary Support (GBS) that has been given from the general revenues to the Railways, it has been progressively increasing. In 2004-05, it was Rs. 8,468 crore; in 2008-09 it became Rs. 9,545 crore; and in 2009-10 we have given Rs. 16,911 crore. In 2010-11, while Rs. 15,875 crore has been provided for, we will be giving another Rs. 2,000 crore for the national project. In 2009-10 itself we gave Rs. 1,900 crore for it.

So, it is not that we are not supporting the Railways. But we would like the Railways to have a certain discipline. If they gave us seven per cent dividend, we are, after all, giving back a major part of it to them, but they must also strive to raise their revenues. They have not done anything on the passenger side. In fact, they are giving away more and more. Even if they were to marginally increase it would make a big difference. We want them to show some intent that they are tightening. They have been talking about pay Commission and that they have dealt a body blow. But it is the same liability for the rest of the Government. It is not that they have been given some extra money compared to the other employees. After all, the number of employees minus the Railways is much more for which the general revenues have had to bear the liability. Now, when they come to us for Performance Linked Bonus (PLB), they say that they have done so marvelously well and we must increase the number of days for which they are giving PLB. At that time they do not tell us that we have borne all these losses and we should not be giving any PLB or at least to keep it static. Last year, they made us give it for 76 days. They went to the Cabinet and had the Ministry of Finance overruled. So, we want certain discipline. It is not that all that they give to us is one way traffic as we are also giving it back to them. Hence, we feel that no waive should be given.

Reducing it to six per cent really has no meaning because we are really giving it back to them. Otherwise, the impression we will give – I may be wrong – is that they are not really making efforts to consolidate, tighten up or try to see where they can cut to raise revenues. Even if you take the Eleventh Plan projection for the GBS, which was supposed to be there, Rs. 50,000 crore was the GBS, which was to be given over the Eleventh Plan period, and already we have given about Rs. 48,000 crore. Obviously, we will be giving much more next year. So, we will be crossing that Rs. 50,000 crore by a large figure".

29. The Financial Commissioner (Railway Board) stated in this connection,

"Of course, I am in agreement with the Secretary, Expenditure when she says that seven per cent, in effect, comes down to a much lesser percentage, but as per the recommendation of the hon. Committee we finally pay a much lesser percentage taking certain factors into view. But the Railways, at the moment, are faced with some very serious infrastructural bottlenecks. Hence, this is the background on which the waiver is being sought. Though it is very unconventional, which is being proposed, but we are on the growth path. A Vision has been outlined, and if we have to move forward, then we request this kind of a very unusual input from the hon. Committee".

30. To a query as to why the Railways is asking for one per cent reduction of dividend, the Financial Commissioner, Railway Board replied as under:

"One of the issues raised was as to how a one per cent increase – which will yield us just about Rs. 300 crore to Rs. 400 crore will help us. We find ourselves in such a situation that even Rs. 400 and Rs. 500 crore can be useful for say passenger amenities, for a particular scheme. That is because at this juncture we are finding that this we just need something to tide over the position next year and these are very crucial years. When we are asking for the unprecedented waiver, which comes to say roughly Rs. 23,000 crore, that was being made with a plea that these throughput enhancement works we have on our shelf get completed.

Suppose we are able to deal with that, it is good. It is a happy coincidence that it happened to be the same. We need Rs. 25,000 crore for this purpose. If the waiver as we seek for is granted for five years, it would give us something in the range of Rs. 23,000 crore. That is why, we have made that plea.

Regarding finances – expenditures and incomes – our overall benchmark is the operating ratio which had steadily been decreasing over the years. In 2003-04, it was 92.1; in 2007-08, it ws 75.9; again it is rising to 90.5 and 92.5. It is only because we find that the working expenses have grown much beyond our expectations".

31. When enquired whether rising working expenses are beyond the control of Railways, the Financial Commissioner (Railway Board) replied as under:

"Working expeses, other than the staff side, we are able to control. We have made those very effective controls. Even in the 2009-10 budget, we have put internal ceiling; we have managed to save Rs. 2,000 – Rs. 3000 crore on the projected working expenses than the demands that we had initially. But it is the staff expenses that we are not able to control other than salary. On the salary side also, it is all right, but on the allowances, we are not able to do much because the Railways have somewhat very peculiar nature of allowances like kilometerage allowance which takes a very heavy financial impact. That is the peculiarity of the allowance structure in the Railway Ministry. The traffic earnings have been growing - from Rs. 47,370 crore in 2004-05, this year it is almost Rs. 88,356 – this is the projection. But our working expenses unfortunately, from Rs. 33,389 crore it has come to Rs. 65,500 crore. This is where we are hit. We are trying our very best to increase the earnings, but the working expenses has the impact very widely. This is why the operating ratio is growing. In the next 1-2 months, the downward trend will start manifesting and the surplus will show a very healthy trend".

32. Emphasising that Railway must exercise some financial prudence and discipline, the expenditure Secretary stated:-

"Just for getting Rs. 300- Rs. 400 crore, reducing one per cent will not bring in discipline. As the hon. Member said about North-East and J&K, that they need to be supported, we are supporting them. They are national projects and we are supporting them. In J&K, we have the Baramullah line and for that, we are giving 100 per cent of cost, whereas for other projects, 75 per cent is coming from the general revenues and 25 per cent only the Railways have to bear. The losses on the strategic lines are also being reimbursed to the Railways.

