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**STANDING COMMITTEE ON RAILWAYS  
(2015-16)**

**SIXTEENTH LOK SABHA**

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**MINISTRY OF RAILWAYS  
(RAILWAY BOARD)**

**DEMANDS FOR GRANTS  
(2016-17)**

**NINTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

April, 2016/ Vaisakha, 1938 (Saka)

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**STANDING COMMITTEE ON RAILWAYS**  
**(2015-16)**

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**(RAILWAY BOARD)**

**DEMANDS FOR GRANTS**  
**(2016-17)**

**Presented to Lok Sabha on 25.04.2016**

**Laid in Rajya Sabha on 25.04.2016**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

April, 2016/ Vaisakha, 1938 (Saka)

# CONTENTS

COMPOSITION OF THE COMMITTEE.....	(iii)
INTRODUCTION.....	(v)

## PART-I

CHAPTER I	Introductory	1
CHAPTER II	<b>Annual Plan (2016-17)</b>	5
	(i) Demands for Grants (2016-17) - An Overview	5
	(ii) Annual Plan Resources for 2016-17	6
	(iii) Railway Safety Fund(RSF)	8
	(iv) Joint Ventures with the State Governments	11
Chapter III	<b>Railway Budget 2016-17 at a Glance</b>	14
	(i) Financial Performance for 2015-16 and Budgetary Allocation for the year 2016-17	14
	(ii) Various Railway Funds	32
	(iii) Operating Ratio	36
	(iv) Loans extended to Railways	37
	(v) Financial Targets vis-à-vis achievements of various Plan Heads	39
	(vi) Physical targets vis-à-vis achievements of various Plan Heads	42
	(vii) Throw-forward of Railway projects	44
Chapter IV	<b>Twelfth Five Year Plan</b>	45
	(i) Financial Allocation vis-à-vis performance of the 12 <sup>th</sup> Plan	45
	(ii) Physical Progress in the 12 <sup>th</sup> Five Year Plan	46
	(iii) Passenger Amenities	48
Chapter V	<b>Other Important Issues</b>	50
	(i) Railway works under MGNREGA	50
	(ii) e-catering	51
	(iii) Fuel Adjustment Component (FAC)	52
	(iv) IZZAT Monthly Season Ticket Scheme(MSTs)	53
	(v) Strategic Lines	56
	(vi) Green energy	58
	(vii) Optical Fibre Communication System	58

## PART-II

<b>RECOMMENDATIONS/OBSERVATIONS</b>	61
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### ANNEXURES

I. List of works in 2016-17 with allocation 'EBR (P)'. II. List of ROB/RUB works with investment through EBR (Partnership) on cost sharing basis including deposits from State Government share. III. List of Railway Projects which are being financed by EBR-IF in Financial Year 2016-17.	99-130
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## APPENDIX

Minutes of the Sittings held on 21.03.2016, 05.04.2016 and 21.04.2016	131
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**COMPOSITION OF STANDING COMMITTEE ON RAILWAYS (2015-16)**

**Shri Dinesh Trivedi - Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri E. Ahamed
3. Shri Kunwar Pushpendra Singh Chandel
4. Shri Ram Tahal Choudhary
5. Shri Sanjay Dhotre
6. Shri Gourav Gogoi
7. Shri Rajen Gohain
8. Shri Chandra Prakash Joshi
9. Shri Ramesh Kaushik
10. Shri Gajanan Chandrakant Kirtikar
11. Shri Balabhadra Majhi
12. Shri Arjun Ram Meghwal
13. Shri K.H. Muniyappa
14. Shri A.T. Nana Patil
15. Shri R. Radhakrishnan
16. Shri M. Raja Mohan Reddy
17. Shri Lakhanlal Sahu
18. Shri Ganesh Singh
19. Shri Uday Pratap Singh
20. Shri Narasimham Thota
21. Shri S.R. Vijayakumar

**RAJYA SABHA**

22. Vacant\*
23. Shri Satish Chandra Misra
24. Shri Mukut Mithi
25. Shri Dilipbhai Pandya
26. Shri T. Rathinavel
27. Shri Bashistha Narain Singh
28. Vacant\*
29. Shri Devender Goud T.
30. Shri Alok Tiwari
31. Shri Motilal Vora

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\* Shri A.K. Antony and Smt. Bimla Kashyap Sood ceased to be members of the Committee w.e.f. 02.04.2016 consequent upon their retirement from Rajya Sabha.

**LOK SABHA SECRETARIAT**

- |    |                            |   |                      |
|----|----------------------------|---|----------------------|
| 1. | Shri K. Vijaykrishnan      | - | Additional Secretary |
| 2. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary      |
| 3. | Shri Arun K.Kaushik        | - | Director             |
| 4. | Smt. Geeta Parmar          | - | Deputy Secretary     |
| 5. | Dr. Mohit Rajan            | - | Committee Officer    |

## INTRODUCTION

I, the Chairperson of the Standing Committee on Railways (2015-16), having been authorised by the Committee to present the Report on their behalf, present this Ninth Report of the Standing Committee on Railways on 'Demands for Grants – 2016-17 of the Ministry of Railways'.

2. The Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on 21.03.2016 and 05.04.2016.

3. The Committee considered and adopted the Report at their sitting held on April 21, 2016. Minutes of the related sittings are given in the Appendix to the Report.

4. This Report is based on facts and figures submitted by the Ministry of Railways and depositions made by the representatives of the Ministry of Railways before the Committee. The Committee wish to express their thanks to the officers of the Ministry of Railways (Railway Board) for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants – 2016-17. They would also like to place on record their appreciation for the assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

NEW DELHI;  
21, April, 2016  
1, Vaisakha, 1938 (Saka)

**DINESH TRIVEDI**  
**Chairperson**  
**Standing Committee on Railways**

## **PART – I**

### **REPORT**

#### **CHAPTER – I**

##### **INTRODUCTORY**

The Indian Railways is a departmental commercial undertaking of the Government of India. The formulation of policy and overall control of the Railways is vested in the Railway Board. The Indian Railway system is managed through 17 zones and 68 operating divisions. Apart from the Zonal Railways representing the operational part of the system, there are eight production units engaged in the manufacture of rolling stock and other related items. The Research, Designs and Standards Organization (RDSO) is the sole research and development wing of the Indian Railways, functioning as the technical advisor and consultant to the Ministry, Zonal Railways and Production Units with the status of a Zonal Railway. The Indian Railway has several Public Sector Undertaking/affiliated organisations working under the overall control of the Ministry of Railways.

2. The Indian Railways, the world's largest government railway consists of 66,030 route kms of track that criss-cross the country, on which more than 22,300 number of trains ply, carrying about 23 million passengers and hauling nearly 3.02 million tonnes of freight every day, thereby contributing to economic growth of the country and at the same time promoting national integration. A nation-wide rail infrastructure covering tracks, stations, sidings, freight terminals, locomotives, coaches, wagons and infrastructure inputs like signalling, telecom, electrical installations, maintenance workshops, etc, provide the best of railway service.

3. The Railway, if compared to road transport, has a number of intrinsic advantages like it is five to six times more energy efficient, four times more efficient in land use and significantly more superior from the standpoint of environment impact and safety. Indian Railways, with its wide span of transport network across all parts of the country, plays a pivotal role as a service provider to all sections of society as well as facilitator for infrastructure development.

4. Article 112(1) of the Constitution of India prescribes that 'the President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India in the form of annual financial statement popularly called the "Annual Budget". However, the Constitution does not provide for the presentation of the annual financial statement or Budget in parts; the Rules of procedure of Parliament have provided that 'nothing shall be deemed to prevent the presentation of the Budget to the House in two or more parts and when such presentation takes place, each part shall be dealt with in accordance with the rules as if it were the Budget'. This provision has enabled the Separation of the Railway Budget from the General Budget and the passing of separate Appropriate Acts for each of these Budgets in keeping with the Separation Convention (1924). Though the Railway Budget is separately presented to Parliament, the figures relating to the receipts and expenditure of the Railways are also shown in the General Budget.

5. The Railway Budget documents represent the estimated and targeted financial performance of Railways in RE for current Financial Year and BE for next year, including total revenue receipts, revenue and works expenditure, distribution of excess of receipts over expenditure and position of various Funds, *viz.*, Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, Railway Liability Reserve Fund and Railway Safety Fund. Further, the Budget documents also highlight the policy initiatives likely to be undertaken. The Ministry have informed that there is no stipulated format for the Budget Speech; conventionally, the financial performance for the current year and that expected in the next year has been part of the Budget Speech. From 2015-16, this has been Annexed to the Speech with the main body of the speech highlighting important aspects of the financial and physical performance and targets such as Operating Ratio, etc.

6. The Revenue receipts of the Railways consist of earnings from goods traffic, passenger traffic, other coaching earnings, including parcels, luggage and sundry other earnings like rent, catering receipts, interest and maintenance charges from outside bodies, commercial utilisation of land and air space and commercial publicity on rolling stock and station buildings, etc. Further, there are Miscellaneous receipts like receipts of Railway Recruitment Boards from sale of application forms and



examination fees, etc., and the Government's share of surplus profits (which includes receipts from subsidised Railway companies) in which the Government has no capital interest. The subsidy from General Revenues in respect of dividend reliefs forms part of the Miscellaneous receipts. The total of Revenue and Miscellaneous receipts makes up the total receipts of the Railways. The portion of the earnings which is due to the Railways during the financial year but has not actually been realised is held in a 'Suspense' account.

7. The expenditure incurred by the Railways is on Revenue account and on Works account. The Revenue account consists of Ordinary Working Expenses incurred by various Departments of the Railways in their day-to-day working and other miscellaneous expenditure like the expenditure on Railway Board, Audit, Surveys and other miscellaneous establishments, payments as regulated by contracts to worked lines which are not owned by the Railways and are either worked by the Indian Railways or companies concerned. The Revenue account also includes appropriation to the Depreciation Reserve Fund, Pension Fund and dividend paid by the Railways to the General Revenues. Appropriation to the Depreciation Reserve Fund is made annually on the basis of the recommendations of the Railway Convention Committee and is intended to finance the cost of new assets replacing old assets, including the cost of any improved features that such new assets may have. Appropriation to the Pension Fund is to finance Pension and Death-cum-retirement gratuity payments to the Railway staff. Dividend is payable at the rate of 4 percent on the dividend paying capital of the Railways. Out of this 4 percent dividend, 1.5 percent of the Capital invested up to 31 March, 1964 (less Capital entitled to 'Subsidy') is for transfer to the State Governments in lieu of passenger fare tax to the extent of Rs. 23.12 crore and balance for appropriation to the Railway Safety Fund. The excess of receipts over expenditure remaining after discharging the dividend liability is appropriated to the Development Fund, the Capital Fund, the Debt Service Fund and the Railway Safety Fund. These Funds are meant to finance part of the Plan requirements.

8. The Development Fund, the Capital Fund, the Debt Service Fund and the Safety Fund are appropriated through the excess of receipts over expenditure that remains after discharging the dividend liability. These Funds are meant to finance

part of the Plan requirements. While the Development Fund is meant to finance expenditure on Passenger and other Railways Users' Amenities Works, Staff Welfare Works, un-remunerative operating improvements, etc., the Capital Fund is used for works chargeable to Capital and for making payment of principal component of the lease charges payable to Indian Railway Finance Corporation. The Railways Safety Fund is used for financing works relating to Conversion of unmanned level crossings and for construction of ROBs/RUBs at busy level crossings. This Fund is financed through the Railway revenues, transfer of Funds by the Central Government from the Central Road Fund and the aforementioned part of dividend which, until 2000-01, was appropriated to the Railway Safety Works Funds. The Debt Service Fund has been created to make provision for future committed liabilities like debt service payment for loans taken, future Pay Commissions/awards, etc. In case there is no 'Excess' or not enough 'Excess' remains to be transferred to the Capital Fund and Development Fund, temporary loan is obtained from the General Revenues to finance expenditure to be met out of these Funds.

9. Works expenditure is financed from capital borrowed from the General Revenues and also from internal resources, *viz.* Capital Fund, Depreciation Reserve Fund, Development Fund and Railway Safety Fund. The overall budgetary support of the general finances of the Government of India consists of capital loans and the sums temporarily loaned to meet the deficient amount, if any, in the Capital Fund and the Development Fund. A part of the investment in Railway assets, covered by the Railway Plans, is also made by the Indian Finance Corporation which raises funds through market borrowing. All the revenue earnings of the Railways are credited to the Consolidated Fund of India and expenditure is also incurred therefrom. No amount can be withdrawn from the Fund without authorization by the Parliament.

## CHAPTER-II

### Annual Plan, 2016-17

#### (i) Demands for Grants (2016-17)

The estimates of expenditure from the Consolidated Fund included in the Budget Statement and required to be voted by the Lok Sabha are submitted in the form of Demands for Grants. There are 16 Demands for Grants of Railways. Demand Nos. 1 to 15 which relate to Revenue account contain expenditure to be incurred on the day-to-day working by various Departments in the Railways' miscellaneous establishments. Demand No. 16 relates to expenditure to be incurred by the Railways on Works Account. Expenditure under Demand No.16 - Assets-Acquisition, Construction & Replacement - is made on works/projects which, *inter alia*, cater to development of infrastructure, renewal and replacement of assets, amenities for passengers, amenities for staff, etc. Plan head-wise outlays and expenditure and also the physical targets vis-a-vis achievements have been dealt with in the succeeding paragraphs. The Demands for Grants of the Railways for 2016-17 are given in the following statement:-

(In thousands of rupees)

No. of Demand	Name of Demand	Total Demand	
		Voted	Charged
1.	Railway Board	400,01,00	..
2.	Miscellaneous Expenditure (General)	1297,89,00	211,00
3.	General Superintendence and Services on Railways	8360,52,68	131,60
4.	Repairs and Maintenance of Permanent Way and Works	13710,67,86	150,07
5.	Repairs and Maintenance of Motive Power	6317,59,64	20,00
6.	Repairs and Maintenance of Carriages and Wagons	14311,32,29	20,00
7.	Repairs and Maintenance of Plant and Equipment	8111,90,68	50,00
8.	Operating Expenses – Rolling Stock and Equipment	12751,62,86	50,00
9.	Operating Expenses – Traffic	26308,01,26	200,04
10.	Operating Expenses – Fuel	23417,23,25	1,00

11.	Staff Welfare and Amenities	6622,04,68	55,10
12.	Miscellaneous Working Expenses	6818,60,20	139,19,67
13.	Provident Fund, Pension and Other Retirement Benefits	47169,75,50	100,45
14.	Appropriation to Funds	54279,35,00	..
15.	Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over-Capitalization	9731,29,00	..
16.	Assets – Acquisition, Construction and Replacement		
	Revenue		..
	<b>Other Expenditure</b>		
	Capital	124276,27,26	49,17,00
	Railway Funds	16663,06,00	13,08,00
	Railway Safety Fund	10780,30,00	....
	<b>Total</b>	<b>391327,48,16</b>	<b>211,33,93</b>

## (ii) Annual Plan Resources for 2016-17

2. The Railway Budget for the year 2016-17 was presented in the Parliament by the Minister of Railways on 25 February, 2016. An annual outlay of Rs. 121000 crore comprising Gross Budgetary Support of Rs. 34220 crore, Railway Safety Fund of Rs. 10780 crore, internal resources of Rs. 16675 crore and Extra Budgetary resources of Rs. 59325 crore consisting of Marketing Borrowings of Rs. 20000 crore, Public Private Partnership (PPP) of Rs. 18340 crore has been proposed for the year 2016-17.

3. To a specific query with regard to allocation of funds to the Ministry during 2016-17, it has been informed that against the requirement of Rs. 55500 crore of GBS proposed to Finance Ministry for the annual plan 2016-17, the Finance Ministry has allocated Rs. 45000 crore as GBS for BE 2016-17 consisting of Rs. 34220 crore under Cap and Rs. 10780 crore under diesel cess.

4. The financing of Annual Plan proposed in 2016-17 and its comparison with 2015-16 is given as under:-

Sl. No.	Head	(Rs. in crore)		
		Annual Plan (2015-16)		Annual Plan (2016-17)
		BE	RE	BE
1.	Internal Resources	17,793	16,638	16,675
2.	Gross Budgetary Support (GBS)	40,000	32,000	34,220
3.	Railway Safety Fund	1646	2661	10780
4.	Market borrowing under extra budgetary support	17,655	11,848	20,000
5.	Funding through PPP	5781	27,269	18,340
6.	EBR (institutional finance)	17,136	9584	20,985
7.	Total Market borrowing (3+4+5)	40,572	48700	59325
<b>Total Plan Size</b>		<b>1,00,010.6</b>	<b>1,00,000</b>	<b>1,21,000</b>

It may be seen from the above that BE 2016-17 in respect of internal resources has been fixed at Rs.16675 which is an increase of only Rs. 37 crore, i.e., an increase of 0.22 percent as compared to RE, 2015-16. Asked to explain the reasons for a meager increase during 2016-17 for internal resources, it has been stated that the internal resource generation for plan financing depends on the 'excess' remaining after providing for 'total expenditure' and 'dividend' to general revenues. In B.E. 2016-17, the internal resource generation has been limited owing to the impact of the 7<sup>th</sup> Central Pay Commission (CPC) for which higher provision of about Rs. 9,000 crore (net basis) has been made under OWE for salary and further Rs. 5,000 crore higher than usual appropriation to Pension Fund has been made.

5. It has been added that a plan size of Rs. 1,00,000 crore had been proposed for 2015-16 which was 70% higher than the actual plan size of 2014-15. Gross Budgetary Support allocation has been increased in 2015-16 to Rs. 34,507 crore from Rs. 31,617 crore in 2014-15. Similarly, market borrowings have been increased in 2015-16 to Rs. 11,848 crore from Rs. 11,045 crore in 2014-15. Resource generation through Institutional Financing of Rs. 9,584 crore is being targeted in 2015-16.

6. During the examination of the Demands for Grants 2015-16, the Committee, in their 4th Report, had pointed towards the increasing dependence of the Ministry on

the Gross Budgetary Support and on market borrowing for financing the annual plan. However, the same trend is witnessed during 2016-17 which is evident from the table below:

Year	GBS	Internal Resources	EBR
2011-12	46.8%	20.4%	32.8%
2012-13	50.0%	20.0%	30.0%
2013-14	52.2%	19.6%	28.2%
2014-15	53.9%	27.4%	18.8%
2015-16	34.5%	16.8%	48.7%
2016-17	37.2%	13.8%	49%

### (iii) Railway Safety Fund(RSF)

7. The Committee learnt while examining the Demands for Grants, 2013-14 that the Ministry of Railways' annual share from the Central Road Fund(CRF) was only Rs.1,100 crore against a requirement of Rs. 5,000 crore per year and the Ministry of Railways had approached the Ministry of Finance for additional allotment of funds for CRF.

8. The Committee desired to know the present annual allocation of funds from CRF. It has been informed that allocation from the CRF is Rs. 10780 crore in BE 2016-17, out of which Rs. 3000 crore is for road related safety works for Level Crossings (LCs) and ROBs/RUBs, Rs. 4912 crore is for New Lines and Rs. 2870 crore for Gauge Conversion. Financing of New Lines and Gauge Conversion from Railway Safety Fund(RSF) has been as per the proposed changes in the CRF Act by the Government in the General Budget 2016-17.

9. It has simultaneously been informed that against the requirement of Rs. 55500 crore of GBS proposed to the Finance Ministry for the annual plan 2016-17, the diesel cess component proposed was Rs. 5000 crore. However, the Finance

Ministry has allocated Rs. 45000 crore as GBS for BE 2016-17 consisting of Rs. 34220 crore under Cap and Rs. 10780 crore under diesel cess.

10. When asked about the proposed changes in the CRF Act of the Government, it has been informed that the General Budget has proposed changes in the CRF Act, 2000. These changes are mentioned in the Finance Minister's Budget Speech and also in part VII of the Finance Bill, 2016. Earlier, under the CRF Act, Railways could take up works relating to ROBs/RUBs and Level Crossings but now under the proposed amendment, the scope has been enlarged to also cover New Lines, Gauge Conversion, Electrification and Safety works but excluding any repairs, maintenance and renovation works. Section 10 of the Central Road Fund Act, 2000 is being amended so as to substitute clause (viii) of sub-section (1) to provide a formula for redistribution of the cess for different purposes. The proposed amendment clause pertaining to Railways states "allocation of fourteen percent of the cess on high speed diesel and petrol for railway safety works, including the construction of road either under or over the railways by means of a bridge and erection of safety works at unmanned rail-road crossings, new lines, conversion of existing standard lines into gauge lines and electrification of rail lines: provided that no repair, maintenance or renovation work shall be carried out from the allocation of cess under this sub-clause".

