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RAILWAY CONVENTION COMMITTEE

(2014)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

**[Action Taken by the Government on the
Observations/Recommendations of the Committee contained
in their Fourth Report (Sixteenth Lok Sabha) on “Role of IRFC
and use of SPV methodology in financing development needs of
Indian Railways”]**



सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

March, 2017 /Chaitra, 1938 (Saka)

THIRTEENTH REPORT
RAILWAY CONVENTION COMMITTEE

(2014)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

**[Action Taken by the Government on the
Observations/Recommendations of the Committee contained
in their Fourth Report (Sixteenth Lok Sabha) on 'Role of IRFC
and use of SPV methodology in financing development needs of
Indian Railways']**

Presented to Lok Sabha on 31.3.2017

Laid in Rajya Sabha on 31.3.2017



LOK SABHA SECRETARIAT

NEW DELHI

March, 2017 /Chaitra, 1938 (Saka)

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- II. Analysis of Action Taken by the Government on the Observations/Recommendations contained in the Fourth Report of the Railway Convention Committee (2014).

**COMPOSITION OF RAILWAY CONVENTION COMMITTEE
(2014)**

Shri Bhartruhari Mahtab, MP - Chairperson

Members

Lok Sabha

2. Shri Abhishek Banerjee
3. Shri Sanganna Amarappa Karadi
4. Shri K. Ashok Kumar
5. Shri Kamalbhan Singh Marabi
- 6. Vacant***
7. Shri Nana Patole
8. Shri Janak Ram
9. Shri Rahul Ramesh Shewale
10. Shri Bharat Singh
11. Shri Liladharbhai Khodaji Vaghela
12. Shri K.C. Venugopal

Members

Rajya Sabha

13. Shri Derek O' Brien
14. Shri T.K. Rangarajan
15. Shri Prem Chand Gupta
16. Shri Abdul Wahab
17. Smt. Vandana Chavan
18. Shri Ranvijay Singh Judev

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri S.C. Chaudhary | - | Joint Secretary |
| 2. | Shri M. K. Madhusudhan | - | Director |
| 3. | Shri D. R. Mohanty | - | Additional Director |
| 4. | Shri J.S. Patiyal | - | Committee Officer |

*Vacancy occurred w.e.f. 05th July, 2016 vice Smt. Anupriya Patel was appointed MOS.

INTRODUCTION

I, the Chairperson, Railway Convention Committee (2014), having been authorized by the Committee, present this Thirteenth Report on 'Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fourth Report (Sixteenth Lok Sabha) on 'Role of IRFC and use of SPV methodology in financing development needs of Indian Railways'.

2. The Fourth Report was presented to Lok Sabha and also laid in Rajya Sabha on 11th August, 2016. The Ministry of Railways (Railway Board) furnished their replies on 29th December, 2016 indicating Action Taken on the Observations/Recommendations contained in the Fourth Report. The Committee at their sitting held on 29th March, 2017 considered and adopted this Report.

3. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Fourth Report (Sixteenth Lok Sabha) of the Railway Convention Committee -(2014) is given at Appendix-II.

4. For ease of reference, the Observations/ Recommendations of the Committee have been printed in bold letters in the Report.

New Delhi:
29th March, 2017
08 Chaitra, 1938-39 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

REPORT

CHAPTER - I

This Report deals with action taken by Government on the Observations/Recommendations of the Committee contained in their Fourth Report (Sixteenth Lok Sabha) on 'Role of IRFC and use of SPV methodology in financing development needs of Indian Railways'.

2. The Fourth Report was presented to Lok Sabha on 11.08.2016 and also laid in Rajya Sabha the same day. It contained 18 Observations/Recommendations. Replies of Government in respect of all the Observations/Recommendations have been received and are categorized as under:-

- (i) Observations/Recommendations which have been accepted by the Government:

Rec. Para Nos. 1,2,3,4,5,8,9,10,11,12,13,14, 17& 18

Total: 14

Percentage: 77.77

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:

Rec. Para No. Nil

Total: Nil

Percentage: Nil

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Rec. Para No. 6,7,15, & 16

Total: 04

Percentage: 22.23

- (iv) Observations/Recommendations in respect of which replies of the Government are interim in nature:

Rec. Para No. NIL

Total: NIL

Percentage: NIL

3. The Committee desire that Action Taken Note in respect of the Observations/Recommendations contained in Chapter-I of this Report should be furnished to them at the earliest.