As you said that the White Paper, it shows that there is tremendous loss in the passenger side. Even a marginal increase would help them a lot. If there is a logical realization, they would get about Rs. 14000 crore or more annually. If there is a marginal increase, they would move in that direction, then they would be able to make up some of the revenue.

As far as the 6th CPC is concerned, the expenditure volume is laid in Parliament. That itself shows in the last page that – the Railways have given the figures themselves – the actual of 2008-09 on the pay side arrears was Rs. 4402 crore only and for 2009-10, the revised estimates which were projected was Rs. 6528 crore. As the Financial Commissioner said on the allowances side they would have to pay more because of the peculiar nature of the Railways, on the salary side, it is not an astronomical figures as is made out to be. I would again humbly request you that we need to maintain that rate of dividend. It is not a question of just money, but they need to give us a signal as to how they would like to go about. Moreover, we give back a major part of it to the Railways. Our GBS has been increasing in big quantum. Secondly, they have some reserve funds apart from the safety fund. Whatever rate is fixed for the dividend, which the Railways pay to us, the Government of India pays that same rate of interest on those reserve funds barring the safety reserve fund which was made from the general revenues on which no interest is paid, but for others, the same rate of interest is paid. In fact, they gain by that".

Funds of Railways

(A) Depreciation Reserve Fund (DRF)

33. Depreciation Reserve Fund (DRF) has been created to meet the expenditure on replacement and renewal of over aged assets including inflationary and improvement elements. Appropriation to this fund is met from out of revenues.

34. While approving the proposal of the Ministry of Railways regarding appropriation to be made to the Depreciation Reserve fund in 2008-09, the Committee in their Ninth Report, had recommended as under: -

> "Contribution to DRF be made in consonance with the capacity of the system to generate internal resources. The Committee would like to be informed of the actual amount of contribution made to DRF in the financial year 2008-09."

35. In this regard, it is observed from the Explanatory Memorandum on the Railway Budget 2008-09(BE) the appropriation to DRF has been kept at Rs. 7,000 crore and Rs. 100 crore, respectively, from the Revenue and Production Units. The closing balance in the DRF was Rs. 3336 crore at the end of the fiscal 2008-09. During the year 2009-10 (BE) the appropriation to DRF has been kept at Rs. 5325 crore and Rs. 100 crore, respectively from the Revenues and production Units.

36. The appropriation to the DRF for 2009-10(RE) has been made Rs.4500 crore and Rs. 100 crore respectively from Revenue & Production Units in consonance with the capacity to generate internal resources and Plan requirements. The appropriation to the DRF for 2010-11(BE) has been budgeted to be Rs. 7600 crore and Rs. 100 crore respectively from revenue on production units. The Ministry of Railways has stated that the actual amount of the contribution made to DRF will be intimated to the Committee in due course.

(B) Pension Fund (PF)

37. This Fund has been created to cover the current pension payments as also to meet the accumulated liability on account of pension benefits earned in each year of service. The appropriation to this Fund is met out of revenue earned by the Railways.

38. The Committee in their Ninth Report, while approving the proposal of the Ministry of Railways regarding contribution to be made to Pension Fund in 2008-09, had recommended as under: -

> "The appropriation to Pension Fund from revenues be kept at Rs. 11,000 cr to 12,000 cr in 2008-09 in view of the increase in number of pensioners, rate of dearness relief and likely impact of the recommendations of the 6th Central Pay Commission (CPC) subject to adjustments".

39. In 2008-09 the appropriation to Pension Fund has been kept at Rs. 10,500 crore and Rs. 100 crore, respectively, from the Revenue and Production Units. The closing balance in the Fund was Rs. 1525 crore at the end of the fiscal 2008-09.

40. For the year 2009-10, the appropriation to the Pension Fund has been placed at Rs. 13,550 crore in the Revised Estimates comprising Rs. 13,450 crore from revenue and Rs. 100 crore from Production Units.

41. Similarly, the appropriation to the Pension Fund in BE 2010-11 has been kept at Rs. 14,510 crore from revenue and Rs. 100 crore from Production Units. It has been stated that the actual amount of contribution in Pension Fund in the fiscal year 2010-11 will be intimated to the Committee in due course.

(C) Development Fund (DF)

42. This fund has four segments and is used for meeting expenditure on :-

(i)	Passengers and users' amenities	:	DF I
(ii)	Labour Welfare Works	:	DF II
(iii)	Unremunerative operating improvements	:	DF III and
(iv)	Safety Works	:	DF IV

43. The appropriation to the Fund is made out of the 'Excess' left after meeting the dividend liability. Whenever the 'Excess' is not sufficient, the Railways may borrow money from the General Revenues. The money borrowed, together with the interest thereon, has to be repaid in subsequent years.

44. The Ministry of Railways in their Memorandum has stated that for the year 2009-10, the appropriation to this Fund was Rs. 951 crore as per the Revised Estimates. The appropriation to this fund for 2010-11 has been kept at Rs. 2800 crore.

(D) Capital Fund (CF)

45. As approved by the Railway Convention Committee (1991) *vide* their Third Report, the Capital Fund was created with effect from 1992-93, with the expressed purpose of financing part of the requirement for works of a capital nature. After providing for appropriation to Development Fund, the balance of 'Excess' is appropriated to the Capital Fund.