11. In reply to a related query, the Ministry has informed that in B.E. 2016-17, the Ministry of Railways has allocated Rs. 10780 crore received from the Ministry of Finance out of Railways' share in 'diesel cess' proceeds under the CRF Act to plan-heads under Demand for Grants no. 16. The details are as under:-

<b>Plan-head</b>	<b>Outlay in B.E. 2016-17 (Rs in crore)</b>
New Lines	4912
Gauge Conversion	2870
Road Safety Works- Level Crossings	555
Road Safety Works- ROBs/RUBs	2443
<b>Total</b>	<b>10780</b>

12. At the time of communication of Gross Budgetary Support (GBS) from the Ministry of Finance, it had been stipulated that out of Rs. 10780 crore, the allocation for Railway Safety Works (through Central Road Fund) was ring-fenced at Rs. 3000 crore and Rs. 7780 crore for capital expenditure for electrification, gauge conversion and new lines with a stipulation that no 'repairs/maintenance/renovation work would be allowed out of Central Road Fund proceeds'.

13. In a similar context, the Ministry have informed that the Finance Bill, 2016 proposes to cover 'railways safety works' also in the scope of works on which this amount could be allocated. Though the nature of safety works have not been defined in the proposed amendment, after passing of the Budget for 2016-17, the Ministry of Railways would request the Ministry of Finance to include within the scope of safety works certain identified works, including works of replacements and renewals which have clear safety implications and which are sanctioned under the Depreciation Reserve Fund (DRF). For example, track renewals, bridge renewals and signaling works are plan heads which have cent per cent safety implications. This issue has already been discussed with the Ministry of Finance during pre-Budget discussions and communications.

14. The plan head-wise allocations of the Annual Plan allocation for the year 2016-17, of Rs.1,21,060 crore are tabulated below:

<b>Gross Plan Outlay, 2016-17 [Budget Estimates]</b>		
<b>Plan Heads</b>		<b>Total</b> (C in cr.)
11	New Lines	15586
14	Gauge Conversion	4342
15	Doubling	25119
16	Traffic Facilities	1226
17	Computerisation	337
18	Railway Research	37
21	Rolling Stock	27278
22	Leased Assets - Cap. Component	7000
29	Road Safety - Level Crossing	555
30	Road Safety - ROB/RUB	8685
31	Track Renewals	4000
32	Bridge Works	589
33	S & T Works	958
35	Electrification Projects	3396
36	Other Electrical Works	681
37	Traction Distribution Works	276
41	Machinery & Plant	512
42	Workshops-including P.Us.	3680
51	Staff quarters	376
52	Amenities for Staff	297
53	Passenger amenities	1838
62& 63	Investment in PSUs./JVs/SPVs	11052
64	Other specified works	348
65	Training/HRD	6
71,72&73	Inventories (Net)	-14
81	M.T.P (Misc. Advances)	1402
83	New Lines (Uddampur-Srinagar-Baramula)	1500
<b>Plan Outlay</b>		<b>121060</b>



15. To a specific query, it has been stated that out of Rs 1,21,000 crore of capital expenditure in B.E 2016-17, EBR-P (Extra Budgetary Resources-Partnerships) accounts for Rs 18,340 crore. Project-wise allocation under EBR (Partnerships), which also encompasses the expenditure incurred through the PPP route, is given at **Annexure-I and Annexure-II.**

**(iv) Joint Ventures with the State Governments**

16. The Committee desired to know about the thrust areas during 2016-17. In reply, they are given as under:-

- (a) To expedite completion of ongoing projects, especially throughput enhancement projects, by arranging additional resources over and above Gross Budgetary Support.
- (b) To add 2800 Km of additional BG track to the network by way of commissioning of 400 Km of New Lines, 800 Km of Gauge Conversion and 1600 Km of Doubling.
- (c) To form JV with State Governments for taking up projects.

17. When asked about the fund constraints, if any, for implementation of the targeted projects, it has been stated that the railway projects targeted for the year 2016-17 will not be affected due to fund constraints.

18. With regard to setting up of Joint Ventures with the State Governments, the Committee desired to know the response of the State Governments to the proposal. In reply, it has been stated that 17 State Governments, viz., Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh & West Bengal have accorded 'in principle' approval to form JVCs. Out of these, Memoranda of Understanding (MoU) for setting up JV Companies have been signed with seven State Governments, viz. Karnataka, Maharashtra, Odisha, Andhra Pradesh, Kerala, Chhattisgarh and Telangana.

19. When asked as to how the Ministry plan to develop rail infrastructure in the States in view of their poor financial health, especially States affected by Left Wing

Extremism, which are in dire need of development of rail infrastructure, it has been replied that in order to meet the growing demand for new projects and also to expedite ongoing projects, besides launching a scheme of project development, financing and monitoring through Joint Ventures/SPVs with State Governments, Ministry of Railways have taken a number of initiatives to generate additional resources through non-budgetary measures like funding by State Governments and other beneficiaries, execution of projects through Special Purpose Vehicle, etc. The Ministry of Railways has also signed an MoU for taking a loan of Rs. 1,50,000 crore from LIC of India for taking up capacity enhancement projects.

20. It has further been stated that in anticipation of various State Governments coming forward to take up projects through Joint Venture, 30 projects (25 New Line, 2 Doubling & 3 Gauge Conversion) have been included in the Capital Investment programme of 2016-17 at an anticipated cost of Rs. 58,274 crore. Details of 30 projects are as under:-

S.No.	Name of project	Rly	PH	Length (Km)	Cost (Rs in crore)	State
1	Daboi-Chandod GC with extn. to Rajpipla new line	WR	GC	37	1500	Gujarat
2	Chuchapura-Navsari-Tanakhala	WR	GC	38	500	Gujarat
3	Gadchandur-Adilabad	SCR	NL	70	1500	Maharashtra, Telangana
4	Behrampur-Sambalpur	ECoR	NL	270	5000	Odisha
5	Junagarh-Ambaguda via Navrangpur	ECoR	NL	145	2900	Odisha
6	Banspani-Barbil	ECoR	NL	17.5	350	Odisha
7	Gadwal-Macherla	SCR	NL	184	3500	Telangana, Andhra Pradesh
8	Kannur-Mattannur	SR	NL	23	400	Kerala
9	Nanjangod-Nilambur	SR	NL	236	6000	Kerala, Karnataka
10	Lumding-Dibrugarh	NFR	DL	340	5000	Assam
11	Mysore-Kushalnagar	SWR	NL	85	667	Karnataka
12	Barson-Banspani/ Narayangarh	ECoR	NL	52	1400	Odisha
13	Jaisalmer-Bhabar	NWR	NL	339	5000	Rajasthan
14	Kashipur-Dhampur	NR	NL	58	1200	Uttar Pradesh, Uttarakhand
15	Latur-Nanded via Loha & Ahmedpur	CR	NL	155	3100	Maharashtra

16	Parbatsar to Kishangarh	NWR	NL	45	900	Rajasthan
17	Bhiwani-Loharu	NR	NL	64	1280	Haryana
18	Dehradun-Vikasnagar	NR	NL	38	628	Uttarakhand
19	Ujjain Fatehabad	WR	GC	20	120	Madhya Pradesh
20	Urai-Mahoba	NCR	NL	90	1800	UP
21	Bhind-Lahar-Konch	NCR	NL	80	1600	Madhya Pradesh
22	Jeur Ashti	CR	NL	78	1560	Maharashtra
23	Talaguppa-Siddhapura	SWR	NL	16	320	Karnataka
24	Bangarpet- Mulbagal	SWR	NL	40	800	Karnataka
25	Sakleshpur- Subramaniyam Rd	SWR	DL	60	500	Karnataka
26	Secunderabad- Zaheerabad	SCR	NL	70	1400	Telangana
27	Bodan- Bidar	SCR	NL	100	2000	Telangana
28	Jalna- Khamgaon	CR	NL	155	3000	Maharashtra
29	Talguppa- Honavar	SWR	NL	82	2500	Karnataka
30	Dharwad – Belgaum	SWR	NL	91	1850	Karnataka

Further, other new projects and ongoing projects which are languishing for want of funds will also be considered for taking up through the Joint Venture route.

## CHAPTER-III

### Railway Budget 2016-17 at a Glance

**(i) Financial Performance for 2015-16 and Budgetary Allocation for the 2016-17**

The Budget at a Glance as given in the Explanatory Memorandum on the Railway Budget for 2016-17 is as follows:-

(Rs. in crore)				
Actuals 2014-15	Budget Estimate 2015-16	Description	Revised Estimate 2015-16	Budget Estimate 2016-17
156710.54	183578.00	1. Gross Traffic Receipts	167834.00	184819.84
4024.46	4278.71	2. Miscellaneous Receipts (a) Subsidy from General Revenues towards dividend relief & other concessions	3720.97	4300.80
282.25	249.99	(b) Other Miscellaneous Receipts	250.00	150.00
4306.71	4978.70	(c) Total Miscellaneous Receipts	3970.97	4450.80
<b>161017.25</b>	<b>188556.70</b>	<b>3. Total Receipts</b>	<b>171804.97</b>	<b>189270.64</b>
105995.88	119410.00	4. Net Ordinary Working Expenses	110690.00	123560.00
29225.00	34900.00	5. Appropriation to Pension Fund	34500.00	42500.00
7775.00	7900.00	6. Appropriation to Depreciation Reserve Fund	5500.00	3200.00
<b>142995.88</b>	<b>162210</b>	<b>7. Total Working Expenses [4+5+6]</b>	<b>150690.00</b>	<b>169260.00</b>
1182.88	1270.25	8. Miscellaneous Expenditure (a) Other Miscellaneous Expenditure	1217.13	1800.00
<b>1182.88</b>	<b>1270.25</b>	<b>(b) Total Miscellaneous Expenditure</b>	<b>1217.13</b>	<b>1800.00</b>
<b>144178.76</b>	<b>163480.25</b>	<b>9. Total Expenditure (7+8)</b>	<b>151907.13</b>	<b>171060.00</b>
<b>16838.49</b>	<b>25076.45</b>	<b>10. Net Revenue [ 3-9 ]</b>	<b>19897.84</b>	<b>18210.64</b>
<b>9173.55</b>	<b>10810.74</b>	<b>11. Dividend Payable to General Revenues</b>	<b>8495.44</b>	<b>9731.29</b>
7664.94	14265.71	12. Excess/Shortfall[10-11]	11402.40	8479.35
1374.94	5750.00	13. Appropriation to	1323.71	2515.00

		Development Fund		
6233.36	7615.71	14. Appropriation to Capital Fund	6293.00	5750.00
56.64	900.00	15. Appropriation to Debt Service Fund	3785.69	214.35
<b>91.3%</b>	<b>88.5%</b>	<b>16. Operating Ratio</b>	<b>90.0%</b>	<b>92.0%</b>
<b>7.0%</b>	<b>8.8%</b>	<b>17. Ratio of Net Revenue to Capital-at-Charge and investment from Capital Fund</b>	<b>7.2%</b>	<b>5.8%</b>

2. It may be seen from the above that during 2015-16, there is a net reduction of Rs. 15,744 crore (8.5 percent) in Gross Traffic Receipts (GTR), as the target at Budget Estimate (BE) of Rs. 183578 crore has been reduced at Revised Estimate (RE) to Rs. 167834 crore. Now, a target of Rs. 184819.84 crore has been fixed at BE for the year 2016-17, which is around 10.1 percent higher than RE, 2015-16. Further, total receipts at RE, 2015-16 have been revised downwards by Rs.16751.73 crore from BE of Rs.188556.70 crore to Rs.171804.97 crore at RE. BE, 2016-17 for total receipts has been fixed at Rs.189270.64 crore which is 10 per cent higher than the RE of 2015-16.

3. It has further been observed that the actual for GTR during 2014-15 was Rs.156710.54 crore and a higher target of Rs.188556.70 crore (i.e. growth of 17 %) was kept at BE, 2015-16. However, the same has been revised downward at RE, 2015-16 to Rs. 167835 crore (i.e. growth of 7 percent). When asked whether GTR have ever been missed by such a wide margin of nearly 10%, i.e., growth of mere 7% as against target of 17% and, if so, how many times the targets were missed by more than 5% and the percentage gap between Budget and Revised Estimates over the last 20 years, in reply, the table depicting growth in RE over BE in the last 20 years have been given as under:

**Growth target of Gross Traffic Receipts in RE vis-a-vis BE**

Year	Growth (%) in BE	Growth (%) in RE	Var. of RE growth over BE growth
1996-97	10.6%	9.1%	-1.6%
1997-98	14.5%	17.8%	3.3%
1998-99	10.1%	6.4%	-3.7%
1999-2000	12.5%	11.7%	-0.7%
2000-01	10.9%	7.7%	-3.2%
2001-02	14.5%	8.1%	-6.4%
2002-03	9.8%	8.0%	-1.8%
2003-04	5.9%	3.7%	-2.2%
2004-05	4.7%	9.0%	4.4%
2005-06	7.6%	15.5%	7.9%
2006-07	10.1%	16.0%	5.9%
2007-08	13.7%	16.0%	2.3%
2008-09	14.2%	14.9%	0.7%
2009-10	10.7%	10.6%	-0.1%
2010-11	9.0%	9.1%	0.1%
2011-12	12.4%	9.9%	-2.5%
2012-13	27.3%	20.7%	-6.6%
2013-14	16.2%	13.6%	-2.6%
2014-15	14.8%	14.1%	-0.7%
2015-16	17.1%	7.1%	-10.0%

It may be seen from the above that the percentage gap of growth between the RE and BE has been more than 5 percent twice previously, i.e., in 2001-02 and 2012-13 at 6.4 % and 6.6 %, respectively.

4. During the course of evidence, the Chairman, Railway Board, in respect of the shortfall in Gross Traffic Receipts (GTR), submitted as under:

*"There has been tepid growth of core sector. It was only 1.9 per cent from April 2015 to January 2016 as compared to five percent in the corresponding period of previous year, mainly because of global slowdown. ....Because of the tepid growth of economy, whatever requisitions of freight loading, there have been substantial shortfall. The major factors remained low demand of Coal, Cement, iron, steel and food grains. A Study was done by the National Council of Applied Economic Research – their predictions given for 2015-16, almost we are very close to what we are going to achieve. There is going to be shortfall of 18 million. Briefly the breakup is something like – coal is short by*

*30 million tones, out of this, two-third is on account of reduction in imports which used to come earlier; and the reduction in plant load factors of various power utilities by almost 10 to 15 percent. The coal stocks at all power plants are now more than three weeks which used to be in the range of seven to 10 days. So, there is no shortage of coal anywhere at the moment. The demand of power is not there. That is why they are not demanding any further coal. That is one reason which has impacted coal demand substantially.*

*Another factor is downfall in cement which is of the order of 15 MT, that is basically because of various construction activities, real estate factor. On iron and steel, we are going to lose around 9 MT. On container traffic, because of export and import, global slowdown coming down, I am going to lose around 8 MT. On foodgrains because of the policy of Government, for decentralized procurement around 18 MT, bulk of which was sponsored of FCI has come down. That makes up for the 80 MT shortfall.*

*As far as 2015-16 is concerned, there was total revenue loss on account of freight and passenger. Regarding passengers, there were many factors like Itarsi, RRI got burnt, almost for one month traffic was paralysed; there was a big flood which had also affected traffic for 10/15 days. There have been various agitations like Gujjars, Jats – we have cancelled the largest number of trains in this year, which has also impacted the passengers earnings. Total loss on this account is of the order of around Rs.15,000 crore.*

5. With regard to containing the expenditure during 2015-16, the witness submitted as under:

*"We had tried to contain this damage or shortfall by controlling our working expenses substantially. Total savings on that account will be in the range of Rs.8,000 to Rs.10,000 crore. Yes, on net, we definitely lose. That is how the operating ratio goes up from 88.5 percent we had to look at to almost 90 percent. On working expenses reduction, a major role has also been played by NAV expense reduction, whether on account on diesel. On diesel, there were two reasons – one is diesel fuel prices itself came down, which is beyond me – I have no role in that, not that I can claim any credit for diesel prices coming down. There were certain elements of efficiency and diesel*

*consumption itself.*

*Another factor that has played a major role is electrical energy, the way we procure electrical energy. Uptil now we were procuring electrical energy from various States discoms. We have been assigned the status of deemed licensee. We were permitted to procure electricity directly from the procedures, thereby meaning we do not have to pay the cross subsidy charges which are levied by States on various consumers so as to subsidise some of the priority sector.*

*We have succeeded a bit in this direction. We have entered into various contracts with various procedures. One big achievement is Dabhol plant, RGPPL which has been closed, has been opened, and Railways is procuring more than 500 MW of power from them. The cost of electricity has come down to Rs.4.60 as compared to Rs.8 in Maharashtra.*

*We are entering into an opening tendering on this account. Total annualized saving on this account – electrical energy – because of the cost of procurement is going to be on the order of Rs.3,000 crore, out of around Rs.12,000 to Rs.13,000 crore of electricity bill I used to have.*

*So, this savings will be almost in the order of 20 to 25 per cent out of the total electricity bill. We are also using all energy efficient locomotives. The total energy bill on diesel and electrical would come down. In 2016-17, almost Rs.4,500 crore, which is a big saving which is a very big saving.*

*That is what we have focused and that is how we will be able to reach the ratio of around 90 per cent in the current, means, 2015-16"*

6. A table indicating the segment-wise earnings targeted at BE 2015-16 and RE 2015-16 is as under:



Rs. in crore				
Segments	B.E. 2015-16	R.E. 2015-16	Variation (R.E. - B.E.)	% over B.E. 2015-16
Passenger Earnings	50175	45376.15	-4798.85	-9.6%
Other Coaching Earnings	4612	4325.49	-286.51	-6.2%
Goods Earnings	121423	111852.72	-9570.28	-7.9%
Sundry Earnings	7318	6229.64	-1088.36	-14.9%
Traffic Earnings	183528	167784	-15744	-8.6%
Clearance from Traffic Suspense	50	50	0	0.0%
Gross Traffic Receipts	183578	167834	-15744	-8.6%
Traffic Plan (in million)	B.E. 2015-16	R.E. 2015-16	Variation (R.E. - B.E.)	% over B.E. 2015-16
Originating Passengers	8601	8101	-500	-5.8%
Passenger Kms	1184465	1134353	-50112	-4.2%
Freight Tonnage	1186.25	1107	-79.25	-6.7%
Freight Net Tonne Kms	742691	667533	-75158	-10.1%

7. Pointing towards the gap of 11% between BE and RE of NTKMs during 2015-16, the Committee asked whether such a situation has ever been recorded in the last 20 years and if so how many times the targets were missed by more than 5% and what was the percentage gap. In reply, the table depicting growth in RE over BE in the last 20 years is given as under:

Growth target of NTKMs in RE vis-a-vis BE			
Year	Growth(%) in BE	Growth(%) in RE	Var. Of RE growth over BE growth
1996-97	4.6%	4.0%	-0.6%
1997-98	5.7%	3.8%	-1.9%
1998-99	8.4%	-0.7%	-9.1%
1999-2000	7.2%	7.1%	-0.1%
2000-01	4.0%	2.6%	-1.4%
2001-02	4.6%	3.4%	-1.2%
2002-03	0.3%	7.2%	6.9%
2003-04	4.0%	5.5%	1.5%
2004-05	3.5%	7.8%	4.3%
2005-06	6.0%	8.2%	2.2%
2006-07	9.1%	8.5%	-0.6%
2007-08	7.2%	6.6%	-0.6%
2008-09	5.4%	4.6%	-0.8%
2009-10	3.8%	5.9%	2.1%
2010-11	3.7%	1.9%	-1.8%
2011-12	5.2%	2.6%	-2.7%
2012-13	1.7%	-3.4%	-5.1%
2013-14	-2.4%	-5.4%	-2.9%
2014-15	3.4%	3.4%	0.0%
2015-16	8.9%	-2.1%	-11.0%

It may be seen from the above that the percentage gap of growth between the RE and BE has been more than 5% twice previously, i.e., in 1998-99 and 2012-13 at 9.1 and 5.1, respectively.