I. Accounting Policy

(Recommendation Para No. 6)

4. In their Fourth Report, the Committee had observed that Indian Railways had made a payment of Rs. 12,629.49 crore to IRFC during the period from 2011-12 to 2013-14, in violation of their own accounting policy, besides making the borrowings from IRFC more expensive. Taking note of the Railway Board's assurance that the aberration had been corrected, the Committee urged that such lapses should not recur so as to maintain fiscal discipline and the competitiveness of the cost of IRFC borrowings.

5. The Ministry of Railways (Railway Board) in their Action Taken Note have submitted as under:

“Under the present rules of allocation, ‘Capital’ nature of works can be financed both from GBS provided by MoF and the Capital Fund from the internal resources generated by the Railways. In the circumstances when not adequate internal resources could be generated for being appropriated to the Capital Fund, there is no option but to finance the works meant to be financed from this fund, from the GBS. This was the prime reason behind capitalizing the principal component of lease charges payable to Indian Railway Finance Corporation (IRFC) from the GBS during the period from 2011-12 to 2013-14. With the improvement in the financial position, such payments in 2014-15 and 2015-16 have been made as usual from the Capital Fund.

In 2016-17, the financial position of the Railways has again become precarious whereby enough funds may not be generated for being appropriated to the Capital Fund and a situation may again arise to pay principal payment of lease hire charges to IRFC from the GBS. Since this is permissible under the present rules of allocation, the accounting policy of the Railways will be updated to incorporate that the principal payment of lease charges to IFFC can be made from GBS also in case of inadequacy of funds for appropriating to Capital Fund.

It may also be mentioned here that since, the system of payment of dividend to MoF has been done away with the merger of Railway Budget with the General Budget, shifting the principal payment of lease charges to GBS will not render the market borrowing expensive.”

6. The Committee are not convinced with the reply of the Ministry because if under the present rule of allocation, ‘Capital’ nature of works can be financed both from GBS and the Capital Fund, the Ministry should not have earlier admitted that there

was an aberration in this regard. It thus implies that there have been some shortcomings in the accounting policy of the Railways. The Committee, therefore, recommend that the accounting policy of the Railways should urgently be corrected/updated in consonance with the extant rules of allocation so that capital nature of works can be legally financed also from the GBS and fiscal discipline is honoured.

II. Tax Free Bonds

(Recommendation Para No. 7)

7. In their earlier Report the Committee had noted that while during the years 2012-13 and 2013-14, IRFC raised Rs. 6916 crore and Rs. 8828 crore respectively through Tax free bonds, during 2014-15 it did not have any access to Tax free bonds. During 2015-16, the Company was allowed to raise Rs. 9500 crore as Tax free bonds against a proposal of Rs. 17,500 crore. For the year 2016-17, the Railway Board had requested the Finance Ministry to permit IRFC to raise Tax free bonds worth at least Rs. 10,000 crore and the response of the Finance Ministry was awaited. Taking note of the fact that IRFC had been given a tall target of raising more than Rs. 40,000 crore during 2016-17, the Committee had impressed upon the Railway Board to vigorously pursue the matter with the Finance Ministry for allowing IRFC to raise the proposed amount of Tax free bonds during 2016-17.

8. The Ministry of Railways (Railway Board) in their Action Taken Note have submitted as under:-

“Though the Ministry of Railways had approached the Ministry of Finance in this regard, no tax free bonds have been allocated for the year 2016-17.”

9. The Committee are deeply concerned to note that no Tax free bonds have been allocated to IRFC during the year 2016-17 despite the Railway Board's request to the Ministry of Finance to allow IRFC to raise Rs. 10,000 crore as Tax free bonds during the year. The Committee would like to be apprised of the specific reasons cited by the Finance Ministry while denying the Railway Board's proposal. Further, in view of the fact that raising funds through Tax free bonds is one of the major sources of resource mobilization by IRFC, which is doing a commendable job in providing funds for several Railway Projects, the Committee, therefore, urge the Ministry of Railways to strongly pursue the matter with the Finance Ministry so as to enable IRFC to have access to Tax free bonds in the coming years.