46. In 2008-09, the appropriation to this fund has been kept at Rs. 3066 crore consisting of Rs. 1765 crore for payment of principal component of the lease charges and Rs. 1301 crore for financing the throughput enhancement works.

47. In 2009-10, the budgeted appropriation to this Fund was Rs. 642 crore. This along with the balance in the Fund was expected to be sufficient to take care of the expenditure consisting of Rs. 2209 crore for payment of principal component of the lease charges and the throughput enhancement works planned for the year. However, in the Revised Estimates no provision has been made for appropriation to this Fund.

48. The appropriation to the Fund for 2010-11(BE) has been kept at Rs. 373.00 crore.

(E) Railway Safety Fund (RSF)

49. As recommended by the Railway Convention Committee (1999) *vide* their Second Report, the Railway Safety Fund has been created with effect from 1.4.2001. This

fund has been created for financing works relating to conversion of unmanned level crossings and for construction of Railway over/under bridges at busy level crossings. The Fund is currently financed through transfer of funds by the Central Government from the Central Road Fund (out of diesel cess), as well as the contribution that was being made to the Railway Safety Works Fund (RSWF) out of the dividend being paid by the Ministry of Railways to the General Revenues. Apart from this, amounts can also be appropriated out of Railway revenues, i.e., out of the 'Excess' left after payment of dividend to General Revenues.

50. In 2008-09, an appropriation of Rs. 776.51 crore has been made to the Fund, consisting of Rs. 773.94 crore transferred by the Central Government from the Central Road Fund and Rs. 2.57 crore worked out as contribution for the erstwhile RSWF out of the Dividend.

51. In BE 2009-10, an appropriation of Rs. 960.93 crore has been made to the Fund, consisting of Rs. 958.36 crore transferred by the Central Government from the Central Road Fund and Rs. 2.57 crore worked out as contribution for the erstwhile RSWF out of the dividend.

52. The appropriation to this Fund in 2010-11 (BE) is Rs. 880 crore.

(F) Principle governing the rate of interest on the Railway Reserve Funds

53. The Ministry of Railways in their interim Memoranda has proposed that the recommendations of Railway Convention Committee (2004) in respect of interest on the balances in the various Railway Funds as contained in their Ninth Report for the year 2008-09, may be made applicable for 2009-10 and 2010-11. According to this, the balances in the various Railway Reserve Funds (other than Development Fund and Railway Safety Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Works. The Railway Safety Fund is 'interest free' fund.

RECOMMENDATIONS OF THE COMMITTEE

54. The Committee note the request of the Ministry of Railways for waiver of dividend for a period of 5 years from the year 2009-10 or alternatively the rate of dividend on the capital invested on the Railways may be reduced from the existing 7% to 6% for the years 2009-10 and 2010-11 in view of the huge throw forward that the Railways has on account of various projects including New Line projects and adverse impact of 6th Central Pay Commission. The Committee hold that the request of the Ministry of Railways for waiver of the rate of dividend is not acceptable, as it would be contrary to the guiding principle set by the Railway Convention Committee(1949), which requires fixation of definite rate of dividend payable to the General Revenues. The Ministry of Finance has argued that in so far as adverse impact of 6th Central Pay Commission is concerned, its impact on a much larger scale has to be met by the entire Government. The Expenditure Secretary also pointed out during evidence that the Ministry of Railways have not done any thing to raise its revenue. The Committee note that Railways have a huge backlog of on-going projects (327 in all which includes 122 new line projects, 45 gauge conversion projects and doubling of 160 lines at various states of pendency). The inordinate delay in execution of most of these projects is a cause of concern. It has been stated that the Railways would require as on 01.04.2010, Rs.98,352.00 crore to complete these projects. The flagship project of Indian Railways - the dedicated freight corridors requires huge investments of the order of Rs.1,50,000 crore. The Committee note that the recent law and order problems including naxal menace, which the Railways face in quite a number of pockets have also made a dent in the coffers of the Ministry of Railways. The Committee further note that in view of the shrinking gross budgetary support, the Railways is forced to resort to higher level of market borrowings.

55. Having carefully considered the view points of the Ministry of Railways and the Ministry of Finance, the Committee accede to the request of the Railways for reduction in rate of dividend and recommend as an interim measure that for the years 2009-10 and 2010-11, rate of dividend payable by the Indian Railways to the General Revenues may be brought down and fixed at 6%. The Committee desire that the

Railways should explore the ways of raising their revenue and avenues for resource mobilization while curbing wasteful expenditure and enforcing financial discipline.

(Rec Sr. No. 1)

56. All concessions on rate of dividend/ reliefs in dividend now available on residential buildings, new lines, subsidies from General Revenues, etc., be allowed to continue on the existing basis for the year 2009-10 & 2010-11.

(Rec Sr. No.2)

57. The Committee note that for the year 2008-09 an amount of Rs. 7,100 crore consisting of Rs. 7,000 crore from Revenues and Rs. 100 crore from Production Units has been appropriated to Depreciation Reserve Fund (DRF). The closing balance in DRF was Rs. 3336 crore at the end of the year 2008-09. As per the revised estimates, the appropriation to the DRF for 2009-10 would be Rs.4500 crore and Rs. 100 crore respectively from Revenue and Production Units. The appropriation to the DRF for 2010-11 has been budgeted to be Rs. 7600 crore and Rs. 100 crore respectively from Revenue and Production Units. The Committee recommend that the contribution to the DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and desire that they should be informed of the actual amount of contribution made to DRF in the year 2009-10 and 2010-11.