8. As regards the downward revision of targets at RE, 2015-16 over that of B.E. 2015-16, the Committee have been apprised that it was based on trends upto November'15 and also on the input received from the zonal railways. The decline by 9.6 percent in revised target for passenger earnings was due to downward revision of originating passengers target by about 6 percent over B.E. target. In Goods segment also, the decline by 8 percent over B.E. 2015-16 was due to downward revision by 6.7 percent and 10 percent in Tonnage and NTKM, respectively, over B.E. 2015-16 targets. Similarly, revised targets for Other Coaching and Sundry Earnings were based on inputs received from zonal railways and trends seen upto November'15 accounts.

9. The factors that affected the trends as per position upto Feb.'16 w.r.t. R.E. 2015-16 are stated to be as under:-

**(a) Passenger Segment:** Growth in originating passengers in RE 2015-16 over actual 2014-15 was targeted at (-) 1.5%, while the position upto Feb.'16 reflects a growth of (-) 0.9% over COPPY (Corresponding Period of Previous Year). However, the suburban segment reflected a (-) 1.2% growth, Passenger Reservation System (PRS) registered a growth of (+) 4.8% and Non-suburban non-PRS. (-) 1.4 % to end of Feb.'16. Despite the negative growth in originating passengers, the earnings registered a growth of 6.5% over COPPY as per accounts to end of Feb.'16 as against the RE 2015-16 target of 7.6%. Though growth in earnings had picked up from 5.08% upto Nov.'15 to a monthly growth of 8.8%, 14.6% and 8.9% in Dec.'15, Jan.'16 and Feb.'16, respectively, Feb.'16 growth was adversely affected due to the impact of public agitation.

**(b) Goods Segment:** Freight earnings target in R.E. 2015-16 has been kept at 5.7% over actual of 2014-15. The growth upto Nov.'15 was 8% and the monthly growth during the following months, i.e. Dec'15, Jan'16 and Feb'16, have been (-) 5.2%, (-) 2.2% and (-) 3.9%, respectively. This has been on account of continuing drop in average freight lead and short achievement of proportionate loading target.

As per trend to Feb'16, average freight lead has further dropped from the RE target of 603 km to 598 km and loading is short by 4.02 million tonne. The tonnage w.r.t. proportionate target has seen a decline in commodities like coal (-1.91 MT), Iron-ore (-1.10 MT), Fertilizer (-1.55MT) and Balance Other Goods (-1.99 MT).

**(c) Other Coaching:** Growth in earnings under this segment has picked up. To end of Feb'16, growth under this segment has been 9.9% against the RE growth target of 8.2%.

**(d) Sundry Earnings:** The revised growth target under this segment was targeted at 22.3%. To Feb'16, the growth trend has been 10.2%. However, it may be noted that various components of earnings under this segment do not depict a monthly trend since some of the major earnings like reimbursement of loss on strategic lines come in quarterly installments from the Ministry of Finance while earnings like dividend from PSUs and earnings from RLDA, etc., are mostly received during the last month of the year. Hence, it would be premature to conclude at this stage that earnings under Sundry would be under-achieved.

10. The Committee have observed that the targets for 2016-17 for total passenger earnings has been fixed at Rs.51012 crore at BE 2016-17 with a 12.40 per cent hike over the RE 2015-16 of Rs. 45376.15 crore; for other Coaching Earnings, BE, 2016-17 has been fixed at Rs. 6184.80 crore i.e. raised by 43 per cent from RE 2015-16 of Rs. 4325.49 crore. Again, for Goods Earnings, BE, 2016-17 has been kept at Rs.117932.75 crore which is 5 per cent higher than RE 2015-16, i.e. Rs.111852.72 crore. For Total Traffic Earnings, BE has been fixed at Rs.184719.84 crore which is 10.1 % percent higher than RE 2015-16 of Rs. 167784.00 crore.

11. It has further been observed that a target of 8182 million has been fixed at B.E. 2016-17 w.r.t. originating passengers. This is 81 million passengers or 1% higher than the projected figure of 8101 million passengers at RE, 2015-16. Similarly, a target for originating tonnage is 1157 million at B.E.,2016-17 as compared to 1107 million tonnes at 2015-16(RE). Consequently, a higher target of Rs. 1,84,819.84 crore has been kept at BE for the Gross Traffic Receipt during 2016-17.

12. Asked about the steps being taken to achieve the set targets during 2016-17, it has been stated that the target during 2016-17 is based on higher traffic throughput (1% growth in originating passengers and incremental 50 million tonne of freight), introduction of additional Suvidha trains, dynamic pricing of popular trains, higher revenue target from parcel business, intensive ticket checking, targeting higher revenues from commercial publicity/advertisement on rolling stock as also at major stations, higher target for recovery of traffic outstanding and for miscellaneous earnings (goods), etc.

13. On being asked to by the Committee as to how the Ministry expect a growth rate of just over 1% in PKMs and 12.4% in passenger earnings during 2016-17, the witness, during evidence, deposed as under:

*"we are projecting a growth of only one per cent in passenger and we are showing a passenger earning of around plus 12 per cent; how is it that? I think it is one of the major points raised by the Committee. I would like to submit that we manufacture around 4000 coaches every year, new coaches. Even taking into account whatever is the condemnation etc. I add to my fleet around 3500 coaches and total number of coaches which are in service are around 42,000 to 45,000 coaches. Almost eight per cent of the coaches will get into the service. As I have explained earlier, these coaches will all go for premium service where we will like to charge for the cost of service means even though the passenger number increase is not there, there will be substantial increase in the value. Let me submit it to you, out of total Rs. 45,000 crore passenger revenue that I get, only six per cent of the passengers give me Rs. 35,000 crore revenue through PRS. Out of total 100 per cent passengers, six per cent are reserved category passengers and 94 per cent passengers are unreserved category passengers. More than 50 per cent are suburban and balance are non-suburban and six per cent are only PRS, reserved passengers. All these new services which are coming, bulk of them, except for some general coaches and all that which I am augmenting, bulk of them will come for reserved category; six per cent category will get increase. It is the sector which gives me money. I am going to increase my capacity by almost eight per cent. The rough calculation indicates that I will be able to get around 12 per cent additional revenue from these services. This point is very valid point which has been raised by the Committee."*

14. The witness continued as under:

*"As far as 2016-17 Budget is concerned, I will briefly highlight some of the focus areas.....We have tried to concentrate on passengers We have tried to introduce some services. The new services that we are trying to introduce are going to be basically premium services based on dynamic pricing. We will try to, as the Railway Minister mentioned in the Budget Speech, recover the cost of services except for one category of train which is Antyodaya Express. For other trains, the pricing will be on cost recovery basis so that whatever the number of additional services that we are introducing, we are able to manage them. Today, on passenger side, there is cross subsidy of Rs. 31,000 crore. The new services will be on cost neutral basis."*

15. In this context, the Committee desired to know how the Railways would recover the cost. To this, the witness submitted as under:

*"For example, in the Tejas service which are introducing, the fares will be on cost recovery basis. Similarly, on Hum Safar will be completely dynamic pricing and the total cost recovery will be close to the cost of service."*

16. On being pointed out by the Committee that by introducing train services like Tejas and Hum Safar, it would not be correct to say that there is no increase in the fare in the Budget. To this, the witness reacted in affirmation but clarified as under:

*"I agree with you. But let me submit that we are trying to provide value added services for which we are charging more. This exists presently also. Premium and Suvidha facilities are available at present also. All these additional services which are going to come would come with certain value additions for which passengers will have to pay. But there is no fare increase per se for the passengers."*

17. The Committee specifically enquired about the year-wise weighted average percentage increase in passenger fares (including increase in various charges like cancellation, reservation, tatkal charges, etc.) over the previous years. In reply, the Ministry has informed as under:

**Passenger Fares:-** During the last five years (2010-2015), the passenger fares have been increased by 27 – 37% for different classes.

**Reservation Fee:-** During the last 5 years (2010-2015), Reservation Fee has been increased by 60% - 100%.

**Superfast Surcharge:-** During the last 5 years (2010-2015), Superfast Surcharge has been increased by 50% to 88%.

**MUTP Surcharge:-** During the last 5 years (2010-2015), MUTP surcharge has been tripled.

**Mela Surcharge:-** During the last 5 years (2010-2015), Mela surcharge has been increased by 33% - 67%.

**Cancellation Charges:-** During the last 5 years (2010-2015), Cancellation charges have been increased twice. It was increased by 50% on 01.04.2013 and again increased by 100% on 12.11.2015.

**Clerkage Charges:-** During the last 5 years (2010-2015), Clerkage charges for confirmed tickets have been increased twice. It was increased by 50% on 01.04.2013 and again increased by 100% on 12.11.2015.

**Tatkal Charges:-** During the last 5 years (2010-2015), Tatkal charges have been increased by 33% to 67% in different classes.

18. Further, the details regarding class-wise increase in case of passenger fares, reservation fee, supplementary surcharge for superfast trains, cancellation/clerkage charges, MUTP surcharges, Mela and Tatkal charges are given as under:

Increase in Passenger Fare and other Charges												
Class of Travel	Passenger Fares				Reservation Fee				Supplementary Charge for Superfast Trains			
	Total Fare		Variation		Reservation Fee		Variation		Superfast Charge		Variation	
	as on	as on			as on	as on			as on	as on		
	1.4.2010	Date	₹	%	1.4.2010	Date	₹	%	1.4.2010	Date	₹	%
MAIL/EXPRESS SERVICES												
AC First Class	1568	2148	580	37%	35	60	25	71%	50	75	25	50%
AC 2-Tier	1028	1402	374	36%	25	50	25	100%	30	45	15	50%

First Class	826	1096	270	33%	25	50	25	100%	30	45	15	50%
AC 3-Tier	723	941	218	30%	25	40	15	60%	30	45	15	50%
AC Chair Car	426	543	117	27%	25	40	15	60%	30	45	15	50%
Sleeper Class	300	406	106	35%	20	20	0	0%	20	30	10	50%
Second Class	106	144	38	36%	15	15	0	0%	8	15	7	88%

Clerkage charges in case of cancellation of waiting list and RAC tickets (in Rs.)					
Class	Rate before 01-04-2013	Rate revised on 01-04-2013	% Increase	Further revision of rates on 12-11-2015	% Increase
Unreserved (second)	10	15	50%	30	100%
Second	20	30	50%	60	100%
Sleeper	20	30	50%	60	100%
AC Chair Car	20	30	50%	60	100%
AC-3 Economy	20	30	50%	60	100%
AC-3 Tier	20	30	50%	60	100%
First Class	20	30	50%	60	100%
AC-2 tier	20	30	50%	60	100%
AC First	20	30	50%	60	100%
Executive	20	30	50%	60	100%

Cancellation charges leviable on cancellation of reserved tickets (in Rs.)					
Class	Rate before 01-04-2013	Rate revised on 01-04-2013	% Increase	Further revision of rates on 12-11-2015	% Increase
Second	20	30	50%	60	100%
Sleeper	40	60	50%	120	100%
AC Chair Car	60	90	50%	180	100%
AC-3 Economy	60	90	50%	180	100%
AC-3 Tier	60	90	50%	180	100%
First Class	60	100	66.7%	200	100%
AC-2 tier	60	100	66.7%	200	100%
AC First	70	120	71.4%	240	100%
Executive	70	120	71.4%	240	100%

MUTP surcharge has been **tripled (150%)** w.e.f 01.01.2013 as under:-

Distance slab (Kms)	Single Journey Tickets				Monthly Season Tickets				Quarterly Season Tickets			
	Second Class (Rs)		First Class (Rs)		Second Class (Rs)		First Class (Rs)		Second Class (Rs)		First Class (Rs)	
	previous	revised	previous	revised	previous	revised	previous	revised	previous	revised	previous	revised
1-10	0	0	0	0	0	0	0	0	0	0	0	0
11-50	1	3	2	6	10	30	20	60	30	90	60	180
51-100	1	3	2	6	15	45	30	90	45	135	90	270
101-150	1	3	2	6	20	60	40	120	60	180	120	360

**Mela surcharge has been revised as under:-**

Class	Existing (Rs.)	Revised (Rs.)	% Increase in fare
Second (Ord/M/E)	3.00	5.00	66.7%
Sleeper (Ord/M/E)	5.00	5.00	No change
AC Chair Car & AC 3-tier	7.00	10.00	42.8%
First (Ord/M/E) & AC 2-tier	10.00	15.00	50%
AC First	15.00	20.00	33.33%

Increase in Tatkal Ticket Charges								(Charges in Rupees)	
Travel on Class	Tatkal charges				Variation				
	As on 01.4.2010		As on date		Min. Charges		Max. Charges		
	Min. Charges	Max. Charges	Min. Charges	Max. Charges	Diff.	%age	Diff.	%age	
Second class	10	15	10	15	0	0%	0	0%	
Sleeper class	75	150	100	200	25	33%	50	33%	
AC chair Car	75	150	125	225	50	67%	75	50%	
AC-3 Tier	200	300	300	400	100	50%	100	33%	
First Class	-	-	-	-	-	-	-	-	
AC-2 Tier	200	300	400	500	200	100%	200	67%	



Executive class	200	300	400	500	200	100%	200	67%
First AC	-	-	-	-	-	-	-	-

19. During the last five years (2010-2015), the freight rates have been increased by 52.5%. The details are as under:

**Increase in Freight Rates since 2010 onwards**

Year	%age increase	Remarks
2010-11	3.5%	Taper of Base Class-100 modified.
2011-12	25%	Base Class revised alongwith Rationalisation of Distance slabs
2012-13	No increase	
2013-14	5.8%	First Fuel Adjustment Component (FAC) linked revision was done
07.10.2013	1.7%	2nd FAC - Linked revision
25.06.2014	6.5%	5% General increase and 1.5% on account of FAC.
01.04.2015	10%	10% General increase. However, the impact on major commodities like Coal (6.2%), Cement (2.7%), Iron or Steel (0.8%) , POL (-1%) etc.
<b>Cumulative increase</b>	<b>52.5%</b>	

20. With regard to the targets in respect of freight tonnage and freight earnings during 2016-17, the witness added as under:

*" In freight, I am projecting an increase of 50 million tonnes and the earnings I am expecting is around 5.4 per cent....*

*I expect the economy to grow, Sir. These are not only my figures; these figures have been validated by an independent body that is the National Council of Applied Economic Research. They have also done some research on this, the various commodities and the way the economy is going to be. What will happen, we will know next year. These are only estimates. This year, I am going to achieve total originating freight of around 1107 million tonnes and in 2016-17 my target is 1157 million tonnes, that is 50 million tonnes extra."*

21. In this regard, the witness elaborated as under:

*"Another major initiative that we have taken is on freight services. We have been consistently losing on our freight share to road. Presently on originating traffic basis it is 30 per cent and on NTKMY it is 36 per cent which is not a very healthy situation. We have taken various measures to win back the freight traffic to rail. Today, the attempt is, there is no question of increasing any freight charges and we are going to rationalise it. Normally by rationalisation, the term is taken as increase somewhere. But we are not going to increase it, rather we are, in fact, going to reduce it. There is a very serious thinking on port congestion surcharge. The 10 per cent that we are imposing, we are going to review; maybe we may bring it to 5 per cent. There used to be a business surcharge earlier during the peak season.*

*Now, 88 per cent of our freight traffic is limited to 10 commodities. We are going to increase this basket of our commodities. We are going in for auto transportation in a very big way. We are going to concentrate on parcel traffic also. With e-commerce companies coming up, parcels have gone up in which the share of rail traffic is only 2 to 3 per cent. Port connectivity is another issue which is being taken up in a very big way. In the General Budget, a lot of taxation benefits have come. CENVAT credit which has been withdrawn earlier has now been restored. So, a lot of container traffic which have moved from rail to road, we expect it to come back to us. That is going to be a saving.*

*Another area that is getting our attention is non-fare revenue. Our non-fare revenue today is hardly less than 5 per cent. It is in fact 3 to 4 per cent of our total traffic receipt. The world over this percentage is very high. All other railways are having this figure up to 20 to 30 per cent. In this Budget we have tried to double all previous figures and we want it to reach from 5 to 10 per cent in another two to three years and in this advertising and land monetisation are going to be major thrust areas. We have tried to do a lot of things for capacity augmentation and some structural changes have been suggested in this Budget. These are the main focus areas of the Budget."*

22. The Hon'ble Railway Minister, in his Budget Speech for the year 2016-17, had stated that growth in passenger earnings have been scaled down keeping in view the persistent negative growth trend since 2013-14, both in suburban and non-suburban

non-Passenger Reservation System (PRS) of travel. On being asked about the measures being taken to improve the situation in this regard, it has been informed that despite the negative growth observed in originating passengers, the passenger earnings have witnessed a positive growth all along. This is due to several measures that have been taken progressively like fare rationalization in Jan.'13, Oct.'13, July'14 and measures like revision in cancellation charges, reservation charges, tatkal charges, rounding off of fares, dynamic fare in trains, introduction of premium trains, etc. The position of actual from 2011-12 to 2014-15 with year to year growth is tabulated below:-

Item	2011-12	2012-13	2013-14	2014-15	2015-16 (growth upto Feb.'16 accounts)
Passenger Earnings (Rs. in cr)	28246	31323	36532	42189	
Growth over Previous Year.	9.5%	10.9%	16.6%	15.5%	6.50%

23. It has been observed that the total Miscellaneous Receipts for the year 2015-16 at BE was Rs.4978.70 crore which was revised downwards at RE to Rs.3970.96 crore, i.e., a curtailment of Rs.1007.74 crore.

24. When asked about the reasons for the same, it has been clarified that the major components of the Miscellaneous receipts are the subsidy received from the Ministry of Finance on certain capital investment made by Railways which are eligible for such subsidy. The subsidy paid to Railways in a year is based on the rate of dividend for that year. In BE 2015-16, the dividend and subsidy were calculated at 5% on provisional basis based on dividend rate for 2013-14 which was the then latest recommendation from RCC (2009), there being no recommendation made for 2014-15. By the time RE 2015-16 was fixed, the RCC (2014) had recommended the rate of dividend of 4 percent for 2015-16. Besides, the Budgetary Support also decreased from Rs. 40000 crore in BE to Rs.32000 crore in RE. These factors were responsible for downward revision of miscellaneous receipts at RE 2015-16 stage. It has further been informed that apart from the subsidy received from the Ministry of

Finance, receipts from Railway Recruitment Boards (RRBs) and Railway Claims Tribunal (RCTs) also form part of Miscellaneous receipts.

25. Furthermore, the BE for this head during the year 2016-17 has been kept at Rs.4450.80 crore only. When asked about the reasons for keeping BE 2016-17 at a lower side, it has been stated that for BE, 2016-17, the subsidy has been calculated based on 4 percent and further it is submitted that the calculation methodology for subsidy from the General Revenues allows for certain due concessions/reliefs to be ignored while arriving at the quantum of capital-at-charge from the current budgetary support (capital received from the Government) for that year, and on the capital-at-charge so arrived, only 50% is added to the previous capita-at-charge for assessing the subsidy receivable from the General Revenues. Further, examination fees collected by RRBs also forms part of miscellaneous receipts. However, due to proliferation of on-line examinations by RRBs, there is likelihood of receipts from the examination fees going down. As such, the miscellaneous receipts target in BE 2016-17 has been kept at Rs. 4450.80 crore.

26. It has further been observed that during 2015-16, the total Expenditure at BE of Rs.163480.25 crore has been revised downward to Rs. 151907.13 crore at RE. However, BE 2016-17 has been kept at a higher side at Rs. 171060.00 crore which is 12.60 percent higher than RE, 2015-16.

27. The Ministry of Railways have informed that in the Ordinary Working Expenses(O.W.E.), there is an increase of Rs. 12,870 crore at B.E. 2016-17 fixed at Rs. 123560.00 crore, over R.E., 2015-16 of Rs. 110690.00 crore, as the impact of the 7<sup>th</sup> CPC on salary component is assessed at Rs. 12,000 crore. As advised by Ministry of Finance, provisioning in BE 2016-17 for the impact of the 7<sup>th</sup> CPC was to be made for salaries alone, out of which Rs. 3,000 crore would be met from the available balances in the Debt Service Fund and a net higher provision of Rs. 9,000 crore has been made in O.W.E. There is a higher provisioning for lease charges (interest component) to IRFC and for essential contractual, workshop and other expenditure under O.W.E., which is partly compensated by fuel for traction savings owing to low HSD (High Speed Diesel) prices and various cost cutting and innovative

methods such as purchase of power as distribution licensee, taking up energy conservation measures, purchase of power at lower rates from State Electricity Boards (SEBs) and Other Units, fitment and working of Auxillary Power Units, use of bio-diesel, rationalization of fuelling pattern and improvement in SFC/SEC (Specific Fuel/Energy Consumption per 1000 GTKMs), etc. Also, the increase in appropriation to the Pension Fund has also been made to meet the impact of the 7<sup>th</sup> CPC on current pensionary charges.

