

**RAILWAY CONVENTION COMMITTEE
(1999)
(THIRTEENTH LOK SABHA)**

**THIRD REPORT
ON**

**CONSTRUCTION OF NEW BROAD GAUGE LINE BETWEEN
KOLAYAT AND PHALODI ON STRATEGIC CONSIDERATION**

*Presented in Lok Sabha on 18.12.2001
Laid in Rajya Sabha on 18.12.2001*

SEAL

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2001/Agrahayana 1923 (Saka)

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RAILWAY CONVENTION COMMITTEE(1999)

Smt. Bhavnaben Chikhalia - Chairperson

MEMBERS

LOK SABHA

2. Shri Adhir Chowdhary
3. Shri Gurcharan Singh Galib
4. Shri Anant Gangaram Geete
5. Shri R.L. Jalappa
6. Shri Raghunath Jha
7. Dr. (Smt.) C. Suguna Kumari
8. Shri Hannan Mollah
9. Shri Ravindra Kumar Pandey
10. Shri Manabendra Shah
11. Shri Saleem Iqbal Sherwani
12. Shri Radha Mohan Singh

RAJYA SABHA

13. Shri Lakhiram Agarwal
14. Shri Maurice Kujur
15. Shri Dina Nath Mishra
16. Shri Suresh Pachouri
17. Shri Solipeta Ramachandra Reddy
18. Shri A. Vijaya Raghavan

SECRETARIAT

- | | |
|-------------------------------|----------------------|
| 1. Shri John Joseph | Additional Secretary |
| 2. Shri R.C. Gupta | Director |
| 3. Smt. Abha Singh Yaduvanshi | Assistant Director |

INTRODUCTION

I, the Chairperson of Railway Convention Committee (1999) having been authorized by the Committee to submit the Report on their behalf, present this Third Report on the subject 'Construction of new broad gauge line between Kolayat and Phalodi on strategic consideration'.

2. The Ministry of Railways (Railway Board) had furnished a Memorandum for the construction of a new broad gauge line between Kolayat and Phalodi (111.394 kms.) on strategic consideration to the Committee on 6th June, 2001 wherein the Ministry of Railways had stated that in view of the persistent request received from the Ministry of Defence (Army Headquarters) for taking up construction of this 111.394 kms. project, a Reconnaissance Engineering-cum-Traffic Survey was conducted by the Ministry of Railways. The Survey was completed in January, 1999. The matter was then referred to the Ministry of Finance who advised that the proposal needs to be placed before the Railway Convention Committee for their recommendation. The Planning Commission also supported the views expressed by the Ministry of Finance.

3. The Committee took evidence of the representatives of the Ministry of Railways (Railway Board) and Planning Commission on 27 August, 2001 and that of Ministry of Finance (Deptt. of Expenditure) on 27 September, 2001. The Committee wish to express their thanks to the representatives of Planning Commission, Ministry of Railways and Ministry of Finance for placing before them the detailed written notes on the subject and for furnishing whatever information they desired in connection with the examination of the subject. The Committee also appreciate the frankness with which the representatives shared their views, perception and constraints with the Committee.

4. The Report was considered and adopted by the Committee at their sitting held on 12th December, 2001. The Minutes of the sittings of the Committee form Part II of the Report. For facility of reference, the observations and recommendations have been printed in thick type in the body of the Report.

New Delhi
December 12, 2001
Agrahayana 21, 1923(S)

BHAVNABEN CHIKHALIA
Chairperson
Railway Convention Committee

REPORT

Genesis of Strategic Lines

The work of construction of new lines is taken up through budgetary support financed through General Revenues. Strategic lines are those lines taken up for construction on strategic consideration on the specific demand of the Ministry of Defence (Army Headquarters).

2. In this connection, para 2 of the Resolution regarding the separation of Railway Finances from General Finances, adopted by the Legislative Assembly on 20th September, 1924 recommended as under:

“The interest on the capital-at-charge of, and the loss in working of strategic lines shall be borne by General Revenues and shall consequently be deducted from the contribution so calculated in order to arrive at the net amount payable from Railway to General Revenues each year”.

3. Prior to 1st April, 1949, the interest on capital-at-charge and the loss in the working of these lines was borne by General Revenues. However, with the partition of the country during Independence in August, 1947, all the then strategic lines remained in Pakistan. RCC (1949) did not touch upon the question of operating loss on strategic lines as there was only one such line under construction at that time. The RCC (1954) deferred their recommendations on this issue in view of the fact that the annual loss on such lines, then existing, was insignificant.