(Rec Sr. No.3)

58. The Committee observe that the appropriation to the Pension Fund (PF) in 2008-09 has been kept at Rs. 10,500 crore and Rs. 100 crore respectively from Revenue and Production Units. The closing balance in the Fund was Rs. 1525 crore at the end of the 2008-09. In the Budget Estimates as well as Revised Estimates for the year 2009-10, the appropriation to the Pension Fund has been kept Rs. 13,450 crore from Revenues and Rs. 100 crore from Production Units (subject to adjustments). The appropriation to the Pension Fund in 2010-11 has been budgeted

to be Rs. 14,510 crore from Revenues and Rs. 100 crore from Production Units. The Committee agree that the contribution to Pension Fund may be made in keeping with the requirement submitted by the Railways in their projections.

(Rec Sr. No.4)

59. The Committee observe that the appropriation to the Development Fund for the year 2009-10 budgeted to be at Rs. 2000 crore has been reduced to Rs. 951 crore at RE stage. The Committee would like to be informed of the reasons for this reduction. The Ministry of Railways have, however, budgeted that the appropriation to Development Fund would be Rs. 2800 crore in 2010-11. The Committee desire that in keeping with the plan outlay and the overall resource availability, the appropriation may be enhanced. The Committee would like to be apprised of the actual amount that was credited to this Fund at the end of the financial year 2009-10 and that would be credited at the end of the year 2010-11.

(Rec Sr. No.5)

60. **The Committee note that an amount of Rs. 3066 crore has been appropriated to the Capital Fund during 2008-09. The Committee regret to note that for the year 2009-10, though the budgetary proposal for appropriation to Capital Fund was Rs. 642 crore, at the Revised Estimates stage, the appropriation has been shown as 'NIL'. The Committee would like to know how the budgetary projection for the year 2009-10 went wrong. For the year 2010-11, the appropriation to Capital Fund has been budgeted to be Rs. 373 crore. The Committee would await the details of actual appropriation for the years 2009-10 and 2010 11 and the efforts made to augment appropriation to this Fund.**

(Rec Sr. No.6)

61. The Committee note that budgetary provision made for the Railway Safety Fund has come down from Rs. 960 crore during the year 2009-10 to Rs. 879 crore for the year 2010-11 (BE). The Railway Safety Fund was created for financing the works relating to conversion of unmanned level crossings and for construction of Railway over/ under bridges to ensure the safety of the people. The Committee feel that reduction in budgetary allocation to this Fund will cause the above mentioned works

to suffer badly. Consequently, the safety of the public will be compromised. In the action taken reply to the recommendations made in the Ninth Report of RCC (2004), the Railways have stated that they are confident to take care of any rise in expenditure from this Fund to raise the level of safety standard. The Committee urge that the Railways should explore the ways and means to ensure adequate provision to this Fund with a view to completing aforesaid works throughout the country within a time frame.

(Rec Sr. No.7)

62. The Committee see no reason to modify the principles governing interest on various Railway Funds and therefore, recommend that the balance in various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development fund may be the same as the rate of interest on loan from General Revenues for Development Works.

(Rec Sr. No. 8)

New Delhi:
30th November, 2010
9 Agrahayana, 1932 (S)

ARJUN CHARAN SETHI
Chairman
Railway Convention Committee

APPENDIX - I

(Vide Para 12 of the Report)

STATEMENT SHOWING IMPORTANT FINANCIAL FIGURES IN RESPECT OF INDIAN RAILWAYS FOR THE PERIOD 1950-51 TO 2010-11

(Rs. In Crores)

Year	Capital at Charge	Invest-ment from Capital Fund	Gross Traffic Receipts	Total working Expenses	Net Revenue	Dividend Paid *	Excess (+) Shortfall (-)	Opera-ting Ratio
1	2	3	4	5	6	7	8	9
1950-51	827.00	0.00	263.01	210.23	47.56	32.51	15.05	81.0
1951-52	850.11	0.00	290.82	224.35	61.75	33.41	28.34	77.0
1952-53	857.38	0.00	270.56	218.17	47.18	33.99	13.19	80.6
1953-54	869.30	0.00	274.29	231.75	86.92	84.36	2.56	84.4
1954-55	901.58	0.00	286.78	236.09	44.06	84.96	9.10	82.3
1955-56	968.98	0.00	316.29	258.22	50.34	36.12	14.22	81.6
1956-57	1071.71	0.00	347.57	279.27	58.38	38.16	20.22	80.3
1957-58	1222.44	0.00	379.78	309.44	57.78	44.40	13.38	81.5
1958-59	1856.69	0.00	390.21	321.44	59.32	50.89	8.93	82.4
1959-60	1432.28	0.00	422.33	334.62	74.55	54.43	20.12	79.2
1960-61	1520.87	0.00	456.80	358.24	87.87	55.86	32.01	78.4
1961-62	1682.98	0.00	500.50	390.51	99.75	75.85	24.40	78.0
1962-63	1896.81	0.00	566.79	429.52	123.32	81.26	42.06	75.8
1963-64	2159.63	0.00	632.21	472.27	145.19	95.95	49.24	74.7
1964-65	2135.12	0.00	660.85	528.11	118.11	101.93	13.18	79.9
1965-66	2680.82	0.00	733.57	583.04	134.84	116.20	18.56	79.5
1966-67	2841.57	0.00	768.78	639.25	114.12	182.39	318.27	83.2
1967-68	2978.03	0.00	818.14	693.80	110.12	141.53	-31.53	84.7
1968-69	3101.27	0.00	898.84	741.93	142.81	150.67	-7.86	82.5
1969-70	3195.51	0.00	951.28	790.02	146.56	156.39	-9.83	83.0
1970-71	3330.78	0.00	1006.69	847.34	144.73	164.58	-19.84	84.2
1971-72	3520.99	0.00	1096.59	911.85	169.08	151.24	17.84	83.1
1972-73	3725.81	0.00	1162.42	982.62	164.43	161.51	2.92	84.5
1973-74	3893.38	0.00	1137.89	1066.88	55.41	170.91	-115.51	93.7
1974-75	4105.56	0.00	1408.19	1317.29	73.64	187.47	-113.83	93.5
1975-76	4354.78	0.00	1767.01	1609.62	137.03	198.14	-61.11	91.1