28. The miscellaneous expenditure representing expenditure on the Railway Board and other Misc. Establishments under the Ministry of Railways like the Research Design & Standards Organisation (RDSO), Railway Recruitments Boards (RRBs), Railway Claims Tribunals (RCTs), Centralized Training Institutes, Rail Land Development Authority (RLDA), Railway Rate Tribunals (RRTs), etc., has also been increased mainly for providing the impact of the 7<sup>th</sup> CPC. The increase in miscellaneous expenditure also includes higher provision for surveys, Railway Audit, Studies and Consultancies, etc.

29. It has further been observed that the net revenue has been revised downward to Rs.19897.84 crore at RE stage by Rs.5178.61 crore (20 per cent) from BE, 2015-16 of Rs.25076.45 crore. The BE, 2016-17 for Net Revenue has been kept on a lower side at Rs.18210.64 crore than RE of Rs.19897.84 crore during 2015-16.

30. The Committee have observed that during 2012-13, 2013-14 and 2014-15, against the targets for PPP of Rs. 1050 crore, Rs. 6000 crore and Rs. 6005 crore, the achievement was NIL. During 2015-16, a target at BE of Rs. 5781 crore has been revised upward to Rs. 27269 crore.

31. When asked, how do the Ministry plan to generate resources to meet the revised upward targets for PPP at RE during 2015-16, it has been stated that in 2015-16, the estimated figures at the final modification estimate (FME) stage of Extra Budgetary Resources (EBR) (partnerships) is Rs.15,081 crores. This includes the estimated investments/financial commitments in sanctioned rail connectivity PPP projects, investments in private freight terminals and wagon investment/leasing

schemes, investments from State Governments in ROB/RUB works and in other rail line cost sharing projects, investment by container operators in rolling stock and terminals, cost sharing projects with Central Ministries, capital investments made in rail sector by railway PSUs and external direct funding for Eastern DFC project, etc.

32. As regards specific measures being taken/proposed by the Ministry of Railways to achieve BE of Rs. 18340 crore in respect to PPP during 2016-17, it has been stated that in 2016-17, the estimated figure against these categories of project investment is Rs.18,340 crore. Considering the financial modification estimate for 2015-16 was Rs.15081 crore, the target for 2016-17 is likely to be achieved. Thrust will be given to projects in the areas listed above and also for undertaking projects through joint ventures with State Governments.

**(ii) Various Railways funds**

33. Appropriation to various funds and withdrawal from various funds for the year 2015-16 and 2016-17 are as under:

Sl. No.	Name of Fund	Appropriation to			Withdrawal from		
		BE 2015-16	RE 2015-16	BE 2016-17	BE 2015-16	RE 2015-16	BE 2016-17
1.	Pension Fund	34900	34500	42500	33220	33220	45500
2.	Depreciation Reserve Fund	7900	5500	3200	7500	7300	3160
3.	Railway Development Fund	5750	1323.71	2515	4000	3045.36	2515
4.	Capital Fund	7615.71	6293	5750	6293	6293	7000
5.	Debt Service Fund	900	3785	214	--	--	3000
6.	Railway Safety Fund	1648.21	2510.21	10782.61	1645.60	2506.40	10780

It may be seen from the above that in the case of Pension Fund, DRF, Capital Fund and Debt Service Fund, the amount of withdrawal from these funds is more than appropriation to be made to them.

34. To a specific query about the throw-forward in DRF and DF which meets the replacement and modernization requirement is given as under:-

Source	Throw-forward liabilities (at current prices) of sanctioned works excluding rolling stock which can be funded through IRFC (Bond) and yearly rolling stock programme is decided on need basis.		
	as on 01.04.2015	as on 01.04.2016	as on 01.04.2017
DRF	16542	20242	24993
DF	13695	14298	15166

35. It has also been observed that appropriation to the Depreciation Reserve Fund has been substantially reduced in BE, 2016-17 to Rs.3200 crore from BE, 2015-16 of Rs.7900 crore and RE 2015-16 of Rs.5500 crore. The reason for the same is stated to be that appropriation to the DRF was revised downwards by Rs. 2,400 crore at RE, 2015-16, primarily in view of the sharp decline in Gross Traffic Receipts and the compulsion to make provision for the 7<sup>th</sup> CPC for the period falling in 2015-16, i.e. Jan.'16 to Mar.16. However, this is stated to have not adversely affected the plan expenditure from the fund which has been kept at Rs. 7300 crore in RE, 2015-16 against Rs. 7500 crore in BE, 2015-16 by drawing down from the available fund balances.

36. The Ministry of Railways have further elaborated that appropriation to the DRF for BE, 2016-17 was based on the plan requirement to be met from the DRF. The gross plan requirement has been assessed at Rs 7,160 crore. This is made for various sanctioned works/projects for allocation under the DRF. The gross outlay required expenditure under allocation DRF is met from two streams, credit realization from released material and withdrawal from the fund. The credit realization target has been kept at Rs. 4,000 crore and the balance Rs. 3,160 is the amount to be provided from withdrawal from the DRF. Hence, the appropriation to the DRF has been kept at Rs. 3,200 crore. Further, BE, 2016-17 targets higher credit for released material at Rs.4000 crore. There is tremendous potential for this and in previous years, the Railways have got as high as Rs.3114 crore from this. RE, 2015-16 has a credit target of Rs. 1856 crore only and Railways have set for itself a higher realisation, given the potential.

37. The Committee have observed that the annual plan allocation during 2015-16 (RE) was Rs. 7300 crore for the DRF and Rs. 3045 crore for the

Development Fund (DF). For the year 2016-17 (B.E.), the approved outlay is Rs 7160 crore under DRF and Rs 2515 crore under the DF. It has been stated that the allocations on an annual basis are as per inputs received from field units and assessment made by the Board vis-à-vis targets framed as part of the plan exercise as also the overall resource position.

38. With regard to the Development Fund, the Ministry of Railways submitted that the appropriation to DF in RE 2015-16 has been kept at Rs. 1324 crore and the appropriation to DF in B.E. 2016-17 is Rs. 2515 crore which is more than the appropriation to DF made in RE 2015-16. The appropriation to DF in BE 2016-17 is commensurate with the requirement of withdrawal from DF to meet plan expenditure as per BE 2016-17. The appropriation to DF in RE 2015-16 was reduced by Rs. 4426 crore over appropriation estimated in BE 2016-17 because of trends in GTR in RE 2015-16 over BE 2015-16.

39. On the issue of reducing the appropriation to Capital Fund to Rs.5750 crore at BE 2016-17 as compared to Rs.7615.71 crore at BE 2015-16, the Ministry of Railways have replied that the appropriation to Capital Fund (CF) is also done out of Railways' 'Excess'. Since the 'Excess' is impacted by the additional burden of the 7th CPC on Railway Finances, the appropriation to the fund has been kept at Rs. 5750 cr. The fund balances have been built up over the last few years, including in 2015-16, when the requirement to service lease charges (principal component) has been met entirely out of the current appropriations to the CF. This built up of fund has enabled Railways to provide fully for its lease charges (principal component) liability of Rs. 7000 crore by appropriating Rs. 5750 crore to the CF and withdrawing Rs. 7000 crore by drawing-down Rs. 1250 crore from the available fund balance.

40. When asked about the reasons for reducing appropriations to Debt Service Fund for the year 2016-17 to Rs.214.35 crore from Rs.900 crore at BE 2015-16, the Ministry of Railways stated that in BE 2015-16, appropriation to Debt Service Fund (DSF) was estimated at Rs. 900 crore. However, due to the submission of the 7<sup>th</sup> CPC report in November, 2015 and in order to provide for the Pay Commission impact for the period pertaining to 2015-16 from January, 2016 to March, 2016, the appropriation was enhanced to Rs. 3786 crore in RE 2015-16. In BE 2016-17, the



appropriation to the fund has been determined by the balance available after providing from the 'excess' for plan requirement under DF and obligatory CF.

41. It was pointed out that the overall appropriation to Pension Fund, Depreciation Reserve Fund, Railway Development Fund, Capital Fund, Debt Service Fund and Railway Safety Fund in BE 2016-17 is lesser than the cumulative appropriation from these funds. The trend shows that a large amount of funds has been appropriated from these funds which does not seem a healthy sign for the Railways.

42. To this, the Ministry has stated that in BE 2016-17, the total appropriation to all Railway Funds (including RSF) is Rs. 65562 crore while the appropriation from the Funds (i.e. withdrawal from the Funds) is Rs. 71955 crore, leaving a closing balance of Rs. 3205 crore. The higher withdrawal is from DSF and Pension Fund (Rs. 3000 crore each, to meet salary and pension arrears impact of the 7<sup>th</sup> CPC pertaining to Jan.'16 to Mar.'16 period of 2015-16) and from CF Rs. 1250 crore to meet the obligatory repayment of lease charges (principal component). The railway funds are built up in years of bounty by appropriating higher amounts and this comes handy to cope with years when liabilities of Pay Commission or debt servicing is required and the GTR growth is short of targets due to economic slowdown. In future, the fund balances will be built up by measures to enhance the GTR and contain costs.

43. In this context, during the course of evidence, the Committee expressed their concern over the fact that last year the growth in respect of GTR came down from 17 percent to 7 percent and might go down further at the end of the financial year. Besides, there are no apparent reasons to expect for the economy to grow. The Committee also referred to the Statement of the Railway Minister that "the world is gripped into a huge crisis which can go down to recession." With all these probabilities in picture, the Committee expressed their surprise over the projection made by the Ministry for growth of GTR at 10 percent during 2016-17 and enquired whether the Ministry will be able to pay the salaries, in view of the burden of the 7<sup>th</sup> Pay Commission, besides the amount of debt that the Ministry has to service. To this, the witness replied as under:

"Sir, my answer is yes. I have briefly explained from where we are going to get the money. The bulk of the money is going to come from freight. Last time we were very optimistic. I agree with you. But this time we have pegged the freight incremental traffic to only 50 million tonnes. Out of that 22.5million tonnes come from coal and these are the projections given by the Coal Ministry themselves. In fact, this time what we have done is that even before the Budget was made, hon. Minister had ordered that we should have consultations with the main stakeholders. That included coal, foodgrains; that included cement; that included iron and steel. Member (Traffic) had detailed discussion with these stakeholders and the projections were even higher than 50 million tonnes. We have, on the safer side, tried to keep it at 50 million tonnes. Unless something goes drastically wrong, I am sure, we will be able to achieve that. The new models that we are launching we are not launching at the existing rates. Even the Gatimaan, the pricing is different from the normal Shatabdi pricing. So, while the conventional things will continue in the conventional manner, the existing rates, the new models are coming at cost recovery methods, that mean we are not going to do any cross subsidisation for those services. So, presently we have 50000 coaches or so and out of that normally in service we have around 45000 coaches. The 3500, almost 8 per cent additional coaches, going in service will give me the earning of at least 8 per cent and with this cost recovery model where the pricing will be different my guess should not go very much different from what we have projected. But after all these are projections. We will do our level best to try to achieve it. In case there is any problem, then we will do some mid-course corrections if necessary. "

**(iii) Operating Ratio**

44. The position with regard to Operating Ratio during the last three years is tabulated below -

<b>Operating Ratio</b>			
<b>Item</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>B.E.</b>	<b>84.90%</b>	<b>87.80%</b>	<b>92.50%</b>
<b>R.E.</b>	<b>88.80%</b>	<b>90.80%</b>	<b>91.80%</b>
<b>Actual</b>	<b>90.20%</b>	<b>93.60%</b>	<b>91.30%</b>

45. It has further been observed that the Operating Ratio at BE 2015-16 was fixed at 88.5%. However, it has shown an upward trend at RE 2015-16 at 90.0

percent. The reasons for the same has been stated to be to drop in the Gross Traffic Receipt during 2015-16.

46. The Committee have further observed that BE 2016-17 in respect of Operating Ratio is targeted at 92 percent which is on a higher side as compared to the operating ratio at RE 2015-16. It has been stated that the deterioration in the Operating Ratio of 2016-17 over RE 2015-16 is owing to the impact of the 7<sup>th</sup> CPC for which higher provision of about Rs. 9,000 crore (net basis) has been made under Ordinary Working Expense for salary and further Rs. 5,000 crore higher than usual appropriation to Pension Fund has been made in BE 2016-17.

**(iv) Loans extended to Railways**

47. Expressing their concern over the borrowings from LIC, Japan International Co-operation Agency (JICA) and other institutions and that too for cash negative projects like bullet train that might deepen the financial situation of the Railways, the Committee invited the comments of the Ministry. In reply, it has been stated that the funding from LIC is proposed to be directed into priority Railway projects which will lead to higher carrying capacity of the network, remove existing bottlenecks, enhance safety and improve efficiency of operations. Returns from investment in the form of incremental revenue generation and reduction in cost of operations and maintenance are expected to improve the financial health of the Railways.

48. With regard to loans from the Japan International Co-operation Agency, it has been stated that JICA is extending loans for financing the Western Dedicated Freight Corridor (DFC) project, which is a priority project for enhancing freight throughput and for easing congestion in this corridor. High Speed Rail projects are proposed to be implemented through separate corporate entities with funding assistance from JICA/other international funding agencies and its financials are not expected to affect the Indian Railways' finances.

49. In this context, during evidence, the witness elaborated as under:

*"Sir, there is another important point made by this Committee that we are spending a lot of money on dedicated freight corridors and Bullet Train and other trains which perhaps should get second priority and we are falling in a debt trap by taking loans from LIC and JICA. I would like to clarify that as far as the Bullet Train is concerned, that is the funding which has come only for high speed*

*train and that funding is not available for others. So, it is not that I can use that fund for my current system. It is coming at a very concessional loan of 0.1 per cent with the loan term period of 50 years with moratorium of 15 years."*

50. When pointed out that as the loan amount would have to be paid in Japanese Yen and therefore fluctuation in that will have to be borne by the Ministry, the witness responded in the affirmative and stated:

51. *"Sir, the Ministry of Finance will be hedging that."*

The witness further stated:

*"I am only trying to submit one thing. Indian Railways have been suffering with under-investment for quite some time and that is how we were not able to improve the services whether they were passenger services or freight services. Our corridor carries 16 per cent of the traffic and almost 70 per cent of our high density network is congested lying capacity utilisation of more than 100 per cent. There is no way but to put an investment and improve the services which will give you the return to service that debt and further help you in investing more. Otherwise, we will continue to go with the present system of under-investment and we will not be able to improve it. World over, all international railways have gone in for large scale debt for improving the network. I would like to give one information for the consideration of the Committee is that Indian Railways' total liability of loan today is Rs. 85752 crore against a total investment of Rs. 4, 97,000 crore. That is a ratio of 17.25 per cent. World over this ratio for German Railways is 31 per cent; French Railways is 55 per cent; Italian Railways, it is 18.99 per cent; Russian Railways, it is 19.80 per cent; Japan, it is 32 per cent; Korea, it is 28 per cent; and for Spain, it is 51 per cent. So, it is not that what we have done is something new. It is not that we are not conscious of the fact which, you have just mentioned, but we are sure that with the investment that we are making at this point of juncture and with the capacity that we will develop, we will be able to move more traffic. In fact, over a period of time, we have lost traffic to road because we did not have sufficient capacity. Now, we develop the capacity and increase the share of Rail transport, I think, we will be able to repay back."*

52. As regards borrowing for Rolling Stock, the witness state as under:

*"Sir, we are making a rolling stock also we are getting from borrowings, as you know, but apart from that the entire structure of rolling stock, through PPP model, we are bringing in so that faster rolling stock works on more sustainable tracks. That will give us the benefit. If you see the tracks itself right now, the modernisation that is taking place over the years has given us longevity. We have given you the figures which show that out track renewable arrears are gradually coming down. Similarly, the over-aged rolling stocks are coming down because the lifecycle is improving."*

53. To a similar query with regard to the studies being carried out in respect of bankability of all the projects to be funded through EBR-IF, the Ministry have stated in a written information furnished to the Committee that the Railway projects being funded through EBR-IF (Extra Budgetary Resources – Institutional Finance) are projects which were sanctioned to facilitate network decongestion on critical sections, capacity creation/enhancement, operational requirements, etc. with the aim to increase the throughput of the Indian Railways network through corridor approach. As an alternative source of funding projects, which would enhance the sectional throughput, EBR-IF supplements the resources from Budgetary Support and internal generation, for funding such sanctioned projects which would otherwise languish for want of adequate resources. Mainly, projects under Plan Heads pertaining to doubling, electrification and augmentation of train haulage capacity, etc. which would increase the line capacity of congested sections and thereby facilitate running of more number of freight trains, have been financed through EBR-IF. These projects are generally expected to be bankable and yield adequate returns, once commissioned, for servicing the debt taken to finance them. A list of Railway projects for which funds from EBR-IF have been allotted for the year 2016-17 is given in **Annexure-III**.

**(v) Financial Targets vis-à-vis achievements of various Plan Heads**

54. It has been observed that financial allocations vis-a-vis achievements for the following activities during 2015-16 have declined at RE, which is shown as under:

(Rs. in crore)

	2015-16		2016-17
	BE	RE	BE
Gauge Conversion	5555	4281	4342
Doubling	18420	9007	25119
Traffic Facilities - yard remodelling & others	2374	1213	1226
Rolling Stock	19343	19088	27278
Track Renewals	6035	5426	4000
Bridge Works	560	491	589
Signalling and Telecommunication Works	1115	853	958
Workshops, including production units	2624	2109	3680
Passenger Amenities	1753	1212	1838

55. On being asked about the reasons for lowering the targets at RE 2015-16, it has been stated that the fund allocation in RE 2015-16 was decided on the basis of the requirement projected in RE 2015-16 by the zonal railways. The allocation to the fund is entirely on need basis and also absorptive capacity as per accounts upto Dec.'16 and commensurate with the capacity to spend without any compromise on the physical targets fixed for the year and available inventory, specially like rails. Reduction in GBS by the Ministry of Finance from Rs.40,000 crore to Rs. 32,000 crore resulted in allocation being reduced under cap funded projects under plan heads Gauge Conversion and Doubling among other plan-heads under Capital Fund.

56. Further, it may be seen from the above that BE 2016-17 has been kept at a higher side for guage conversion, doubling, traffic facilities, rolling stock, bridge works, workshop, including production units, passenger amenities. When asked about the reasons for keeping higher financial targets, it has been stated that B.E. 2016-17 annual plan has been prepared after scrutiny of the requirement projected from the zonal railways and with a view to fully utilizing the available allocations. These are commensurate with the thrust areas, physical targets set for the year and requirement of various ongoing projects.

57. It has further been observed that financial allocations vis-a-vis achievements for the following activities during 2015-16 had increased at RE which is shown as under:

(Rs. In crore)

	2015-16		2016-17
	BE	RE	BE
New lines (construction)	12830	13484	15586
Road Safety Works - Level Crossings	306	518	555
Road Safety Works - Road Over/Under Bridge	1340	2144	8685
Electrification Projects	2163	2265	3396

58. When asked about the reasons for keeping the targets on the higher side at RE 2015-16 for new lines, road safety works (level crossings), road safety works (ROBs/RUBs) and electrification projects, it has been stated that the target under New Line has been increased basically due to higher allocation for the Dedicated Freight Corridor Corporation of India Ltd.(DFCCIL) land provided under plan-head New Lines. Despite a cut of Rs. 8,000 crore being imposed under Cap (GBS) by the Ministry of Finance in RE 2015-16, the thrust area of providing fully for DFCCIL (land acquisition) and New Line Projects in North-East region was not reduced. Further, road related safety works under plan-heads Level Crossings and ROBs/RUBs were given enhanced outlays in RE 2015-16 due to higher share from 'diesel cess' under the Railway Safety Fund (RSF) provided by the Ministry of Finance. Diesel Cess allocation for RSF was increased by Rs. 862 crore in RE 2015-16 by the Ministry of Finance and further Rs. 155 crore could be allocated for RoBs/RUBs based on cost-share received from DFCCIL for ROBs/RUBs on DFC routes.