III. Doubling and Electrification Projects (Recommendation Para No. 14)

10. In their earlier Report, the Committee had noted that IRFC had provided Rs. 2078.49 crore for 90 Doubling and 32 Electrification Projects being executed departmentally by the Railways since 2011-12. Taking note of the fact that as on 31 March, 2016, 63 Doubling Projects and 22 Electrification Projects had been completed/commissioned, the Committee had exhorted the Railway Board to impress upon the Zonal Railways to complete the remaining projects within a definite timeline.

11. The Ministry in their Action Taken Note have deposed as follows:

“Of the 90 doubling projects funded by IRFC, 63 has been completed and 2 are targeted for completion in 2016-17. Also 15 doubling projects are complete, except for portion

included through Material Modification (MM) which are delayed due to land acquisition problems. For balance 10 projects, sufficient funds to the tune of Rs. 2108.85 crore have been provided in 2016-17. All efforts are being made for early completion of these projects.

As regards electrification projects, out of 32 projects, 26 have been commissioned on electric traction after statutory approval by Commissioner of Railway Safety (CRS) and balance 06 projects are under different stages of execution. These projects are periodically monitored at Railway Board level with executing agencies i.e. Central Organization for Railway Electrification (CORE), for completion of these within targeted time frame. Further, adequate funds have been provided through Capital and Extra Budgetary Resources (Institutional Finance), for timely commissioning of these projects.”

12. The Committee appreciate that 15 more Doubling Projects have been completed except for portion included through Material Modification (MM) which are delayed due to land acquisition problems. Two Projects are targeted to be completed during 2016-17 and sufficient funds have been provided for the remaining 10 projects. The Committee desire the Ministry to take up the land acquisition problem with the appropriate Authorities so that the 15 completed Doubling Projects are made use of at an early date. As sufficient funds have been provided for the remaining projects, the Committee trust that these would be completed as per the targeted schedule.

13. It is equally appreciable to observe that 26 Electrification Projects, out of the targeted 32 such projects, have already been

commissioned. As the Railway Board are periodically monitoring the completion of the remaining six Electrification Projects besides providing adequate funds through Capital and extra Budgetary Resources (EBR) for the purpose, the Committee hope that the balance projects would be timely commissioned enabling the Railways to earn more revenue.

**IV. Projects under the Special Purpose Vehicle (SPV) Route
(Recommendation Para No. 15)**

14. In their Fourth Report, the Committee had observed that out of the 13 Projects undertaken through the SPV route, which were partially funded by IRFC, five projects had been completed and the remaining projects were under implementation. In view of various distinct advantages of the SPV route, the Committee had impressed upon the Railway Board to expedite completion of the remaining projects for the benefit of the stakeholders.

15. In their Action Taken Note, the Ministry have stated as under:

“Observation/recommendation is noted. Out of 14 Joint Venture projects, 5 projects have been implemented and 9 projects are under implementation All efforts are being made to implement the remaining 9 projects in a time-bound manner.”

Implemented Projects

Sr. No.	Name of the project	Kms	Cost (Rs. Cr)	Route/Model
1	Surendernagar-Pipavav/WR (Gauge conversion)	271	373	Joint venture with MOR
2	Hassan-Mangalore/SWR (Gauge Conversion)	183	293	Joint venture with MOR
3	Gandhidham-Palanpur/WR (Gauge Conversion)	301	550	Joint venture with RVNL
4	Bharauch-Dahej/WR (Gauge Conversion)	66	395	Joint venture with RVNL
5	*Venkatchalam-Krishnapatnam/SCR (New Line) Phase-I	20	240	Joint venture with RVNL

Under implementation Projects

Sr. No.	Name of the project	Kms	Cost (Rs. Cr)	Route/Model
1	Gevra Road-Pendra Road/SECR (New Line)	122	838	Joint venture with IRCON
2	Kharsia-Dharamjaigarh-Ghargoda-Donga Mahua/SECR (New Line)	104	1647	Joint venture with IRCON
3	Digni-Jaigarh Port/KRCL (New Line)	35	771	Joint venture with KRC
4	Roha-Dighi Port/CR (New Line)	34	724	Joint venture with RVNL
5	Hamrapur-Rewas port/WR (New Line)	349	26	Joint venture with RVNL
6	Obulavaripalle-Venkatachalam/SCR (New Line) Phase-II	93	963	Joint venture with RVNL
7	Anugul-Sukinda/ECOR (New Line)	104	1337	Joint venture with RVNL
8	Haridaspur-Paradip/ECOR (New Line)	82	1602	Joint venture with RVNL
9	Rowghat-Jagdapur/SECR (New Line)	140	304	Joint venture with IRCON

*Venkatchalam-Krishnapatnam/SCR (New Line) Phase-I- Completed.”