1976-77	4533.70	0.00	2036.11	1718.56	296.29	209.05	87.24	84.4
1977-78	4797.12	0.00	2123.42	1750.12	352.79	226.56	126.23	83.0
1978-79	5023.92	0.00	2151.04	1867.55	260.82	224.16	86.66	87.5
1979-80.	5484.64	0.00	2337.84	2142.38	227.29	293.53	-66.24	91.5
1980-81	6096.35	0.00	2624.02	2536.46	127.49	325.36	-197.87	96.1
1981-82	6698.05	0.00	3538.24	3182.05	408.06	356.47	46.59	89.4
1982-83	7251.09	0.00	43.76.21	3883.35	554.29	485.98	118.31	88.3
1983-84	7567.80	0.00	4986.24	4661.46	378.95	423.70	-44.75	93.9
1984-85	8285.65	0.00	5358.77	4142.17	270.10	465.69	-195.59	96.3
1985-86	9078.07	0.00	2084.16	5828.14	685.87	507.04	178.83	90.6
1986-87	10373.10	0.00	7505.66	6900.56	680.84	578.85	101.99	92.2
1987-88	11622.22	0.00	8435.25	7802.95	723.15	638.86	84.29	92.5
1988-89	12987.51	0.00	9259.29	8632.99	737.33	715.66	21.67	93.0
1989-90	14629.45	0.00	20739.41	9887.73	982.07	808.81	173.26	91.5
1990-91	16125.80	0.00	12096.49	11153.86	1113.78	938.11	175.67	92.0
1991-92	17620.02	0.00	13729.74	12389.19	1540.95	1105.95	435.00	89.5
1992-93	20123.20	0.00	15688.44	13980.08	1955.43	1514.38	441.05	87.4
1993-94	20373.58	1746.99	17946.02	15134.54	3102.13	1296.05	1806.08	82.9
1994-95	21762.92	3161.88	20100.99	16590.12	3808.11	1361.71	2446.40	82.6
1995-96	22247.85	5465.04	22417.85	18524.90	4135.07	1264.44	2870.63	82.5
1996-97	23474.67	7437.10	24319.41	21000.80	3624.46	1507.46	2117.06	86.2
1997-98	25320.28	8526.05	28589.03	25876.03	3024.43	1489.21	1535.22	90.9
1998-99	27312.84	9516.50	29619.46	27834.60	2141.16	1742.08	399.08	93.3
1999-00	29655.31	10116.75	32938.81	30843.99	2735.67	1889.78	845.89	93.3
2000-01	32661.88	10390.00	34880.48	34667.34	1071.23	2130.94	763.59	98.3
2001-02	36757.52	10389.83	37837.59	36293.21	2337.53	2337.18	1000.35	96.0
2002-03	40709.26	10389.83	41068.22	38025.75	3830.23	2714.83	1115.40	92.3
2003-04	45671.95	10389.83	42904.94	39482.21	4478.49	3387.08	1091.41	92.1
2004-05	48957.11	10389.83	47370.21	42758.88	5273.54	3199.31	2074.23	91.0
2005-06	53062.43	12815.94	54491.38	45488.34	10143.15	3949.83	6193.32	83.2
2006-07	58145.15	17885.55	62731.50	49046.53	14453.13	3583.81	10206.32	78.7
2007-08	63380.36	24794.15	72755.00	55421.00	18416.20	4218.12	13534.08	76.3
2008-09	72045.34	32496.33	82393.00	72490.00	11066.52	4717.67	6355.56	88.3
2009-10(RE)	87455.21	35442.26	88355.91	83440.00	6489.86	5538.83	951.03	94.7

2010-11(BE)	102329.21	38782.26	94764.95	87100.00	9781.55	6608.46	3173.09	92.3

* Dividend paid inclusive of payment of deferred dividend also.

APPENDIX - II

(Vide Paras 14and 23(iii) of the Report)

Basis for calculation of Dividend payable to General Revenues as also the subsidy available in payment of dividend

The rate of dividend on the Capital-at-charge of the Railways and reliefs in dividend and by way of subsidy, based on the recommendations of the Railway Convention Committee (2004) applicable for 2008-09 are as under: -

I. DIVIDEND

(a) The rate of dividend is 7 per cent on the entire Capital invested on the Railways (excl. dividend free capital) irrespective of the year of investment including 1.5% on the Capital invested up to 31.3.1964 (less Capital qualifying for Subsidy), which is to be used for making a contribution of Rs.23.11 crore for grants to States in lieu of passenger fare tax and the balance amount, if any, to be contributed to the Railway Safety Fund.