59. The Committee also asked the reasons for keeping higher targets at BE 2016-17 for new lines, road safety works (level crossings), road safety works (ROBs/RUBs) and electrification projects and how it is proposed to expend the enhanced targets. In reply, the Ministry has stated that in B.E. 2016-17, higher allocations for road safety works of LCs and ROBs/RUBs have been made, based on higher than RE 2015-16 share of diesel cess allocated by the Ministry of Finance under the Road Safety Fund. The amount would be fully spent as the allocation was much lesser than the proposed amount of about Rs. 5,000 crore under RSF for road safety works of LCs and ROBs/RUBs. Electrification projects are being funded under EBR (Institutional Finance). Funds are not a constraint and the thrust is entirely to complete electrification at an accelerated pace to derive the benefit of less line haul costs and to increase throughput. The targets have been accordingly fixed. Under planhead New Lines, the Government has allocated funds in 2016-17 under RSF

through diesel cess proceeds. This has been done by the Ministry of Finance in view of changes in the CRF Act proposed in the General Budget for 2016-17. This has enabled the Railways to allocate the full requirement as projected by the field units and as assessed in the annual plan.

**(vi) Physical targets vis-à-vis achievements of various Plan Heads**

60. On being enquired about the physical targets during 2015-16 and likely achievements upto March, 2016 in respect of New Lines, Gauge Conversion, Doublings, Rolling Stock, Track Renewals, Bridge works, S&T works Road Safety Works-Level Crossings, Road Safety Works-Road Over/Under Bridge, Electrification Projects, the Ministry has furnished the information as under:

Plan-Head	Unit	2015-16		2016-17
		Target	Achievement upto Feb.16	Target
Doubling	Kms	1200	802	1600
New Lines	Kms	500	683	400
Gauge Conversion	Kms	800	634	800
Railway Electrification	Route Kms	1600	1459	2000
	Electric Locos	280	255	280
	Diesel Locos	320	308	360
Rolling Stock	Locomotives	600	563	640
	Coaches	3934	3578	4280
	Wagons	16800	12336	12000

61. For bridge works, the physical targets of bridge rehabilitation works at BE, RE in 2015-16, likely achievements till March, 2016 and targets during 2016-17 is given as under:

Original target of Bridge Rehabilitation as per BE	750 nos
Revised target of Bridge Rehabilitation as per RE	670 nos
Likely achievements of Bridge Rehabilitation till March, 2016	700 nos
Target of bridge rehabilitation during 2016-17	750 nos

62. In respect of track renewals, the target at BE, 2015-15, RE, 2015-016, achievements upto Feb., 2016 and BE, 2016-17 has been give as under:



tem	Targets 2015-16		Achievements 2015-16	Reasons for Shortfall	Targets 2016-17
	BE	RE			
Track Renewal (Km)	2500	2350	2617 (Upto Feb 2016)	-	1500

63. It has been stated that in S & T, the physical targets for the provision of New Signalling system are decided on overall basis, including works under replacement, New line, Gauge Conversion and Doubling. Physical targets at BE and RE for the year 2015-16 and during 2016-17 are as under:

(a) New Signalling Systems at Stations – Target - 220 Nos.

Likely achievement upto March, 2016- 340 nos. (approx. 1/3<sup>rd</sup> of the stations are on replacement account)

(b) Level Crossing Gate Interlocking

Target- 200 Nos.

Likely Achievement- 250 Nos.

**Physical Target for year 2016-17:**

(a) New Signalling Systems at Stations – Tentative Target - 240 Nos.

(b) Level Crossing Gate Interlocking- Tentative Target- 220 Nos.

64. The allocation vis-a-vis expenditure on Road Safety Works during 2015-16 is as under:

Plan Head	Allocation BE	Allocation RE	Expenditure (upto Feb'16)
PH-29	305.56	517.76	372.93
PH-30	1340.35	2144.24	1388.65
<b>Total</b>	<b>1645.91</b>	<b>2662.00</b>	<b>1761.58</b>

65. Further, physical target & progress of Road Safety Works during 2015-16 and Targets for 2016-17 are as under:

SN	Item	Target	Progress during 2015-16 (upto Feb'2016)	Expected Progress during 2015-16 (upto Mar.'16)	Targets for the Year 2016-17
1.	Elimination of Unmanned Level Crossings	820	992	1203	1250

2.	Closure of Manned Level Crossings	205	341	369	300
3.	Construction of ROBs	115	147	190	160
4.	Construction of RUBs/Subways	610	669	820	840

66. The Committee drew the attention of the Ministry to one of the major recommendations of the Dr. Kakodkar Committee that all level crossings - whether manned or unmanned - should be eliminated in the next five years and asked about the present status with regard to its implementation. (There are in total 10440 unmanned level crossings) In reply, it has been stated that the said recommendation has been accepted by the Ministry of Railways and it is their endeavour to eliminate all unmanned level crossings, in a phased manner, by Closure/Merger/Provision of Subways/Road Under Bridges (RUBs) or Manning, based on the availability of funds and consent of State Governments. In the last 7 years (2008-15) & current year (upto Feb'2016), 8,642 Unmanned Level Crossings have been eliminated over the Indian Railways.

**(vii) Throw-forward of Railway projects**

67. The Committee have further been informed that at present, there are 432 major ongoing projects consisting of 155 New Line, 42 Gauge Conversion and 235 Doubling, costing Rs. 4,39,721 crore. Further, 400 kms of New Line, 800 kms of Gauge Conversion and 1600 kms of Doubling are targetted to be commissioned during 2016-17, for which funds to the tune of Rs. 43,626 crore have been allocated during the year. The source of funding would be from Gross Budgetary Support, Extra Budgetary Resources (Institutional Financing), Extra Budgetary Resources (PPP & State Share) and Safety Fund.

68. With regard to total length kms of the 155 new line, 42 gauge conversion and 235 doubling pending projects, the details are given as under:-

Planhead	Total No. of projects	Total Length (In Km)
New Line	155	17005
Gauge Conversion	42	9520
Doubling	235	18703
<b>Total</b>	<b>432</b>	<b>45228</b>

## CHAPTER-IV

### Twelfth Five Year Plan

#### (i) Financial Allocation vis-à-vis performance of the 12<sup>th</sup> Plan

The Annual Plan resources depicting the size of GBS(including Diesel Cess), internal resources, market borrowings and private investment, including PPP, for the year 2016-17 and also during the last four years are tabulated below:

<b>Annual Plan</b>												
(Rs. in Crores)												
	Annual Plan 2012-13			Annual Plan 2013-14			Annual Plan 2014-15			Annual Plan 2015-16		Annual Plan 2016-17
	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	BE	RE	BE
Internal Resources	18050	9950	9531	14260	9417	9709	15350	15730	15347	17793	16638	16675
Gross Budgetary Support (GBS)	24000	24265	24132	26000	27000	27072	30100	30100	30121	40000	32000	34220
Railway Safety Fund	2000	2000	1578	2000	2000	1983	2200	2200	2206	1646	2661	10780
Market Borrowings	15000	15000	15142	15103	14942	15225	11790	12046	11044	17655	11848	20000
Public Private Partnership (PPP)	1050	1050		6000	6000		6005	5722		5781	27269	18340
EBR(IF)										17136	9584	20985
Total Market Borrowings (Total EBR)	16050	16050	15142	21103	20942	15225	17795	17768	11044	40572	48700	59325
<b>Net Plan</b>	<b>60100</b>	<b>52265</b>	<b>50383</b>	<b>63363</b>	<b>59359</b>	<b>53989</b>	<b>65445</b>	<b>65798</b>	<b>58719</b>	<b>100011</b>	<b>100000</b>	<b>121000</b>

2. It may be mentioned here that while examining the Demands for Grants(2012-13) of the Ministry of Railways, it was observed that the Ministry had proposed an outlay of Rs.7,19,671 crore for the 12th Five Year Plan in order to address capacity bottlenecks and investment on modernization and safety so that the Railways could provide satisfactory services to the passengers and customers.

However, the Planning Commission had approved only Rs.5,19,221 crore. The total plan size for the railway sector for the 12th Plan is Rs.5,19,221 crore contributed by GBS of Rs. 1,94,221 crore, internal resources of Rs. 1,05,000 crore, market borrowings of Rs. 1,20,000 crore and private investment, including PPP, of Rs. 1,00,000 crore. Further, during 2012-13, 2013-14 and 2014-15, against the proposed outlays of Rs. 77645 crore, Rs.72500 crore and Rs. 72000 crore, funds to the tune of Rs. 60100 crore, Rs. 63363 crore and Rs. 65445 crore, respectively, had been allocated.

3. It has been observed from the above that compared to the approved 12<sup>th</sup> Plan outlay, the annual plan sizes were not proportionate on account of lesser allocation of GBS and lower materialisation of internal resources. There was lesser generation of extra budgetary resources for rolling stock leasing and PPP. The expenditure was accordingly lesser than projections as per the 12<sup>th</sup> Plan.

#### (ii) Physical Progress in the 12<sup>th</sup> Five Year Plan

4. The physical progress for various activities during the 12<sup>th</sup> Five Year Plan is given as under:

S.No.	Operational/ Project Parameters	12 <sup>th</sup> Plan Targets	12 <sup>th</sup> Plan Revised Mid Term Targets	Cumulative likely Achievement of 12 <sup>th</sup> Plan till 2015-2016 (likely Achievements)	Targets during 2016-17
1	Originating Freight (MT)	1,405	1240	1107	1157
2	Freight Net Tonne Km. (Billion)	927	763.84	667.53	694.607
3	Originating Passengers (Million)	11,710	8561	8101	8182
4	Passenger Kms. (Billion)	1,760	1286	1134.35	1137.3
5	New Lines (kms)	4,000	1864	2155	400
6	Doubling (kms)	7,653	4718	3402	1600
7	Gauge Conversion (kms)	5,500	2536	2633	800

8	Electrification Projects (kms)	6,500	6,500	5642	2000
9	Locomotives (nos)	4,010	3,250	2600	640
10	Coaches (nos)	24,000	19,800	15575	4280
11	Wagons (Vehicle Units)	1,05,659	1,05,659	50360	12000

It has been observed from the above that in the 12<sup>th</sup> Five Year Plan, there has been shortfall in the proportionate target pertaining to Freight traffic, Passenger traffic, New Lines, Doubling, Gauge Conversion and Wagon procurement.

5. As regards the reasons for the shortfall in targets pertaining to network expansion works, lack of availability of sufficient funds, delay in land availability, forestry clearances etc. are stated to be the major constraints. The item-wise details in this regard are given as under:

### **Passenger Traffic**

There has been a decline in passenger traffic mainly on account of drop in suburban traffic and in non-suburban traffic in the 1—100 km segment which can be attributed to development of metro networks in the cities and increased shift to personal vehicles (2-wheelers) on account of falling prices of petrol, improved road connectivity and expanding road infrastructure.

### **Freight Traffic**

Transportation is a derived demand and freight business of the Indian Railways is largely dependent upon the performance of the core sectors of the economy. Due to less growth in the economy, freight transportation has not picked up to the desired level.

### **Network Expansion**

As per the original draft XII Plan document, targets for completion of total 17153 Km of network expansion, including 4000 Km New Lines, 5500 Km Gauge Conversion and 7653 Km Doubling were proposed. Commensurate with these targets, a requirement of funds to the tune of Rs. 125852 crore from GBS was

projected. However, the outlay projections were reduced to Rs. 62,421 crore. Due to overall reduction in Gross Budgetary Support in the first 3 years, a total outlay of only Rs. 36086 crore (Rs. 9950 crore in 2012-13, Rs. 11129 crore in 2013-14 and Rs. 15007 crore in 2014-15) could be allocated in these Plan Heads, against the proportionate outlay of Rs. 37200 crore.

### **Wagon Production**

Wagon acquisition is need based and is dependent upon the traffic needs and availability of funds after taking into consideration replacement of wagons due to condemnation. Targets for acquisition of wagons for a particular year is fixed on the basis of traffic projections.

### **(iii) Passenger Amenities**

6. A statement of budget allotment and expenditure under Plan Head 53 'Passenger Amenities' during the last 5 years, is as under:

<b>Passenger Amenities</b>	<b>BE</b>	<b>RE</b>	<b>Actual</b>
2012-13	1101.95	967.56	842.14
2013-14	1200.38	895.36	857.73
2014-15	1025.68	1047.90	858.16
2015-16	1748.48	1211.84	754.43 (upto. Feb.16}

It may be seen from the above that during the last four years of the 12<sup>th</sup> Five Year Plan, there had been shortfall in the achievements of the financial targets in respect of passenger amenities.

100. It has also been observed that BE, 2016-17 for passenger amenities has been kept at Rs. 1838 crore. In this context, the major components under the head "Passenger Amenities" are given as under:

- i. Elimination of Shortfall in Minimum Essential Amenities
- ii. Provision of Washable Aprons
- iii. Development of Adarsh Stations
- iv. Elimination in Shortfall of Toilets

7. In a written reply furnished to the Committee, the Ministry have stated that the Indian Railways continuously strive to provide comfortable and affordable travel experience to its passengers on all Zonal Railways. Initiatives which have already been taken include proliferation of e-ticketing, ticketing through mobile phone, ticketing through SMS, tatkal reservation scheme, proliferation through tie-up with other institutions (post offices), alternate mode of sales for unreserved tickets, Jansadharan Tickets Booking Sewaks (JTBS), reduction in advance reservation period, mandatory condition for carrying proof of identity for all reserved classes to prevent misuses of tickets, facility of modern luggage trolleys, battery operated vehicles, provision of lifts and escalators, etc. Amenities at stations are also upgraded through the Adarsh station scheme.

8. To a specific query, it has been informed that at present, 1252 stations are already identified for development under this scheme. 962 stations have already been developed as Adarsh stations. In a subsequent reply, it has been stated that out of the 106 railway stations targeted to be developed during 2015-16, 29 railway stations have been developed upto February, 2016 and works for the remaining stations are in progress and at an advanced stage. Further, 110 stations are targeted to be developed under the said scheme during 2016-17.

## CHAPTER-IV

### Other Important issues

#### (i) Railway works under MGNREGA

The Committee have learnt that in February 2013, the then Hon'ble Minister of Railways had requested the then Hon'ble Minister for Rural Development for inclusion of Railway works in the list of works of MGNREGA. On this request, the Ministry of Rural Development included only the following four types of Railway works under MGNREGA:

- i) Developing waterways/trenches.
- ii) Construction of pathways.
- iii) Afforestation.
- iv) Construction of Kuccha approach road.

2. It has further been informed that the Hon'ble Minister of Railways then discussed the issue with the Hon'ble Ministers of Road Transport and Highways, Shipping, Rural Development, Panchayati Raj and Drinking Water and Sanitation on the subject and thereafter requested again *vide* DO letter in June 2014 to consider making provision for construction of Road Under Bridge (RUB)/Limited Height Subways (LHS), etc., wherever necessary, as part of the proposal of the roads under the Pradhan Mantri Gramin Sadak Yojana (PMGSY). The Ministry of Rural Development has again been requested *vide* letter dated 15.09.2015 & 10.03.2016 to make provision for construction of Road Under Bridges/Subways, wherever necessary, as a part of project of construction of roads under the PMGSY.

3. In this regard, the Committee had desired that the Ministry of Rural development should be approached for amending the existing 60:40 ratio of labour and material component for MGNREGA into 40:60. In reply, the Ministry of Railways has stated that this is a policy matter and the subject matter should be dealt with by the Ministry of Rural Development.



**(ii) E-catering**

4. The Committee have observed that in the Budget speech for the year 2015-16, the Hon'ble Minister of Railways had announced to introduce e-catering services in 108 trains on an experimental basis from January 2015.

5. As regards the present status of the proposal for introduction of e-catering, it has been stated that in order to widen the range of food options available to passengers and to mitigate passengers' complaints in regard to catering services, e-catering service has been started by IRCTC in 1350 trains without pantry cars or Train Side Vending as well as on 45 designated stations to enable passengers to book food of their choice through website/phone/SMS.

6. It has further been stated that on 15.3.2016, Hon'ble MR launched extension of e-catering services from the existing 45 designated stations on all 'A1' and 'A' category Railway Stations across the country in compliance of the announcement made in the Rail Budget 2016-17. Large and reputed food chains, viz. KFC, Dominos, Haldiram, Food Panda, etc. have been empanelled as vendors/aggregators to provide good quality catering to the passengers. The average number of meals delivered through e-catering services has risen to 1000 meals per day.

7. Asked whether the Ministry are taking some precautionary measures to address the security concerns posed while delivery of meals booked through e-catering, the Ministry has replied that the pre-ordered meals are to be supplied by the delivery persons duly authorized by Railways/IRCTC, for delivery of meals booked through e-catering. The delivery persons must hold and carry Identity Card/Authority issued by the Divisions for entry into railway premises. Further, the delivery person has to have antecedent verification certificate issued by Police Authorities/MP/MLA/MLC//Councillor/1<sup>st</sup> Class Magistrate and shall be issued an appointment certificate (signed by the Vendor) which shall contain a photograph of the employee with his or her left/right hand thumb impression affixed thereon in Printer's ink. They must hold a Medical Certificate from an authorised/registered medical practitioner. These delivery persons shall be scanned/frisked by the RPF/security personnel like other passengers while entering the stations.

8. Asked about the precautionary measures being taken to avoid any untoward incidents, it has been replied that the Expression of Interest (EOI) is to be floated by IRCTC to ensure participation of experienced professionals, reputed chains / brands such as KFC, McDonalds, Haldiram, Bikanerwala, Nirulas, Sagar Ratna, Wangs Kitchen, Sarvana Bhawan, Subway, Dominos, KFC, Pizza Hut, Kelloggs (Not restricted to these brands only), other existing reputed food chains supplying popular/local/regional cuisines, including Women Self Help Groups, Food Plazas, etc. as well as reputed food aggregators for empanelment/shortlisting of vendors so as to offer a wide range of choices to the passengers. The empanelment/shortlisting shall be valid for three years. However, the applications for EOI shall be invited periodically to widen the empanelment so as to ensure inclusion of new entrants in the panel.

9. It has simultaneously been stated that the vendors shall comply with provisions of the Food Safety and Standards Act, 2006 and other instructions issued in this regard by the Government of India from time to time. Vendors shall indemnify IRCTC/Railways of any consequences arising out of quality, legal, statutory and other issues arising out of any act of vendor and/or its authorised persons. Railways shall bear no liability whatsoever arising out of complaints, if any, from the passengers regarding poor/sub-standard quality of food supplied, service, etc. under this scheme. The liability, if any, arising out of such complaints/Court Cases/Consumer Forum's directives is to be borne only by the service provider/vendor concerned & IRCTC and not by the Railways. In case of deficiency in service, IRCTC/Railways shall take appropriate penal action against the service provider/vendor, including imposition of penalty on the vendor and termination/debarring the vendor for sub-standard/adulterated/irregular service/non-supply of contract item/overcharging, etc.

**(iii) Fuel Adjustment Component (FAC)**

10. The Committee have learnt that in 2014 the Railways had announced for continuation of Fuel Adjustment Component (FAC) to revise the passenger fares

every six months. Asked whether FAC is still continuing in Railways, it has been informed that so far, FAC linked revision in passenger fares has been carried out two times. The first revision was done in October 2013 wherein passenger fares were increased by 2 percent. The second and last revision was done in June 2014 wherein passenger fares were increased by 4.2 percent.

11. It has further been stated that the Indian Railways need to expand, strengthen and modernize its network to meet the aspirations of the people. This requires resources of a high order. IR's problems are compounded by the fact that over the years its input costs have risen much higher than the growth in its earnings. The index of Railways input cost has more than tripled from the base level of 100 in 2004-05 to 309 in 2014-15. The decrease in fuel cost has been very marginal compared to the overall increase in input cost. Therefore, in view of the huge requirement of funds for development, the Railways are unable to pass on any benefit of decline in diesel prices to the passenger.

**(iv) IZZAT Monthly Season Ticket Scheme(MSTs)**

12. The Committee have been informed that one of the factors for the decline in passenger traffic can be attributed to the changed norms/regulations in the issue of concessional tickets, particularly in the case of Izzat MSTs.