16. The Committee express their displeasure over the slow progress of the implementation of the Joint Venture Projects undertaken through SPV route as is evident from the fact that while examining the subject, the Committee were apprised that five projects had already been implemented and while the position still remains the same as per the Ministry’s Action Taken Notes. However, now that the Ministry have assured that they are making all efforts to implement the remaining projects in a time-bound manner, the Committee believe that the assurance will be translated into a better performance in the implementation of the JV projects during 2017-18 and beyond.

V. Assured Funding for SPV Projects

(Recommendation Para No. 16)

17. Rejecting the Ministry’s contention that it would not be possible to set a realistic target for completion of the SPV projects in the

absence of assured funding, the Committee in their earlier Report had pointed out that the Ministry themselves had submitted that the basic advantage of the SPV model was assured funding. Asking the Ministry to reconcile the contradictory statements, the Committee were of the opinion that since the Railways had already earned Rs. 6525 crore from SPV route as of 2013-14, effective measures should be taken to avoid time and cost overruns of the SPV projects.

18. The Ministry of Railways (Railway Board) in their Action Taken Note have submitted as under:

“The observations are noted. All efforts are being made for timely completion of projects.”

19. As the above reply of the Ministry substantiate that there is assured funding for SPV model, the Committee would like to impress upon the Railways to set a realistic completion targets for all the SPV projects, to the best possible extent so as to avoid time and cost overruns which in turn would result in better revenue earning.

New Delhi:
29 March, 2017
08 Chaitra, 1938-39 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE THIRTY FIRST SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 29th March, 2017, from 1500 hrs. to 1545 hrs. in Room No. 215, Chairperson's Chamber, Parliament House Annexe Extension, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - **Chairperson**

Members

Lok Sabha

2. Shri Kamalbhan Singh Marabi
3. Shri Nana Patole
4. Shri L.K Vaghela
5. Shri K.C. Venugopal

Rajya Sabha

6. Shri Abdul Wahab
7. Shri Ranvijay Singh Judev

Secretariat

1. Sh. Sukhi Chand Chaudhary - Joint Secretary
2. Sh. M. K. Madhusudhan - Director
3. Sh. D. R. Mohanty - Additional Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee, convened to consider and adopt the draft Reports on the subjects (i) Exploring PPP avenues in Railway Infrastructure (ii) Green Energy Initiatives in Indian Railways (iii) Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Fourth Report on Role of IRFC and use of SPV methodology in financing development needs of Indian Railways and (iv) Action Taken

by the Government on the Observations/Recommendations of the Committee contained in their Fifth Report on Share of Railway Traffic vis-a-vis Air and Road Transport-An Evaluation. Giving an overview of the important Recommendations contained in the Draft Reports, the Chairperson solicited the views/suggestions of the Members.

3. The Committee then took up for consideration the said Draft Reports and adopted them after some discussions.

4. The Chairperson thanked the Members for their valuable suggestions and active participation in the deliberations of the Committee. The Chairperson also appreciated the performance of the Officers of the Secretariat attached to the Committee.

5. The Committee, then, authorized the Chairperson to finalize the Reports in the light of consequential changes that might arise out of factual verification of the Draft Reports and present the same to both the Houses.

The Committee then adjourned.

APPENDIX-II

(Vide Para No. 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT OF THE RAILWAY CONVENTION COMMITTEE -2014 (SIXTEENTH LOK SABHA)

		Total	Percentage
I.	Total number of Recommendations	18	-
II.	Observations/Recommendations which have been accepted by the Government: (Para Nos. 1,2,3,4,5,8,9,10,11,12,13,14,17 and 18)	14	77.77
III.	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies: (NIL)	NIL	-
IV.	Observations/Recommendations in respect of which Government's replies have not been accepted by the Committee and which requires reiteration: (Para Nos. 6,7,15 and 16)	04	22.23
V.	Observations/Recommendations in respect of which final replies of Government are of interim in nature: (NIL)	NIL	-
Total		18	100%