(b) A concessional dividend of 3.5 per cent is payable on the Capital cost of residential buildings.

(c) In respect of the Capital invested on New Lines, excluding the 28 New Lines taken up on or after 1.4.1955 on other than financial considerations, the dividend payable is to be calculated **at the least of the rate of dividend or average borrowing rate** charged to the commercial departments for each year, but deferred during the period of construction and the first five years after opening of the lines for traffic, the deferred liability is to be paid out of the future surpluses of the line after payment of current dividend. The account of unliquidated deferred dividend liability on New Lines is to be closed after a period of 20 years from the date of their opening, extinguishing any liability not liquidated within that period.

(d) Losses in the working of strategic lines are borne by the General Revenues. Surplus, if any, of such lines, after meeting working expenses, depreciation and other charges are paid to General Revenues upto the level of normal dividend.

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

SUBSIDY FROM GENERAL REVENUES

Capital invested in the following cases qualifies for subsidy from the General Revenues to the extent of the dividend calculated at the rates specified above:

(a) Strategic lines.

(b) Gauge conversion works taken up on strategic consideration.

(c) 28 New Lines taken up on or after 1.4.1955 on other than financial considerations. Dividend becomes payable if any line becomes remunerative adopting the marginal cost principle. The arrangement is to be applied also to the two National Investments viz. Jammu-Kathua and Tirunelveli-Kanya Kumari-Trivandrum line.

(d) Northeast Frontier Railway (Non-strategic Portion)

(e) Un-remunerative Branch Lines subject to their un-remunerativeness being established on the marginal cost principle in each case through an annual review of their financial results.

(f) The Ore Lines between Bimalgarh-Kiriburu and Sambalpur-Titlagarh.

(g) Ferries and Welfare buildings.

(h) 50% of the capital invested on all works in the current year and in the two previous years, excluding capital invested in strategic lines, Northeast Frontier Railway (Commercial), Ore Lines, Jammu-Kathua and Tirunelveli-Kanya Kumari-Trivandrum Lines, Ferries and Welfare buildings and unremunerative branch lines which qualify in full for subsidy, capital invested in New Lines on which the dividend payable is deferred during the period of construction and the first five years after opening of the lines for traffic, and the capital cost of lines wires taken over from the P&T Department.

APPENDIX - III

(Vide Para 2 of Introduction)

STATEMENT SHOWING THE RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE RAILWAY CONVENTION COMMITTEE (2004) ON RATE OF DIVIDEND FOR 2008-09 AND OTHER ANCILLARY MATTERS AND ACTION TAKEN THEREON

Sl. No.	Para No.	Recommendation	Action Taken by Government
1	2	3	4
1.	49	The Committee are happy to note the improved financial performance of Railways over the last few years and particularly during 2007-08. The Committee have considered the arguments put forth by both the Ministries of Railways and Finance on the issue of rate of dividend. The Committee observe that the Government's social service obligation as a whole is much larger. Railways being a part of the Government is bound to carry these social costs and obligations. In view of the numerous commitments in the form of fiscal targets set under FRBM Act, impending implementation of the recommendations of 6th Central Pay Commission, financing of various social and infrastructure schemes announced, including the waiver of farmers' loans, the reduction in the rate of dividend from 7% to 6.5% is only going to further stress the resources of the Government. Railways on the other hand are performing well and returning higher profits and can contribute towards social obligations, without seeking to reduce the dividends payable to Government. Besides, the Ministry of Finance have assured to provide requisite funds for uneconomic and strategic lines. The Committee therefore, recommend purely as an interim measure, that for the year 2008-09, the rate of dividend to the General Revenues be maintained at 7% on the entire capital (excluding dividend	The recommendation of the Committee for maintaining the rate of dividend at 7%, has been given effect while finalizing the Budget Estimates for 2008-09.