13. As regards the norms for Izzat MSTs, it has been informed that Izzat MSTs, priced at Rs. 25/-, are issued to persons working in unorganized sectors with monthly income not exceeding Rs 1500/- for travel upto 150 kms. This scheme was started with effect from 1.8.2009. In view of the issue of IZZAT MSTs getting misused, the provisions for issue of IZZAT MSTs has been revised w.e.f 15.10.2013. Pre-revised and revised rules for issue of IZZAT MSTs are as under:-

<b>Before 15.10.2013</b>	<b>W.E.F. 15.10.2013.</b>
<p>Izzat MST was issued at the stations on production of any of the following documents:-</p> <p>(i) Income certificate from District</p>	<p>W.e.f 15.10.2013, IZZAT MST can be obtained as under:-</p> <p>(i) On the basis of income certificate from District Magistrate or on BPL Card or any</p>

<p>Magistrate, BPL Card or any other certificate issued by Central Government under a recognized poverty alleviation programme.</p> <p>(ii) Income certificate from sitting MP of Lok Sabha (for persons of his constituency).</p> <p>(iii) Letter of recommendation to DRM from Union Minister for issue of Izzat MSTs for any person from anywhere in the country.</p> <p>(iv) Letter of recommendation to DRM from sitting Member of Parliament of Rajya Sabha for issue of Izzat MSTs for the persons of the district in which these MPs normally reside.</p> <p>(v) Further, with effect from 1.7.2011 income certificates issued by Members of Legislative Assemblies of various States and Union Territories are also accepted for issue of Izzat MST. The income certificate issued by MLAs is for one-time use only. This provision was introduced on pilot basis for a period for three months and further extended up to 30.09.2012. Further, this provision has been extended upto 30.09.2013.</p>	<p>other certificate issued by Central Government under a recognized poverty alleviation programme, including ration cards issued to persons under Antyodaya Anna Yojana", along with production of residence proof.</p> <p>(ii), (iii) &amp; (iv) Izzat MST can also be obtained directly from the stations by passengers on production of the following:</p> <p>(a) income certificate from local government officials, i.e. SDM/SDO/BDO/Tehsildar</p> <p>(b) A recommendation letter from Hon'ble Member of Parliament of Lok Sabha/Hon'ble Member of Parliament of Rajya Sabha and/Union Ministers on production of the above income certificates and</p> <p>(c) Prescribed Photo Identity card cum residential proof.</p> <p>(v) No further extension for this provision was made in view of the scheme getting misused.</p> <p>Photo Identity Card cum residential proof:</p> <p>The following is accepted as residence proof:- Voter Identity Card, Passport, Driving License, Ration Card, Aadhaar Card, Bank Pass Book from Nationalised Bank with Photograph or any other Photo Identity Card cum residential proof issued with Photographs by any Government of India or a Government agency in India.</p>
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14. In reply to a specific query, it has been stated that the Izzat MST scheme was reviewed and the provisions for issue of Izzat was revised with effect from 15.10.2013 on the basis of the following suggestions, recommendations and report of misuse received from Railways:

(a). Recommendation from South Eastern Railways/ Kolkata to review the scheme in view of gradual increase in the number of IZZAT MSTs and drop in earnings. In South Eastern Railway about 65,000 Izzat MSTs are issued every month.

(b). Suggestion from Shri Saidul Haque, MP, that in West Bengal many MLAs are recommending Izzat tickets for ineligible persons leading to their misuse.

(c). Recommendation of the then MSR (A) to review the Izzat MST scheme.

(d). Misuse of Izzat MSTs cases reported by Zonal Railways. Details of some the cases are given as under:

**Misuse of IZZAT MST cases reported by Zonal Railways**

S.No.	Railway	No. Of Cases	Remarks
1.	Eastern Railway	13	(i). In Sealdah Division three cases of mismatch of signature of the issuing authority have been detected. (ii). In Howrah Division ten cases of fake income certificates, misuse of certificates by using partial manually and partial Xerox, endeavour to copy MPs signature etc. have been detected.
2.	South Eastern Railway	NA	(i). Blank forms of income certificate issued by Hon'ble MPs were found available with the passengers. (ii). Signature of issuing authority (MP/MLA) differs in different certificates. (iii). Purchase of more than one Izzat MST by some passenger. (iv). Certificates issued by MPs/MLAs were distributed by different persons at different localities.
3.	Southern Railway	3	Three cases have been detected in which earning per month are Rs. 3000, Rs. 3500 and Rs. 10000 per month as against Rs. 1500 per month.
4.	Western Railway	NA	(i) The facility is also availed by organized sector employees i.e. Government employees, bank employees, Municipal employees, Press reporter, Organised private sectors employees, Hotel Manager and Hospital employees. (ii) Employees getting more than Rs. 1500 per month are also getting this facility. (iii). Two Izzat Pass for one person is also noticed where the person is availing facility for more than 100 Kms restriction. (iv). BPL card holder with income above Rs. 1500 is also availing this facility. In many cases it has been noticed that income certificate were also issued in the name of students who are dependent on their family and issued to persons who are not heads of families.
5.	Central Railway	2	(i) Izzat MSTs have been issued on the income certificate of a Member of Parliament, in favour of daughter aged 16 years and son aged 20 years. (ii). At Asangaon a retired employee of State Transport Corporation were having IZZAT MST.
6.	West Central Railway	1	One person was having two MSTs one issued against IZZAT scheme and another one against press correspondents ID for the month September. Complaint have been made to GRP/PPI and DSC/JBP and matter is under investigation.

7.	South Western Railway	19 Cases	Availing IZZAT MST with wrong income certificate whereas actual income is more than Rs. 1500 per month.
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**(v) Strategic Lines**

15. As regards taking up of strategically important projects by the Ministry of Railways in collaboration with the Ministry of Defence, it has been informed that at present, no strategic line has been taken up by the Ministry of Railways. However, the Ministry of Defence has identified four strategic lines to be taken up in the first phase out of the list of 14 strategic lines identified by them. The four projects are as follows:-

- (a) Missamari - Tenga - Tawang (378 Km)
- (b) Bilaspur - Manali - Leh (498 Km)
- (c) Pasighat – Tezu - Rupai (227 Km), and
- (d) North Lakhimpur - Bame (Along)-Silapathar (249 Km).

16. All these strategic lines are stated to be in the Himalayan region involving large scale tunnelling and bridging. To have reasonably accurate cost estimates of projects in Himalayas, the alignment needs to be frozen which can be done only after carrying out Final Location Survey. Final Location Survey involves detailed study of topographical features (Creation of Digital Elevation Model (DEM) based on satellite imagery), detailed Geological investigation/mapping, Geo-physical, Geo-technical examination, etc., and consultation with tunnelling and Geological experts. After finalization of alignment, exact length of Bridges and Tunnels can be ascertained and thereafter Cost Estimate can be firmed up.

17. It has further been informed that in the 8<sup>th</sup> meeting of the Empowered Committee on Border Infrastructure (ECBI) on 24/7/14, it was decided that the Ministry of Defence, with the approval of the Competent Authority, will provide the Ministry of Railways requisite funds for the Final Location Survey of projects prioritized by National Security Council System (NSCS). The total cost of Final Location Survey for these four lines, assessed at Rs.345 crore, was conveyed to the Ministry of Defence for transfer of fund in Oct'14. The Ministry of Defence has conveyed the approval of the Cabinet for carrying out Final Location Survey on 31.12.2015, and has promised to provide the first tranche of Rs. 10 crore but the cheque was yet to be received.

18. To a specific query, it has been informed that during the Meeting chaired by Secretary (Coordination), Cabinet Secretariat, on 25.03.2015, it was decided to form an operational Committee under the Ministry of Railways with representatives from the Ministry of Defence, Ministry of Road Transport & Highways, State Government and BRO to share the data available with these organization in this regard and engage them during the Final Location Survey. In pursuance of the above decision, an Operational Committee has been constituted under the Chairmanship of Additional Member (Works), Ministry of Railways (Railway Board). Nominations have so far been received from (i) Transport Department of Govt. of Assam, (ii) Department of Board Management, Ministry of Home Affairs, (iii) Ministry of Road Transport and Highways, (iv) National Highway Authority of India, and (v) Ministry Defence.

19. As regards provision for funds for these strategic lines, it has been informed that the total length of these strategic lines is 1,350 Km and the tentative cost of construction of these four lines is Rs.1.78 lakh crore and completion cost is Rs. 3.18 lakh crore. The Empowered Committee on Border Infrastructure (ECBI) headed by Cabinet Secretary and Ministry of Defence has been intimated that these 4 identified strategic lines can be implemented only if it is fully funded by either the Ministry of Defence or the Ministry of Finance and the grant for these strategic lines are given over and above yearly GBS through a separate window. As per the decision taken by the Empowered Committee on Border Infrastructure (ECBI), the Final Location Survey of these projects are to be funded by the Ministry of Defence.

20. To a suggestion of the Committee for a separate Member in the Railway Board for strategic lines who, in collaboration with the Ministry of Defence, could work out the need and emergent requirement of strategic lines as well as get adequate funds from Railways/State Governments/Centre on sharing basis to build such lines on a war footing, it has been stated that these strategic lines are still at the stage of preliminary studies. Actual cost estimate of the projects can be assessed after completion of the Final Location Surveys. The Final Location Surveys for these four surveys will be completed within a period of 2 years. It has been mentioned that the need for a separate Member in Railway Board for strategic lines can be examined at that stage.

**(vi) Green energy**

21. The Committee desired to know the plans of the Ministry regarding the use of solar energy in Railways. In reply, the Committee have been informed about the progress in the matter as under:

(i) 10 Mega Watt (MW) capacity already installed, including 1 MW solar power plant at Katra Railway station.

(ii) Order for 2 MW (50x2 KWp at 20 locations) has been issued on 23.07.2015.

(iii) The LOA for provision of 4.5 MWp (200x10 KWp & 5x500 KWp) issued on 30.9.2015.

(iv) 50 MWp capacity has been identified & allocated to Zonal Railways for provision on rooftops of Railway stations and Railway buildings. Model Tender Document has been issued. Tenders have been floated by almost all the Zonal Railways.

(v) Additionally, 100 MW is planned to be allocated to Railways after obtaining confirmation for VGF from the Ministry of New and Renewable Energy(MNRE).

(vi) The Railway Energy Management Company Ltd.(REMCL) has been asked to study the feasibility of putting up 500 MW solar plants.

22. Referring to the Kochi International airport which is being operated completely on solar power, the Committee expressed their desire to the Ministry to start a pilot project in any one of the Railways Stations on similar lines. To this, the Ministry responded in the affirmative and stated that necessary action will be taken based on techno-economic feasibility.

**(vii) Optical Fibre Communication System**

23. The Committee have been informed that "Optical Fibre Communication System" is one of the various initiatives being taken by the Telecom Directorate. Extensive use of Optical Fibre Communication System has provided major benefits in train as well as administrative operations. It is planned to cover 12500 Rkms of the



Railway Network with Optical Fibre Communication to cover the remaining section of the Indian Railways.

24. It is learnt that RailTel, a Mini Ratna Category I, was formed in September 2000, with the objective of creating nationwide Broadband Telecom and Multimedia Network in all parts of the country, to facilitate Railways in expeditious modernization of their operation and safety systems and network by providing state-of the-art communication infrastructure, and to generate revenue through commercial exploitation of its telecom network.

25. Further, RailTel is holding infrastructure provider category 1 ISP licence from the DoT; it is also holding National Long Distance (NLD) service licence. In addition, registration as IP has been obtained from DoT by RailTel. It has deployed state-of-the-art STM-16/64/DWDM network on more than 42,000 Route Km of Optical Fiber Cable backbone running along Indian Railway tracks across the country. The Company is now expanding the telecom network in 6 North Eastern States under the Universal Service Obligation Fund (USOF) project of DoT.

26. The Company as a part of the National Optical Fiber Network (NOFN) project is laying OFC on behalf of BBNL for providing broadband connectivity to 36,000 panchayats in 11 States of the country for providing minimum 100 Mbps broadband to panchayats. The Company also implemented the ERP tool covering all Departments, including Finance and Accounts, HR, Marketing, Projects and Operations across the country during the year.

27. Also, the Company, towards its corporate social responsibility (CSR), had incurred an expenditure of Rs. 79 lakh and created provision of Rs. 1.48 crore during the year 2013-14 on providing broadband connectivity to 45 institutions situated in gram panchayats. RailTel, during the year, rolled out a broadband delivery platform named "Rail Wire" with a mission to make available "ICT to common man" and also extend "Internet, Education and Health services to masses".

28. RailTel, under R&D efforts, took initiative to give the country its 8th Telecom Centre of Excellence (TCOE). On 5th June, 2013, the Department of

Telecommunications, RailTel and IIT Roorkee signed a tripartite MoU for establishing TCOE at IIT Roorkee for doing research and development in the field of “ICT and Broadband Applications”.

## **PART – II**

### **RECOMMENDATIONS/OBSERVATIONS**

#### **DEMANDS FOR GRANTS (2016-17) - AN OVERVIEW**

1. The Committee note that the Indian Railways is the world's largest Government Railway and is managed through 17 Zones and 68 operating Divisions. The Railways function as a vertically integrated organisation, providing passenger and freight services. It covers 66,030 route kms of track that criss-cross the country, on which more than 22,300 number of trains ply, carrying about 23 million passengers and hauling nearly 3.02 million tonnes of freight every day. In the process, the Indian Railways contribute to the economic growth of the nation as a whole, simultaneously promoting national integration. As such, the Indian Railway system has an enormous social responsibility on its shoulders as also a national obligation. That being so, as pointed out by the Committee in their Fourth Report on Demands for Grants (2015-16) of the Ministry of Railways, the Indian Railways should have a clear and unambiguous perception of their role and their obligations to the nation as to whether they are a commercial entity with a profit motive or an organisation with a social obligation to the country and its people who use this facility every day.

2. The Committee note that the Railway Budget for 2016-17 has been presented under difficult situations. The revenue targets for 2015-16 of the Indian Railways were missed, while the revised estimates for the same period, including gross traffic receipts, passenger earnings, freight earnings and internal resource generation showed a downward trend. These shortfalls have been mainly attributed to the global economic downturn and meagre domestic investment by the Railways which have adversely affected their resources. The additional pay out of Rs.28,500 crore as part of the 7th Central Pay Commission's recommendations has further impacted the financial condition of the Railways.

3. The Railway Minister, in his Budget Speech, has clearly stated that the Railways must provide to the citizens a rail system free from capacity constraints and inefficiency, and that it should be a system that is capable of taking care of its own needs - financial and otherwise. The theme of the Railway Budget 2016-17 is overcoming challenges – Reorganise, Restructure, Rejuvenate Indian Railways. The Railway Minister further highlighted the three cornerstones of his strategy reflecting a new thought process: (i) Nav Arjan – New receipts, i.e., exploiting new sources of revenue so that every asset tangible or non-tangible gets optimally monetised; (ii) Nav Manak – New norms, i.e., each rupee that gets expended will be re examined to ensure optimal productivity (the endeavour would be to improve Railways' efficiency yardsticks and procurement practices to bring them in line with the international best practices); and (iii) Nav Sanrachana - New

Restructures, i.e., need to re-imagine the conventional ways of solving issues. Co-operation, Collaboration, Creativity and Communication should be the hallmark of decision making and actions, with a need to revisit all processes, rules and structures to enable this transformation of Indian Railways. The Railway Minister further stressed the Hon'ble Prime Minister's vision to convert into specific reality with speed, efficiency and total transparency. The Railway Minister also informed the House that bankable railway projects are now assured of funding and should be completed within the next 3-4 years and a new way of funding the projects would be through institutional financing. The Life Insurance Corporation (LIC) alone has agreed to invest Rs.1.5 lakh crore over a span of 5 years on extremely favourable terms. He inter-alia stated that departmental orientation, absence of cross functional collaboration and lack of business focus have held back the Railways from realising the commanding heights which it is capable of achieving. Although there is no set pattern regarding the format of the Budget Speech of the Railway Minister, the Minister has annexed the details of the implementation of the budget announcements 2015-16 as Annexure-II of the Speech. The Budget Speech refers to the tepid growth of core sector as the primary reason for unprecedented slippages. The Committee feel that it would have been appropriate if the initiatives, plans and performance of the Railways were corroborated and highlighted with specific details in the Budget Speech itself. The Railway Minister has further proposed to reorganise the Railway Board along business lines and suitably empowering the Chairman, Railway Board, to lead the organization

effectively. He also emphasised on sasaktikaran, i.e., improving planning practices. According to the Railway Budget 2016-17, a Railway Planning and Investment Organization for drafting medium and long term corporate plans will be set up. Further, to provide long term perspective to planning for augmenting railway network, the National Rail Plan NRP-2030 would be developed in consultation with various stakeholders, including State Governments / representatives and other relevant Central Ministries. NRP-2030 will endeavour to harmonise and integrate the rail network with other modes of transport and cross energy for achieving a seamless multi-modal transportation network across the country. This will also achieve the Hon'ble Prime Minister's vision of the integrated planning and cost optimization of the transportation network. The Committee appreciate the innovative steps taken and the proactive measures for systemic improvement announced in the Railway Budget, 2016-17. They, however, emphasize that these be implemented with a clean perspective in a time bound manner, keeping in mind the imperative to mobilize and optimally utilize the resources needed for most of these initiatives.

4. The Committee note that one of the important steps proposed to be taken through the Railway Budget 2016-17 is the setting up of the Railway Planning and Investment Organization for drafting medium term (5 years) and long term (10 years) corporate plans for the Railways. The Organisation will conduct independent studies and propose the financing mechanism for identified projects. The other significant steps, the

National Rail Plan NRP 2030, will seek to integrate the Railways with other modes of transport and help develop a model transportation system for the country. The Committee note with satisfaction the aforesaid proposals of the Railways, which can go a long way in addressing affordable means of transportation across the nation. However, they feel that the effective implementation of these initiatives will be extremely challenging at the ground level, especially in the context of the huge financial investment required. The Committee, therefore, desire that a detailed roadmap be worked out with farsightedness, specifically looking into the possible hindrances and bottlenecks that may emerge overtime. These issues should be clearly addressed at the time of preparation of the roadmap and wide consultations with all stakeholders, including State Governments. The Committee would desire to be kept abreast of the progress in the matter.

5. As per its mandate, the Committee undertook a detailed scrutiny of the Demands for Grants of the Ministry of Railways 2016-17. The major constraints facing the Indian Railways are enumerated below, the primary one being resource crunch.

- Downward trend in respect of Gross Traffic Receipts, both on account of passenger as well as freight loading.
- Deteriorating position in respect of Operating Ratio due to the impact of the 7th Central Pay Commission.
- Shortfall in meeting the 12th Plan Projections due to inadequate Gross Budgetary Support.
- Growing dependence of Indian Railways on Gross Budgetary Support and Market Borrowings for substantially higher capital expenditure.

- Interest burden on Market Borrowings for augmented financing of bankable projects.
- Piling up of throwforward Railway projects.
- Thrust on joint venture with States, with problems with States having poor financial health.
- Delay in execution of Strategic Lines.

6. The above, interalia are some of the major issues that the Committee have flagged in the wake of the detailed scrutiny of the Demands for Grants of the Railways, 2016-17. In the context, the Committee will like to reiterate their earlier recommendation that there is an urgent imperative of a National Policy of the Indian Railways which should be the guiding force for the Railway network. The Committee, while lauding the efforts of the Indian Railway system as whole, will stress that success of the Indian Railways will lie in how best they can strike the right balance between its existence as a commercial entity with a profit motive and as a key vehicle of social engineering and sustainable development.

In the light of the above, the Committee will now delve into some of the specific components of the Demands for Grants of the Ministry of Railways for 2016-17.

#### **Annual Plan Resources for 2016-17**

7. The Committee observe that the Annual Plan for the year 2016-17 for the Ministry of Railways has been pegged at Rs. 1,21,000 crore comprising Gross Budgetary Support of Rs. 34220 crore, Railway Safety



Fund of Rs. 10780 crore, internal resources of Rs. 16675 crore and Extra Budgetary Resources (EBR) of Rs. 59325 crore, consisting of Marketing Borrowings of Rs. 20000 crore and Public Private Partnership (PPP) of Rs. 18340 crore. During examination of the Demands for Grants (2015-16) of the Ministry of Railways last year, the Committee had cautioned the Ministry about their growing dependence on GBS and market borrowings. This time also, the Annual Plan 2016-17 is financed through GBS, (37.2%) and through EBR (49%) to be funded by PPP, Institutional Financing and lease as had been done in the previous years. Internal Resource is only 13.8 percent of the Annual Plan, which is not a positive indicator for a healthy organisation. The Ministry has not been able to generate enough internal resources because of the tepid growth of the core sector of the economy, global economic slowdown and certain factors that are not under the control of Indian Railways, and they will be compelled to go in for more and more market borrowing to relieve the strain on internal resources. As is obvious, with the burden of the 7th Central Pay Commission, the situation on internal resources would be more acute. The Committee would, therefore, urge the Ministry to explore and review all possible areas where resources can be mobilized to meet their growth plans. The Committee further stress that the Ministry should prioritise completion and commissioning of last mile projects and projects where investments would be remunerative at an early date, besides exploring other commercial viable avenues that would not put the Railways under financial duress.