4. The then Financial Commissioner (Railways) in his Memorandum to RCC (1960) had urged that the question of operating loss on strategic lines has assumed importance as the operating losses on such lines are anticipated to be about Rs.1.15 crore per annum during the next Plan period..

5. Keeping in view the above facts, the RCC (1960), in their Report presented on 30 November, 1960; had recommended as under:

“The Committee accept the suggestion as reasonable and recommend that the annual loss on the working of the strategic lines should be borne by the General Revenues.”

6. The above recommendation of the Committee was accepted by the Government and a Resolution to that effect was moved in the Lok Sabha as well as in the Rajya Sabha for approval. The Resolution was adopted on 6 December, 1960 by the Lok Sabha and on 12 December, 1960 by the Rajya Sabha.

7. Since then all the strategic lines, whether remunerative or unremunerative, are eligible for subsidy from the General Exchequer. In other words, Railways do not pay dividend on the Capital advanced from the General Revenues on construction of such lines. The losses in respect of working of such lines are also borne by the General Exchequer.

Strategic Lines at Present

8. At present, there are six strategic lines in the country viz.:
1. Bhatinda - Suratgarh
 2. Pathankot - Mukerian
 3. Jaisalmer - Pokhran
 4. Rangapara - North Lakhimpur – Murkongselek
 5. Siliguri - Jogighopa including BG conversion of Siliguri-Haldibari
 6. Bhuj - Naliya

Total capital-at-charge provided by the General Revenues for construction of strategic lines in the country till March, 2001 is Rs.509,22,23,787.

9. Operating losses on strategic lines for the last 5 years have been as under:

1996-97	Rs.177.11 crore
1997-98	Rs.192.18 crore
1998-99	Rs.207.61 crore
1999-2000	Rs.225.91 crore
2000-2001	Rs.273.83 crore [provisional]

Construction of new strategic BG Line between Kolayat and Phalodi (111.394 kms)

10. The Ministry of Railways have furnished a Memorandum for the construction of a new BG line between Kolayat and Phalodi (111.394 kms.) on strategic considerations to RCC (1999) on 6 June, 2001.

Brief Background

11. In view of the persistent demand and request received from Army Headquarters for taking up construction of a new broad gauge rail line from Kolayat to Phalodi (111.394 kms.), a Reconnaissance Engineering-cum-Traffic survey was conducted by the Ministry of Railways. The survey was completed in January, 1999. The survey report has revealed that the cost of this 111.394 kms. long line would be Rs.123.80 crore with a negative Rate of Return (ROR). Though construction of this line does not meet the viability criteria, it is required to be taken up on strategic consideration on the demand of the Ministry of Defence.

Kolayat and Phalodi are important towns of Rajasthan which are located close to India's International Border. The alignment runs along the India-Pakistan border. Earlier Army headquarters vide their letter No.14202.Gen.Q/Mov(Plg.) dated 5.3.1998 (Appendix-I) had conveyed that this railway line may be taken up on strategic consideration as priority No.3. Thereafter, Army Headquarters vide letter No.14202/74/G.Mov.(Plg.) dated 9.5.2000 (Appendix – II) has requested for taking up of the work on strategic consideration as priority No.1 and construction of this rail line at the earliest. The proposed railway line between Kolayat and Phalodi is very important for mobility of troops along the border.

The proposed new line will also provide an alternative rail route from Bhatinda towards Jaisalmer. The existing route from Bhatinda to Jaisalmer via Merta Road and Rai-Ka-Bagh which is 899 kms. will get shortened by 258 kms. via Bikaner-Kolayat – Phalodi.”

12. The Ministry of Finance vide their O.M.No.35(4)PF.II/2000 dated 26/28.9.2000 (Appendix – III) had advised the Ministry of Railways that generally, such proposal need to be placed before Railway Convention Committee for its recommendations.

13. The proposal for construction of new B.G. line from Kolayat to Phalodi on strategic consideration was referred to Planning Commission for their appraisal and copy endorsed to the Ministry of Finance for their views.

The Planning Commission vide their O.M.No.14031/17/2000 – PAMD dated 15.12.2000 (Appendix – IV) have appraised the proposal and also supported the views of the Ministry of Finance that the proposal needs to be placed before Railway Convention Committee for its recommendations before being considered by the Expanded Board of Railways (EBR).

14. Keeping in view the above fact, the Ministry of Railways, in their Memorandum, submitted to the Committee as under:

“Recommendations of the Railway Convention Committee are solicited as to whether the construction of the proposed new broad gauge rail line from Kolayat to Phalodi may be taken up on strategic consideration or not.”