		free capital) invested on Railways from the General Revenues irrespective of the year of investment inclusive of the amount that was payable to States as grants in lieu of the passenger fare tax and contribution for assisting States for safety works during the year 2007-08.	
2.	50	All other concessions now available to the Railways on residential buildings, new lines, subsidies from the General Revenues, etc., be allowed to continue on the existing basis for the year 2008-09.	The recommendation of the Committee has been given effect to while working out the Budget Estimates of dividend for 2008-09.
3.	51	The Committee note that for the year 2007-08 an amount of Rs. 5,450 crore consisting of Rs. 5,350 crore from Revenues and Rs. 100 crore from Production Units has been appropriated to Depreciation Reserve Fund (DRF) and in the Budget Estimates for the year 2008-09 the appropriation to DRF has been kept at Rs. 7,000 crore and Rs. 100 crore from the Revenue and Production Units respectively. The balance in the DRF is estimated to be Rs. 3,265.59 crore at the end of the financial year 2007-08. The Committee recommend that the contribution to DRF be made in consonance with the capacity of the system to generate internal resources. The Committee would like to be informed of the actual amount of contribution made to DRF in the financial year 2008-09.	The appropriation to the Depreciation Reserve Fund (DRF) in the accounts of 2007-08 has been kept at Rs.5,450 crore from Revenue and Rs. 100 cr from Production Units. This Fund has closed with a balance of Rs. 3757 cr by end of the financial year 2007-08. An amount of Rs. 7,100 cr, consisting of Rs. 7,000 cr from Revenue and Rs. 100 cr from Production Units, has been appropriated to DRF in Budget Estimates 2008-09. The Committee will be informed of the actual amount of contribution made to DRF in the fiscal year 2008-09 at the appropriate stage.
4.	52	The Committee observe that the appropriation to the Pension Fund (PF) in 2007-08 has been kept at Rs. 8,660 crore and Rs. 100 crore from Revenues and Production Units respectively. The Ministry of Railways have now proposed that the appropriation during 2008-09 to Pension Fund from Revenues may be kept in the range of Rs. 11,000 crore to Rs. 12,000 crore in 2008-09 subject to adjustments. The balance in the Pension Fund would be	The appropriation to the Pension Fund in the accounts of 2007-08 has been kept at Rs. 7,989 crore from Revenue and Rs. 100 crore respectively from Revenues and Production Units. The Pension Fund has closed with a credit balance of Rs.2,068 crore by the end of the fiscal 2007-08.

		Rs. 2,165.22 crore at the end of the financial year 2007-08. While agreeing with the proposal of the Ministry of Railways, the Committee recommend that the appropriation to Pension Fund from Revenues be kept at Rs. 11,000 crore to 12,000 crore in 2008-09 in view of the increase in number of pensioners, rate of dearness relief and likely impact of the recommendations of the 6th Central Pay Commission (CPC) subject to adjustments.	As the recommendations of the 6th Central Pay Commission were not available while finalizing the Budget Estimates 2008-09, the appropriation to Pension Fund in Budget Estimate 2008-09 was kept at Rs. 9,600 cr and Rs. 100 cr from Revenue and Production Units respectively. This will have to be suitably enhanced in Revised Estimates 2008-09 as the recommendations of the 6th CPC are now available.
5.	53	During the year 2007-08 the appropriation to Development Fund was kept at Rs. 2,359 crore (BE). However, the Committee find that for the year 2008-09, provision under this Fund has been kept at Rs. 947 crore only which is on very lower side considering the fact that this Fund covers the important areas like passenger amenities and safety works. The Committee desire that this should be raised appropriately and they may be apprised about the actual amount that will be credited to this Fund at the end of the financial year 2008-09.	The appropriation to Development Fund has been retained at Rs.2,359 crore in the accounts of 2007-08. The appropriation to this Fund has been kept at Rs. 947 cr in Budget Estimates 2008-09 as substantial balance of around Rs 3,666 cr has been built up in this Fund by the end of the fiscal 2007-08. The recommendation of the Committee has been noted. However the appropriation to this Fund will be made on need-cum-availability basis. The Committee will be kept informed of the actual amount that will be informed of the actual amount that will be credited Development Fund in the fiscal year 2009-10 at the appropriate stage.
6.	54	The Committee note that an amount of Rs. 8,396 crore has been appropriated to the Capital Fund during 2007-08. Out of this Rs. 1,677 crore has been appropriated for payment of the principal component of the lease hire charges on the assets leased to the Railways by Indian Railway Finance Corporation (IRFC). The balance amount of Rs. 6,719 crore is for financing the throughput enhancement works of capital nature. For the year 2008-09 an appropriation of Rs. 10,839.74 crore has been made for this Fund. In this regard, the Committee would like to be apprised about the	In the accounts of 2007-08, an amount of Rs 11,072 cr has been appropriated to the Capital Fund, out of which an amount of Rs 1,677 cr has been provided for payment of the principal component of the lease hire charges to IRFC. In Budget Estimates 2008-09, the appropriation to this Fund has been kept at Rs. 10,840 cr and the outgo from it has been estimated at Rs. 9,200 crore. The Committee will be informed of the actual amount that will be credited and

		actual amount that has been credited to this Fund vis-à-vis actual amount spent for the purpose.	spent from Capital Fund in the fiscal year 2008-09 at the appropriate stage.
7.	55	The Committee note that based on the recommendations of the Railway Safety Review Committee, a Special Safety Fund was created in 2001 wherein a provision of Rs. 17,000 crore was made. The representatives of the Ministry of Railways apprised the Committee during evidence that this Fund was mainly to replace the old tracks and renovation of signalling equipment etc. and the same has been completed upto 97 to 98 per cent. This special Fund ceased to exist w.e.f. 1.04.2008. The Committee find that a provision of Rs. 776.46 crore has been made under the Railway Safety Fund during the year 2008-09. Considering the vast network of the Railways across the country particularly in the context of existence of several old bridges, over 18,000 unmanned railway crossings, the Committee are not very sure that the allocated funds are adequate to raise the safety standards of Indian Railways at par with international standards. The Committee, therefore, would like the Railways to review this vital aspect while ensuring requisite funds for safety. They would await Ministry's response in this regard.	The Special Railway Safety Fund has ceased to exist w.e.f. 1.4.2008, with the balance of Rs 598 cr remaining in this Fund transferred to Depreciation Reserve Fund. The Railway Safety Fund is financed mainly from the 'Railway's share of Diesel cess' transferred from the 'Central Road Fund' by the Ministry of Finance every year. This Fund has closed with a balance of over Rs. 2,100 cr in 2007-08 and Rs. 776 cr has been appropriated to it, in Budget Estimates 2008-09, over and above this. Hence, Railways are confident to take care of any rise in expenditure from this Fund to raise the level of safety standard.
8.	56	The existing principle governing interest on various Railway Fund balances placed in the Public Accounts of India may be allowed to continue during the year 2008-09 also. The Committee also agree that the balances in the Railway Safety Fund may be treated as interest free since this fund has been constituted with the contribution from the General Revenue only.	The recommendation of the Committee has been given effect while finalizing the Budget Estimates for 2008-09.