8. The Ministry, in their Budget, have brought out that resources are expected to be generated from institutional reforms that would generate savings monetisation of assets and defraying project costs with other stakeholders. The proposals for improving the non-tariff sources as brought out in the Budget are redevelopment of stations, monetisation of land along tracks, monetisation of soft assets such as PNR enquiry, e-commerce activities on IRCTC website, etc., advertisement at stations and land adjacent to track near big stations/functions, overhauling of parcel business and improving manufacturing activities. The Committee agree with the Indian Railways that such avenues are necessary for earning revenues and that these steps are in the right direction, move-away from the conventional practice of passing on the financial burden on Indian Railways only through frequent increases in freight tariffs. They, however, emphasise that the Ministry should ensure that these measures are executed and implemented at the ground level in letter and spirit. While stressing that the Ministry should be vigilant on execution of these measures on field, the Committee desire that they be kept abreast of the progress in this regard.

9. The Committee regret to note that during 2015-16, even the GBS of Rs. 40000 crore allocated to the Ministry of Railways at BE was reduced to Rs. 32000 crore at RE. Besides, the target for Market Borrowing under Extra Budgetary Resources (EBR) of Rs. 17655 crore had fallen short by Rs. 5807 crore to Rs. 11,848 crore at RE. Also, the target for EBR through institutional finance could not be achieved. Against BE of Rs. 17,136 crore,

the revised target is Rs. 9584 crore. The Committee find that the very purpose of fixing targets is defeated when they are not effectively addressed. They call upon the Ministry to make every effort to remove the impediments so that the targets fixed for 2016-17 are definitely achieved.

#### Railway Safety Fund (RSF)

10. The Committee are aware that the Railway Safety Fund (RSF) was set up to finance safety works at level crossings. In view of the lower annual share of the Railways from the Central Road Fund (CRF) of Rs.1100 crore against a requirement of Rs.5000 crore, they had approached the Ministry of Finance for additional funds. The Committee observe that against the proposed allocation of Rs. 55500 crore of Gross Budgetary Support (GBS) in which the diesel cess component was Rs. 5000 crore, the Finance Ministry allocated Rs. 45000 crore as GBS consisting of Rs. 34220 crore under Cap and RSF of Rs. 10780 crore from the CRF against diesel cess, out of which Rs. 3000 crore is allocated for road related safety works for Level Crossings (LCs) and ROBs/RUBs, and the remaining Rs. 4912 crore for New Lines and Rs. 2870 crore for Gauge Conversion. It is regrettable that while the Ministry of Railways had proposed allocation of Rs. 5000 crore for 2016-17 for their safety related works, they are being given only Rs.3000 crore. The assessment made by the Railways of the requirement of funds for their safety related works should have been favourably considered by the Government since around 40 percent of the total rail accidents and about 60 percent casualties occur at level crossings. Being the most important aspect of running the

Railways and considering their responsibility and obligation to transport passengers safely to their destinations, the significance of safety related works cannot be underestimated. The Committee are of the considered view that the Ministry should explore the possibility of constituting a non-lapsable Special Railway Safety Fund for 5-6 years to complete the much required safety works, including maintenance of tracks, rails, old bridges, etc.

### Joint Ventures with State Governments

11. The Committee note that the Ministry of Railways has launched a scheme of project development, financing and monitoring through Joint Ventures/SPVs with State Governments. Out of 17 State Governments who have accorded 'in principle' approval to form Joint Venture Companies (JVCs), Memoranda of Understanding (MoU) for setting up JVCs have been signed with seven State Governments, viz., Karnataka, Maharashtra, Odisha, Andhra Pradesh, Kerala, Chhattisgarh and Telangana. The Committee observe the same and feel that only very few States are in a position to share the cost of project development with the Railways. They are compelled to point out that those States which are unable to do the same for lack of adequate resources but need development on a much larger scale should not be left behind. This is where the social obligation role of the Railways should come to the fore. The Committee strongly state that those State Governments which are low on their financial health should also necessarily be included by the Railways while taking up infrastructural projects across the country. In

fact, the Committee are aware that these are the States which have other problems as well, which can be addressed by extending railway network for effective transport and communication network.

12. The Committee note that the Ministry of Railways have included 30 projects (25 New Line, 2 Doubling & 3 Gauge Conversion) in their Capital Investment programme of 2016-17 at an anticipated cost of Rs. 58,274 crore, just in anticipation of various State Governments coming forward to form JVCs. The Committee are of the view that keeping in view the possibility of some State Governments not volunteering, the Railways should keep themselves ready with some back-up plan. The Committee desire that such projects merit favourable consideration from the State Governments who have signed MoU for setting up JVCs. However, the Ministry of Railways should keep themselves in constant touch with these State Governments for timely execution of various projects undertaken for implementation.

#### Financial Performance during 2015-16 and Budgetary Allocation for 2016-17

13. The Committee note that during 2015-16, the Ministry of Railways have fallen short of their target in respect of Gross Traffic Receipts (GTR) wherein Rs.183578 crore (BE) has been revised downward to Rs.167834 crore (RE), leading to a shortfall of Rs.15,744 crore, i.e. 8.57%. When compared with the GTR of Rs. 156710.54 crore (Actuals) during 2014-15, then GTR during 2015-16 has been missed by a margin of nearly 10%, i.e., there was mere 7% growth at RE level in 2015-16 against the targeted growth of 17% at BE level in 2015-16. It is indeed a matter of

concern for the Committee that this situation, when the percentage gap between RE growth over BE growth was more than 5 percent, has happened only twice previously, i.e. in 2001-02 and in 2012-13 when the same was -6.4% and -6.6%, respectively. Similarly, the expected shortfall on account of freight loading would be around 80 MT (-10.1 % growth over BE level in 2015-16). Here again, there is a gap of 11% between growth at RE over BE of NTKMs during 2015-16 if compared to actual 2014-15. Such a situation had happened only twice in the last 20 years when the targets were missed by more than 5%, i.e., in 1998-99 and 2012-13 at 9.1% and 5.1%, respectively.

The reason for the shortfall during the year 2015-16 has been attributed to less realisation of both freight loading and passenger traffic. The Committee inter-alia feel that sharp deterioration in the competitive strength of Railways in its AC-I and AC-II passenger business, and in finished products like Petroleum, Oil and Lubricants (POL), Cement, Steel etc. are also the factors for falling volumes in Railways' passenger and freight segments. For example, in early 2000 domestic air travel used to be a small fraction of Railways AC business, but over the last 15 years, it has left Railways far behind. Now, number of domestic air travellers is over 50 times the number of AC-I and 6 times AC-II passengers of Railways. In fact, now the combined AC business (of all the 4 classes i.e. AC-I, AC-II, AC-III and AC Chair Car) is smaller by 20% as compared to domestic air travel business. While domestic air travel has grown by double digits over the last few years and 15% during 2015-16, Railways

AC passengers of all the 4 classes registered a negative growth last year. The Committee feel that the Ministry should maintain data about domestic air travel which they do not maintain right now as submitted by them. From a commercial point of view, the Railways should look into this since it impacts its health in a highly competitive market place. Similarly, cement BTKMs declined by 8%, food grains BTKMs by 4% and container BTKMs by 1% in 2015-16 RE as against actuals of 2014-15. In the finished products segment of freight business also the competitiveness of Railways is under serious threat from road transport as Railways is a 'Station to Station' transporter rather than 'Point to Point' transporter like trucks and therefore, the incidental cost of Rail transportation is very high. In respect of freight loading, as stated, there had been a tepid growth of the core sector, which was only 1.9 percent upto January 2016 for the year 2015-16 as compared to 5 percent in the corresponding period of the previous year. The Ministry have apprised the Committee that the freight basket of Railways which is dominated by 10 bulk commodities will be expanded to increase the revenue base. The freight tariff policy will be reviewed to rationalise freight tariffs and make them more competitive as compared to other modes of transport. The Committee call upon the Ministry to chalk out a clear and time-bound road map for the manner in which the Railways will enhance their freight basket and pursue the same. They also emphasise that the freight tariff policy should be reviewed with specified timelines and rationalisation of tariffs so as to inspire confidence in the intended segment, thus making the Railways more competitive as compared to other modes of transport. The Committee are of the opinion

that this is one area which requires focused attention of the Ministry; they have conducted an in-depth study based on which they should take appropriate measures with a view to curbing the effect of negative growth of the core sector of the economy in respect of demand of coal, cement, iron, steel and foodgrains, on the Indian Railways. The progress in their efforts should be intimated to the Committee.

14. The Committee appreciate that the Ministry could lessen the effect of major shortfall in Gross Traffic Receipts during 2015-16 by containing their working expenses by about Rs.10,000 crore, partly due to reduction in diesel fuel prices and also by their efficient fuel consumption and changing the procedures for procurement of electric energy directly from the producers. However, what is worrisome is the fact that there is a major shortfall of around 21% in their targets for net revenue during 2015-16 - against a target at Rs.25076.45 crore (BE), the net revenue stands at Rs. 19897.84 crore (RE).

The Committee further note that the target for total receipts for the year 2016-17, is Rs. 189270.64 crore (BE) which is only Rs.17465.67 crore higher, depicting only around 10% growth over RE of 2015-16, viz., Rs.171804.64 crore. Furthermore, the total expenditure of Rs. 171060.00 crore (BE) is higher by Rs. 19152.87 crore, i.e., growth of 12.60% over Rs. 151907.13 crore (RE) during the year 2015-16. Therefore, the net revenue would decline by Rs.1687.20 crore, i.e., around 9% from Rs.19897.84 crore (RE) during 2015-16 to Rs. 18210.64 crore (BE) during 2016-17. The Committee acknowledge the constraints of the Ministry for fixing a



moderate target for their receipts during 2016-17, considering the trend of the subdued growth in freight loading and the not so optimistic trend in passenger booking. However, the overriding concern is that the factors affecting growth in 2015-16 are not likely to improve during the current year and the expenditure is going to increase, particularly in view of the added burden of the 7th Central Pay Commission Report. In the given circumstances, the Committee urge the Ministry to work out a time-bound action plan to overcome the looming financial constraints.

15. The Committee note that there is an expected shortfall of around 500 PKM (-5.8% growth at RE over BE for the year 2015-16) in originating passengers during RE, 2015-16 over BE, 2015-16. The reasons for the same are stated to be inter alia the burning of the Route Relay Interlocking (RRI) at Itarsi due to which traffic was paralysed for almost one month; the flood that affected traffic for 10/15 days; various agitations resulting in cancellation of a large number of trains, etc. The Committee desire that except natural calamities, the other factors responsible for the decrease in passenger traffic should be looked into and promptly addressed so that such hindrances do not adversely affect rail movement in future. The Committee also want the Ministry to examine the reasons for passenger dissatisfaction with the existing amenities and services such as on-board services, hygiene, cleanliness, catering and punctuality and address them effectively. The Committee also emphasize that the Railways should focus on last mile connectivity to attract short

and medium distance passengers as it will increase passenger traffic and, in turn, passenger earnings.

16. The Committee observe that a target of 8182 PKM (BE) has been fixed at 2016-17 w.r.t originating passengers, depicting a growth of only 1% over the projection of 8101 PKM (RE), 2015-16. The projection for passenger earnings is Rs. 51012 crore during 2016-17, i.e., a growth of 13% over Rs.45376.15 crore (RE) during 2015-16. As reported, passenger capacity this year will increase by almost eight per cent and will be used for premium train services like Tejas and Hamsafar which will be based on dynamic pricing; such services will be provided on the cost recovery basis. This is going to fetch the Railways around 12 per cent additional revenue. Out of the total originating passengers, six per cent are reserved category passengers and 94 per cent passengers are in the unreserved segment. The Committee note the efforts being made by the Railways to come out of the severe resource crunch and financial stress they are faced with. They would, however, like to caution that in their efforts to increase the revenue by addressing the needs of the reserved category passengers, extending facilities for 94% of the unreserved category passengers should not be overlooked; rather, the Railways would do well to provide appropriate services to this huge segment of passengers also which will not only improve passenger satisfaction but also encourage them to opt for better services, even by paying an additional amount.

17. The Committee further note that by introducing premium train services during 2016-17, there will certainly be an indirect increase in

passenger fares, though, outwardly, there is no rise in the Railway fares. The Committee find that Railways have increased passenger fares and freight rates across the Board by 40-65 percent even in segments where it is vulnerable to the competitors in the market place. They also note that during the last five years, various charges like cancellation, reservation, tatkal, superfast surcharge, MUTP surcharge, Mela surcharge and freight rates have been increased to the tune of 27% to 100%, which are not reflected in the Budget Speech. The Committee agree with the Ministry for taking necessary steps for revenue generation, however, they desire that the Ministry should be more forthcoming in their tariff pronouncements. Further, for arresting the trend of falling volumes and productivity, margins and market shares, the Committee recommend that the Railways would have to be completely market-driven and customer centric and adopt dynamic and differential (depending upon the relative competitive strength of Railways) pricing strategy so that ambitious targets of GTR, passenger and freight volumes and earnings growth would be achieved in 2016-17.

18. The Committee note that there is an expected shortfall of 80 MT during 2015-16 in originating freight tonnes. Further, originating tonnage is 1157 MT (BE) for the year 2016-17, i.e., a growth of 50 MT over 1107 MT (RE), 2015-16 and freight earnings of Rs.1,17,933 crore (BE 2016-17), i.e., a growth of 5.4% of Rs. 111852.72 crore (RE) for the year 2015-16. The Railways have stated that they taken various measures with a view to bringing back the freight from road to rail, viz. rationalisation of freight

fare, reviewing of port congestion surcharge to make it 5% from 10%, increasing the basket of commodities for freight traffic, concentrating on parcel traffic, restoration of CENVAT credit, paying attention to non-fare revenue in order to increase the same, etc. The Committee, while appreciating the measures taken by Railways with a view to achieving freight targets, hope that all out efforts will be made by the Railways in implementing the same at the ground level in this direction.

19. The Committee observe that the Railways had not been able to achieve their targets in respect of PPP during 2012-13, 2013-14 and 2014-15. The achievement all these years was NIL, where the targets of Rs. 1050 crore, Rs. 6000 crore and Rs. 6005 crore, respectively were kept. Further, during 2015-16, BE of Rs. 5781 crore has been revised upward to Rs. 27269 crore. As stated, the estimated figures at the final modification estimate (FME) stage of Extra Budgetary Resources (EBR) (partnerships) is Rs.15,081 crores, which includes the estimated investments/financial commitments in sanctioned rail connectivity PPP projects, investments in private freight terminals and wagon investment/leasing schemes, investments from State Governments in ROB/RUB works and in other rail line cost sharing projects, investment by container operators in rolling stock and terminals, cost sharing projects with Central Ministries, capital investments made in rail sector by railway PSUs and external direct funding for Eastern DFC project, etc. The Committee note that final modification estimate (FME) in 2015-16, indicates a shortfall vis-a-vis RE, 2015-16 for PPP. It matters that the under-achievement in targets for PPP

could result in lowering of the Annual Plan size of Rs. 1,00,000 crore, substantially during 2015-16. The Committee call upon the Ministry to be extra cautious in their efforts to fulfill their targets of Rs.18340 crore in respect of PPP during 2016-17.

### Various Railways Funds

20. The Committee are concerned to note that during 2016-17, appropriation to the Pension Fund, Capital Fund (CF) and Debt Service Funds(DSF) is less than appropriation from these Funds. The amount of Rs. 42500 crore, Rs. 5750 crore , Rs. 214.35 crore has been appropriated to each of these Funds respectively; however, appropriation from these Funds is to the tune of Rs. 45500 crore, Rs. 7000 crore and Rs. 3000 crore, respectively. As submitted, the higher withdrawal of Rs. 3000 crore from DSF and Rs. 2786 crore from the Pension Fund is to meet the salary and pension arrears' impact of the 7th CPC pertaining to January, 2016 to March, 2016 and higher withdrawal of Rs. 1250 crore from CF is to meet the obligatory repayment of lease charges (principal component). In its 4th Report on Demand for Grants (2015-16), the Committee, while quoting Bibek Debroy Committee, had observed that the Railways are making provision for depreciation on residual basis rather than on the basis of actual requirement for replacing all overaged assets. But Railways have made under-provisioning for DRF from Rs. 7900 crore in BE to Rs. 5500 crore in RE of 2015-16 and meagre Rs. 3200 crore in BE of 2016-17 as against actual requirements of over Rs. 20,000 crore. If Railways had made provision for DRF on actual requirement basis in the next year, it

would have adversely impacted Railway finances. As submitted, the proportion of Annual Plan size which has gone up manifold, funded out of internal resource generation has gone down from 27.4% in 2014-15 to 13.8% in BE of 2016-17. The Committee feel that the Ministry of Railways should be wary of expending from their stock without replenishing them. The Committee would like to stress that if the Railways have to stay content with today's competitive and market driven economy in an effective manner, they have to improve their working and delivery system significantly. They should prioritise and focus on projects which are near the completion stage, projects which are operationally viable and projects which are traffic capacity generators.

### Operating Ratio

21. In the context of Operating Ratio of the Railways, the Committee note that during 2012-13, against 84.90% (BE) and 88.80% (RE), the actual was 90.20%. For 2013-14, against 87.80% (BE) and 90.80% (RE), the actual was 93.60%. Again, during 2014-15, against 92.30% (BE) and 91.80% (RE), the actual Operating Ratio was 91.30%. During 2015-16, against BE of 88.5%, RE is 90.0%. The reason for the high operating ratio during 2015-16 is stated to be shortfall in Gross Traffic Receipts. The Committee further observe that in BE 2016-17, Operating Ratio is targeted at 92 percent. This has been done due to the impact of 7th CPC for which a higher provision of about Rs. 9,000 crore (net basis) has been made under Ordinary Working Expense for salary and Rs. 5,000 crore higher than usual appropriation under the Pension Fund. The Committee

feel that this is a very important aspect which requires the Ministry's immediate attention so that the Operating Ratio can be maintained at an optimum level. The Railways have also admitted that annual impact of the 7th CPC on Railways has been estimated at Rs. 28500 crore inclusive of pensionary payments. Despite this OWE in BE for 2016-17 are expected to increase just by 12% over 2015-16. It is extremely unlikely that impact of 7th CPC can be managed by such meagre increase in OWE particularly in light of the fact that Railways would also have to make payments for arrears with effect from January 01, 2016 to March 31, 2016. Windfall gains due to fall in POL prices are also unlikely to materialise once again in the current year, more so because crude prices have already gone up by over 10% since February, 2016. Therefore, the Net Revenue at BE of Rs. 18210 crore may be missed by a wide margin and Ministry of Finance may have no other option but to consider the request of Ministry of Railways for a Revenue Grant for meeting the burden of 7th CPC. The Committee, however, urge the Ministry to probe the possibility of raising revenues in various segments as well as reduce operating expenses by observing absolute financial discipline. They should also be extremely prudent on the expenditure side, keeping a close and constant monitoring of the Railway finance.

#### Loans extended to Railways

22. The Committee note that the Railways had signed a MoU with the Life Insurance Corporation (LIC) during 2015 for a period of 5 years. The investment by the LIC will be made through bonds worth Rs.30,000 crore

issued annually by rail entities such as the Indian Railway Finance Corporation and will be channelised by the Railways in capacity augmentation projects. The bonds will come with a five-year moratorium on interest and loan repayment. Further, the Japan International Co-operation Agency (JICA) has also extended loans for financing the Western Dedicated Freight Corridor (DFC) project. As submitted, the loan is at 0.1 per cent interest with the loan term period of 50 years, with a moratorium of 15 years.

The Committee note that these efforts are being made to improve passenger as well as freight services at a time when almost 70 per cent of the Railways' high density network is congested with capacity utilisation of more than 100 per cent. They also recognise that the Railways have been suffering from under-investment for quite some time and that huge investment is needed to improve the services by augmenting the capacity, resulting in more revenue to service the debt. The Committee desire that the Ministry should adhere to the time schedule and closely monitor the progress thereof. Further, the Committee are satisfied to note that the fluctuation in the Japanese Yen during the repayment period for the loan extended to the Railways by JICA will be hedged by the Ministry of Finance. The Committee observe that the Railways should be very wary as such financial provisions carry with them liabilities of repayments with interest. That being so, it becomes imperative for the Railways to ensure that there is optimal and efficacious utilisation of funds with timely implementation of the projects so as to avoid falling into a debt trap. The



Committee also recommend that the Railways should critically analyse bankability of projects and also utilise these high cost and risk infected market borrowing to commercially viable areas with assured returns.