MINUTES OF THE SECOND SITTING OF THE RAILWAY CONVENTION COMMITTEE (2009) HELD ON 20th May, 2010.

* * *

The Committee sat on Thursday, the 20th May 2010 in Committee Room 'C', Parliament House Annexe from 1100 hrs to 1245 hrs.

PRESENT

Shri Arjun Charan Sethi - Chairman

MEMBERS
LOK SABHA

2. Shri Hansraj Gangaram Ahir
3. Dr. Baliram
4. Shri Marotrao Sainuji Kowase
5. Shri P. Balram Naik
6. Shri R. K. Singh Patel
7. Shri Ramsinh Rathwa
8. Shri Arjun Roy
9. Shri C. L. Ruala
10. Shri K. C. Venugopal
11. Dr. Girija Vyas

RAJYA SABHA

12. Shri Shyamal Chakraborty
13. Shri A. Elavarasan
14. Shri Ram Chandra Khuntia
15. Shri Ranjitsingh Vijaysinh Mohite-Patil
16. Shri Shreegopal Vyas

SECRETARIAT

1.	Shri Abhijit Kumar	Director
2.	Shri Ramesh Lal	Deputy Secretary

REPRESENTATIVES OF MINISTRY OF RAILWAYS

1.	Shri S. S. Khurana	Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India.
2.	Smt. Sowmya Raghavan	Financial Commissioner, Railways & Ex-officio Secretary to the Government of India.
3.	Shri Rakesh Chopra	Member Engineering, Railway Board & Ex-officio Secretary to the Government of India.
4.	Shri Sudesh Kumar	Member Electrical, Railway Board & Ex-officio Secretary to the Government of India.
5.	Shri A. K. Goyal	Member Staff, Railway Board & Ex-officio

		Secretary to the Government of India.
6.	Shri Vivek Sahai	Member Traffic, Railway Board & Ex-officio Secretary to the Government of India.
7.	Shri Sanjiv Handa	Member Mechanical, Railway Board & Ex-officio Secretary to the Government of India.

REPRESENTATIVES OF MINISTRY OF FINANCE (DEPTT. OF EXPENDITURE)

1.	Smt. Sushma Nath	Secretary, Department of Expenditure, Ministry of Finance
2.	Shri Naresh Mohan Jha	Deputy Secretary, Department of Economic Affairs, Ministry of Finance

2. At the outset, the Hon'ble Chairman welcomed the members of the Committee and representatives of the Ministry of Railways and Ministry of Finance and invited the attention of the Direction 58 of the Directions by the Speaker Lok Sabha. Thereafter, the Hon'ble Chairman of the Committee asked the representatives of both the Ministries to brief the members of the Committee about 'Rate of Dividend for the year 2009-10 and other ancillary matters'.

3. After the briefing on above subject by the representatives of both the Ministries, the members of the Committee enquired from the representatives of the Ministry of Railways about the railway projects of new lines in Jammu & Kashmir, North Eastern States, Sitamarhi and Gadhchiroli. Information was also sought on the status of project of wagon factory in the state of Kerala. In response, the Chairman, Railway Board assured the members of the Committee that written reply would be provided for the queries raised by them during the meeting.

4. Thereafter, the Honb'le Chairman of the Committee decided with the consent of members of the Committee to have a discussion with the officials of Ministry of Railways on Comptroller and Auditor General (CAG) Report alongwith social costs, implications of various projects and reappropriation of funds sanctioned in the budget during the last five years in the next sitting.

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

The Committee then adjourned.

MINUTES OF THE SIXTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (2009) HELD ON 30TH NOVEMBER, 2010.

The Committee met on Tuesday, the 30th November 2010 from 1520 hrs. to 1610 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Arjun Charan Sethi - Chairman

MEMBERS
LOK SABHA

(2) Dr. Baliram
(3) Shri Marotrao Sainuji Kowase
(4) Shri P. Balram Naik
(5) Shri C. L. Ruala
(6) Shri K. C. Venugopal
(7) Dr. Girija Vyas

RAJYA SABHA

(8) Shri Shyamal Chakraborty
(9) Shri Ranjitsingh Vijaysinh Mohite-Patil
(10) Shri Shreegopal Vyas

SECRETARIAT

(1)	Shri A. Louis Martin	Joint Secretary
(2)	Shri Abhijit Kumar	Director
(3)	Shri Ramesh Lal	Deputy Secretary

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration the Draft report on 'Rate of Dividend for the years 2009-10 and 2010-11 and other Ancillary Matters' and after lengthy deliberations adopted the same without any amendment/ modifications.

3. The Committee then authorized the Chairman to finalize the Report after factual verification and present the same to the Parliament.

The Committee then adjourned.