**Financial Allocations vis-à-vis achievements of various Plan Heads in 2015-16 and allocations in 2016-17**

23. The Committee find that during 2015-16, BE allocated for Gauge Conversion, Doubling, Traffic Facilities, Rolling Stock, Track Renewals, Bridge Works, Signalling & Telecommunications Works and Passenger Amenities was revised downwards at RE. The reason proffered is that the fund allocation in RE 2015-16 was decided on the basis of requirement projected in RE by the Zonal Railways. Also, the reduction in GBS by the Ministry of Finance from Rs. 40,000 to Rs. 32,000 crore resulted in allocation being reduced under cap funded projects falling in the purview of Plan head, viz., Gauge Conversion and Doubling among other Plan heads under Capital Fund. The Committee take a serious view of this downsizing of the targets as it defeats the very purpose of the budgetary exercise in planning and preparing budgetary estimates. They, therefore, recommend that the Ministry should henceforth keep the original targets in view while preparing the budgetary estimates so that continuous downsizing of the Plan outlay could be avoided.

**Physical Targets vis-a-vis achievements of various Plan Heads**

24. The Committee note that while a target to complete/commission 500 kms (BE) of new lines was kept during 2015-16, the achievement up to February, 2016 is shown at 683 kms. The financial allocation was

revised upward from BE of Rs. 12830 crore to Rs. 13484 crore at RE, 2015-16. Projections at BE, 2016-17 is again higher at Rs. 15586. In that context, the Committee fail to understand as to why a lower physical target of 400 kms of new lines has been fixed at BE, 2016-17. They expect that the endeavour of the Ministry should be to strive for realistic and rational targets based on specific criteria and achieve them through concerted efforts so as to enhance the share of Railways and retrieve their lost ground to other modes of transportation.

25. The Committee note with satisfaction that allocation was revised upward at RE, 2015-16 for road safety works like Level Crossings and Road Over Bridge/Under Bridge due to enhancement of the outlays at RE by the Ministry of Finance in view of the higher share under Road Safety Fund from diesel cess. Consequently, Rs. 155 crore could be allocated on cost-share received from Dedicated Freight Corridor Corporation of India Limited (DFCCIL) for ROBs/RUBs on DFC routes. However, the Committee note that there is a shortfall in achievement in financial targets in respect of road safety works during 2015-16. The allocation for road safety works under PH-29 and PH-30 had been increased from Rs.1645.91 crore (BE) to Rs. 2662.00 crore (RE), but the expenditure up to February, 2016 is only Rs. 1761.58 crore. The Committee further note that the financial allocation for road safety works has been increased in BE, 2016-17 as against RE, 2015-16 due to increased share under Road Safety Fund from diesel cess. However, the physical targets have not been increased in proportion. As against the likely achievement in 2015-16 of 1203 level

crossings eliminated, 369 manned level crossings closed, 190 ROBs constructed and 820 RUBs/subways constructed, the targets during 2016-17 have been kept at 1250, 300,160 and 840, respectively. In view of the foregoing, the Committee draw the attention of the Ministry of Railways to around 10440 existing unmanned level crossings, which are the cause of the maximum number of accidents and casualties in Railways and implore the Ministry to ensure that focused efforts are towards elimination of level crossings and that the physical targets are suitably revised upward at RE stage.

#### Throw-forward of Railway Projects

26. The Committee are concerned to note that, at present, there is a throw-forward of 432 major ongoing projects consisting of 155 new line, 42 gauge conversion and 235 doubling costing Rs. 4,39,721 crore. Further, the total length kms of the 155 new lines, 42 gauge conversions and 235 doubling pending projects are 17005 kms, 9520 kms and 18703 kms, respectively, i.e., a total throw-forward of 45228 kms. The Committee feel that in view of the huge throw-forward of their ongoing projects, the targets during 2016-17 of commissioning of 400 kms of new lines, 800 kms of gauge conversion and 1600 kms of doubling, i.e., a total of 2800 km in a year, are too moderate and need to be enhanced, especially as the development of the Railways is one of the priority areas of the Government, and some capital infusion is expected for the same. It is going to take another 20 years or even more to pass the benefits of these projects to the masses at this rate of progress. The Committee apprehend

that the throw-forward of the ongoing projects will go on piling up year after year, unless ambitious annual targets, supplemented with dedicated efforts, are made. The Committee urge the Ministry to make a detailed analysis of the pending projects - be it new lines, doubling, gauge conversion, track renewal, electrification, etc. - and prioritise them. The Committee reiterate that the Ministry should focus on expeditious completion of last mile projects and those near completion first. The Committee may be kept abreast of the same.

#### Financial Allocations vis-a-vis Performance in the 12th Plan

27. The Committee note that the Ministry of Railways had projected an outlay of Rs.7,19,671 crore for addressing its capacity bottlenecks and investment on modernization and safety in order to provide satisfactory services to the passengers. However, the Planning Commission had approved only Rs.5,19,221 crore, comprising of Gross Budgetary Support (GBS) of Rs.1,94,221 crore, internal resources of Rs.1,05,000 crore, market borrowings of Rs. 1,20,000 crore and private investment, including PPP, of Rs. 1,00,000 crore. Moreover, the Annual Plan sizes were not proportionate on account of lesser allocation of GBS, lower materialisation of internal resources and lesser generation of extra budgetary resources for rolling stock leasing and PPP. During 2012-13, 2013-14, 2014-15 and 2015-16, funds to the tune of Rs. 60100 crore, Rs. 63363 crore, Rs. 65445 crore and Rs. 100011 crore respectively, had been allocated. For 2016-17, a provision of Rs. 121000 has been made. Though the allocation for the year is reasonable, it is noticed that during

the 12th Plan, a total of Rs. 409919 crore has been allocated against the approved outlay of Rs. 519221 crore, i.e., less by 21 percent. They further note that against the approved GBS of Rs.1,94,221 crore for the 12th Plan, the allocation has remained at Rs.1,47,545 crore which is less by 24.03 percent. The Committee do not approve of such substantial downsizing of the proposed Plan outlay and desire that the sanctity of the Plan should be maintained at all costs as the Ministry had assessed the outlay projected by them as necessary to fulfill the goals of their developmental projects. The Committee desire that to meet the mandated role of the Railways for the development of the remotest corners of the country through the ongoing projects, adequate capital should be infused into the system through GBS. The Ministry of Railways should take up the matter with the Ministry of Finance accordingly.

28. The Committee find that during the 12th Five Year Plan, the Annual Plan sizes were not proportionate during the last four years on account of lesser allocation of GBS, lower materialisation of internal resources, and lesser generation of extra budgetary resources for rolling stock leasing and PPP. During 2012-13, against the Annual Plan outlay of Rs. 60100 crore (BE) and Rs. 52265 crore (RE), the actual plan outlay was Rs. 50383 crore. In 2013-14, against Rs. 63363 crore (BE) and Rs. 59359 crore (RE), the actual outlay was Rs. 53989 crore. Similarly, during 2014-15, against Rs.65445 crore (BE) and Rs. 65798 crore (RE), the actual outlay was Rs. 58719 crore. Further, during 2015-16, Rs.100011 crore (BE) has been

revised downward to Rs.100000 crore (RE). Internal generation of resources and extra budgetary resources are again the major areas of shortfall. The Committee further note that during 2015-16, GBS of Rs.40000 crore at BE level has been reduced to Rs.32000 crore at RE level. As is evident, the funds allocated against GBS at BE have consistently been reduced at RE. The Committee once again express their concern over the frequent downsizing of Annual Plan outlays during the 12th Plan. It is equally distressing that the Ministry has fallen short of even the revised annual outlays. The Committee, therefore, strongly urge the Ministry to concentrate on the areas of shortfall, viz., internal generation of resources and extra budgetary resources, by formulating concrete action plans in this regard to optimally achieve the targets.

#### **Physical Progress of the 12th Five Year Plan**

29. The Committee have been apprised of the shortfall in physical targets in respect of Freight traffic, Passenger traffic and New Lines, Doubling, Gauge Conversion and Wagon procurement during the 12th Plan. The Committee are convinced that while adequate funds had played a part in shortfall in targets pertaining to network expansion works as the yearly allocation of funds were not proportionate to the approved 12th Plan allocation, oft repeated excuses like delay in land availability, forestry clearances, etc. are not acceptable as these hurdles could have been overcome by the Ministry by concerted efforts in this direction. Further, against the 12th Plan Revised Mid Term Targets of 1240 MT Originating Freight, 763.84 Billion Freight Net Tonne Km., 8561 million

Originating Passenger Km., 1286 Billion Passenger Km. and 1,05,659 wagons, the likely achievement is 1157 MT Originating Freight, 694.607 Billion Freight Net Tonne Km., 8182 million Originating Passenger Km., 1137.3 Billion Passenger Km. and 62,360 wagons, respectively. The decline in passenger traffic has been attributed to the drop in suburban traffic and in non-suburban traffic in the 1–100 km segment due to the development of metro networks in cities and increased shift to personal vehicles (2-wheelers) on account of falling prices of petrol, improved road connectivity and expanding road infrastructure. Further, shortfall in freight traffic has been attributed to the dismal performance of the core sectors due to less growth in the economy and the global economic downturn. Needless to say, these impediments have to be dealt with, with a sense of urgency and as top priority so that the targets set by the Railways do not remain illusory. The Committee desire that the Ministry should make the best use of the investment made in 2015-16 as well as the investment plan for 2016-17 which will be partly funded by transfer of Rs.45000 crore from the Union Budget. The Committee further desire that the availability of these funds should be matched by strict financial discipline by the Railways, leading to optimum and effective utilisation of resources coupled with achievement of physical targets in a stipulated time-frame.

### Passenger Amenities

30. The Committee are concerned to note that the funds allocated for the head "Passenger Amenities" remained under-utilised during the last

four years. During 2012-13, out of the allocation at BE and RE of Rs. 1101.95 crore (BE) and Rs.967.56 crore (RE), the actuals were Rs. 842.14 crore; during 2013-14, out of the allocation of Rs. 1200.38 crore (BE) and Rs. 895.36 crore (RE), the actuals were Rs.857.73 crore. During 2014-15, out of the allocation of Rs. 1025.68 crore (BE) and Rs. 1047.90 crore (RE), the actuals were Rs. 858.16 crore and during 2015-16, out of the allocation of Rs. 1748.48 crore (BE) and 1211.84 crore (RE), the likely expenditure is Rs. 754.43 crore (upto Feb. 2016). The Committee observe that there has been a tendency during the past many years to make higher budgetary estimates and then reduce the same at the revised estimate stage, ultimately spending an even lesser amount than projected at RE. Whatever might be the reasons, the bottom line is that the passenger remains deprived of better amenities. On one hand, the scarce resources are much in demand for utilisation in various areas of work in the Railways; on the other, once available these are not being utilised optimally, depriving the passengers of improved facilities and amenities. The Committee urge the Ministry to seriously look into the under-utilisation of funds allocated for the Head "Passenger Amenities" and want the Ministry to take proactive measures to optimally utilise the funds of Rs. 1838 crore proposed during 2016-17. They emphasise that the Ministry should release the funds well in time so that these funds are optimally utilised.

31. The Committee are further apprised that out of 106 railway stations targeted to be developed during 2015-16 as Adarsh Stations, only 29



railway stations could so developed up to February, 2016. The works for the remaining stations are stated to be in progress and at advanced stage. The Committee express their apprehension about the completion of the work of the remaining 77 railway stations to be developed as Adarsh Stations by March, 2016. That being so, they urge the Ministry to complete the pending work expeditiously. The Committee further desire that the projects taken up during a year should be completed in a given time frame, as delays affect the physical and financial targets for the next year, besides leading to cost escalation and time overruns.

#### Railway works under MGNREGA

32. The Committee appreciate that on the request made by the then Hon'ble Minister of Railways in February, 2013 to the then Hon'ble Minister for Rural Development, Railway works, viz. developing waterways/trenches, construction of pathways, afforestation and construction of Kuccha approach road have been included in the list of works of MGNREGA. However, the Committee feel that the extant guidelines under MGNREGA inter alia requiring 40:60 ratio of material cost to labour cost in their works should be amended with regard to Railway works to the extent that the ratio of material cost to the labour cost should be revised to 60:40. Further, the Committee understand that the Ministry of Rural Development has again been requested in September, 2015 and March, 2016 to make provision for construction of Road Under Bridges/Subways, wherever necessary, as a part of project of construction of roads under the Pradhan Mantri Gram Sadak Yojana (PMGSY) as the

labour used would help in asset creation. The Committee would want the Ministry of Railways to pursue the matter with the Ministry of Rural development and if need be raise the matter to the PMO and/or the Cabinet.

### E-catering

33. The Committee note that the Hon'ble Minister of Railways had made an announcement in his Budget Speech for the year 2015-16 for introduction of e-catering service in 108 trains on an experimental basis from January, 2015. In order to widen the range of food options available to passengers and to mitigate passengers' complaints with regard to monotonous and stereotyped catering services, the IRCTC has started e-catering service in 1350 trains without pantry cars or Train Side Vending, as well as on 45 designated stations, to enable passengers to book food of their choice through website/phone/SMS. The Committee further note that in March, 2016, e-catering services have been extended to all 'A1' and 'A' category railway stations across the country. The Committee appreciate the scheme of e-catering service introduced by the Railways; however, they would like to stress that security concerns that are associated with e-catering service while delivery of food packets to the passengers through delivery boys should be scrupulously addressed. The Committee have been informed that the Railways are taking certain steps in this regard, viz. Ministry of Railways/IRCTC issues identity card/authority by Divisions to all the delivery persons for their entry into railway premises, provision of frisking/scanning by RPF/security

personnel, etc. While appreciating the introduction of e-catering services in trains as a step in the right direction, the Committee would like the Ministry to ensure that the terms and conditions on which various vendors are engaged for providing e-catering service in trains should be strictly adhered to.

#### Fuel Adjustment Component (FAC)

34. The Committee are aware that in 2014 Railways had announced the continuation of the Fuel Adjustment Component (FAC) to revise the passenger fares every six months. The Committee learn that FAC linked revision in passenger fares was carried out twice - the first revision was increase by 2% effected in October 2013 and another by 4.2% in June 2014. The Committee are not convinced with the reason cited by the Ministry for not extending the benefit of decline in diesel prices to the passengers which is stated to be that the expansion, strengthening and modernising of IR network requires resources of a high order. At the same time, the Committee note that the Railways' input costs over the years have risen much higher than the growth in their earnings. It is, of course, a fact that the decrease in fuel cost has been very marginal compared to overall increase in input cost. The Committee, therefore, urge the Ministry to review the FAC and the other costs at the earliest in order to safeguard the interest of the common man so that they can also benefit by the fall in overall input costs.

### Izzat Monthly Season Ticket scheme (MSTs)

35. The Committee are concerned to note that one of the factors attributed for the decline in passenger traffic is the changed norms/regulations in the issue of concessional tickets, particularly in the case of Izzat MSTs. As appraised, Izzat MSTs, priced at Rs. 25/-, and issued to persons working in the unorganized sector with monthly income not exceeding Rs 1500/- per month can be used for travel up to 150 kms. This scheme was started on 1.8.2009. The Committee feel that as the price of Izzat MST was fixed almost seven years back in 2009, the Ministry of Railways should consider reviewing the same.

36. The Committee note that the Railways, on the basis of suggestions, recommendations and reports of misuse received from the Zonal Railways, has reviewed and revised the provisions for issue of Izzat MST w.e.f 15.10.2013. The Committee desire that the Ministry should take all necessary steps to keep a check to avoid any misuse of Izzat MST, while at the same time making sure that genuine users face no difficulty in getting Izzat MSTs issued.

### Strategic Lines

37. The Committee have been appraised that the Ministry of Defence has identified four strategic lines to be taken up in the first phase, out of the list of 14 identified strategic lines, viz., (i) Missamari - Tenga - Tawang (378 Km) (ii) Bilaspur - Manali - Leh (498 Km), (iii) Pasighat – Tezu - Rupai (227 Km), and (iv) North Lakhimpur - Bame (Along)-Silapathar (249 Km). These strategic lines will be fully funded by either the Ministry of

Defence or the Ministry of Finance and the grant has to be given over and above the yearly GBS through a separate window. Funds for the Final Location Survey of these projects are awaited from the Ministry of Defence. The Committee would like the Ministry to keep them apprised of the progress in this regard.

38. The Committee find from the Budget 2016-17 that the Railway Board is being organised along business lines and that the Chairman of the Railway Board will be empowered accordingly. Cross functional directorates will be set up within the Railway Board to focus on areas such as non-fare revenues, speed enhancements, information technology, etc. The Committee are of the view that this would bring about focused attention of the Railways on their crucial areas. The Committee feel that Strategic Lines are one of the areas that need urgent attention, given the national security concerns and, as such, a dedicated Member in the Railway Board, will be able to address related matters in an effective manner.

### Green Energy

39. The Committee are happy to learn that the Railways have taken certain steps to expand the use of solar power in railway stations; viz. (i) 10 Mega Watt (MW) capacity, including 1 MW solar power plant, has been installed at Katra Railway station; (ii) order for 2 MW (50x2 KWp at 20 locations) has been issued on 23.07.2015; (iii) the Letter of Award (LOA) for provision of 4.5 MWp (200x10 KWp & 5x500 KWp) has been issued on 30.9.2015; (iv) 50 MWp capacity has been identified and

allocated to Zonal Railways for provision on rooftops of Railway stations and Railway buildings for which Model Tender Document has been issued and tenders have been floated by almost all the Zonal Railways; and (v) 100 MW is planned to be allocated to the Railways after obtaining confirmation for Viability Gap Funding (VGF) from the Ministry of New and Renewable Energy (MNRE) and the Railway Energy Management Company Ltd.(REMCL) has been asked to study the feasibility of putting up 500 MW solar plants. The Committee appreciate these initiatives to use solar energy and other green energy and recommend that the Railways should strive to use such energy alternatives more extensively. Furthermore, the Committee strongly suggest that at least one Railway Station should be taken up as a pilot project to make it fully functional on solar power on the analogy of the Kochi Airport where the entire energy requirement of the Airport is being met by the solar power. This would not only save on the funds of the Railways but also help in harnessing solar energy while saving a conventional energy resource.

#### Optical Fibre Communication System

40. The Committee appreciate that the Railways have taken the initiative of putting in place the "Optical Fibre Communication System". As extensive use of Optical Fibre Communication System has provided major benefits in trains as well as administrative operations, the Railways have planned to cover 12500 Rkms of Railway Network with Optical Fibre Communication to cover the remaining sections. The Committee desire

that the Ministry should strive hard to expeditiously cover the 12500 Rkms of Railway Network with Optical Fibre Communication system.

41. The Committee learn that RailTel, a Public Sector Undertaking functioning under the Ministry of Railways, has the core competence to utilize the surplus telecom capacity and Right of Way available with the Indian Railways to build nation-wide optical fibre cable based broadband telecom and multimedia network. The Committee stress that the RailTel, with its huge potential, should make optimal commercial utilisation of optical fibre network and other related infrastructure available with it so as to generate more revenues.

#### Overcoming Challenges

42. The Committee understand that 'Reorganise, Restructure, Rejuvenate Indian Railways through Nav Arjan, Nav Manak and Nav Sanrachana' is the theme of the Railway Budget 2016-17. While the Committee appreciate the vision of the Ministry of Railways, they would like to emphasise that this trio of Nav Vichar can only be achieved by substantial financial support which Indian Railways is lacking at this juncture. The Indian Railways is presently lagging behind in achieving financial targets; its net revenue is decreasing due to downward trend in Gross Traffic Receipts, both in passenger and freight earnings. Further, the unfavourable Operating Ratio, likely shortfall in the 12th Plan projection, increasing burden of Social Service Obligations, no increase in internal resources and growing dependence on Gross Budgetary Support and Market Borrowings with extra burden of interest payments, the huge

number of throw forward railway projects, and the likely impact of the 7th Central Pay Commission are some of the areas which are matters of utmost concern for the Committee.

The likely shortfall in achieving physical targets in track expansion and cross-utilization of funds for safety purposes without making provision of separate fund for meeting all the safety requirements of Railways are issues which need immediate attention. In the end, the Committee appreciate the innovative steps taken by the Indian Railways to overcome the challenges before them. The Committee hope that the Railways will lay sharper focus on financial prudence and will stand by its commitment towards becoming a growth facilitator for the entire country. The Committee trust that the Ministry will understand their concerns in the right perspective and give serious consideration to their observations/recommendations and keep apprising them of the steps taken by the Railways in this regard.

NEW DELHI;  
21, April, 2016  
1, Vaisakha, 1938 (Saka)

**DINESH TRIVEDI**  
Chairperson  
Standing Committee on Railways