15. Asked to state the specific reasons for referring this case to the Committee particularly when the Railway Board had been deciding itself for approving/proposing new line projects, the Ministry of Railways stated as under :

“Normally a new line project is to be included in the budget with the approval of Minister of Railways after getting requisite procedural clearances. However, in this case, the new line is to be taken up on strategic consideration. The expenditure incurred on new line project taken up on strategic considerations is exempted from payment of dividend. However, the proposal was sent to RCC as suggested by Ministry of Finance and Planning Commission.”

16. During evidence, the Committee asked the representative of the Ministry of Railways to give reasons for referring this particular project to the Committee particularly when the RCC had already recommended that all strategic lines, whether remunerative or unremunerative, are eligible for subsidy from General Revenues. The Chairman, Railway Board submitted as under:

“Normally, based on the accepted recommendations, we have been getting the sanctions..... all the proposals go before the Finance Ministry, then the clearance of the Planning Commission is obtained and after that they are put before the CCEA. The Finance Ministry in their Memorandum on 28th September last year specifically mentioned that construction of such lines on strategic consideration will have to be decided by the Planning Commission. Generally, such proposals are not to be placed before the RCC for its recommendation. This was a specific mention by the Finance Ministry. They also have accepted that the losses in respect of such lines will be borne by the General Revenues. They have said that it should be placed before the RCC. Subsequently, when we got the O.M. from the Planning Commission, they have also in

their letter dated 15 December said that they agree with the Finance Ministry. Because both the Finance Ministry and Planning Commission in this case wanted it to be referred to the RCC, we had to approach the Railway Convention Committee for their recommendations and clearance.”

17. In this connection, the Ministry of Finance submitted the following:

“The Railways do not pay dividend on the capital employed from General Revenues for construction of strategic lines. In fact, the annual loss in respect of working of such lines is borne by the General Revenues. Subsidy given to the Railways on unremunerative/strategic lines is based on the recommendations of the Railway Convention Committee. However, whether a line is of strategic consideration or not is to be decided by the Government. As the capital employed on construction of strategic lines gets exemption from ‘dividend payment’ the case was referred to the Railway Convention Committee for its recommendation.”

18. Elaborating the background for referring the matter to Railway Convention Committee, the Secretary (Expenditure), Ministry of Finance submitted before the Committee during evidence that when the issue of dividend is discussed before the Committee then invariably an argument is given that because of investment on strategic line, etc. or social sector investment there is a constraint on the part of Railways to pay dividend.

19. The Secretary (Planning Commission), during evidence stated that the reason this matter was referred to the Committee, is that the issue of subsidy/dividend was also involved. Hence the Planning Commission repeated the observation of the Ministry of Finance.

20. Asked whether the Planning Commission is aware that the capital invested on all strategic lines is dividend-free and all the operating losses is borne by the General Revenues, the Secretary, Planning Commission stated that the Planning Commission was unaware of the fact that RCC had earlier recommended that all strategic lines should earn subsidy. He also admitted that had these fact brought to his notice earlier, Planning Commission would not have referred the matter to the Railway Convention Committee as recommended by the Ministry of Finance.

21. When the Committee categorically also asked as to whether all future cases pertaining to construction of new lines will also be referred to the Committee, the Secretary (Expenditure), Ministry of Finance during evidence stated that he feels that individual lines should not come before the Committee. In this particular case, it is investment on a strategic line and this qualifies for subsidy.

22. In regard to financing the project, the Committee pointed out that the Ministry of Finance have categorically stated that no further support shall be possible from the General Revenues and the expenditure on construction of Kolayat – Phalodi line will have to be managed by the Railways within their gross budgetary support provided to them in the current year. Elaborating the point further, the Ministry of Finance, in their replies submitted the following:

“In the current year (2001-02), an amount of Rs.3540 crore has been provided to Railways as Gross Budgetary Support to finance Railway Plan programmes. Apart from this, an amount of Rs.300 crore has been provided to Railways for Safety Works. In

addition, an amount of Rs.913 crore has been provided as 'subsidy to Railways' towards dividend reliefs and other concessions. As the finances of the General Revenues are already under tremendous pressure, the Railways have been asked to manage this expenditure within the gross budgetary support provided to them. Railways can manage this expenditure by prioritising their plan programmes. It may be mentioned that for the years 2000-2001 and 2001-2002, the Ministry of Finance has agreed to deferment of dividend payment of Rs.1500 crore* and Rs.1000 crore respectively to enable the Ministry of Railways to take necessary measures to improve their finances, albeit this deferment has put tremendous strain on General Revenues."

23. Reacting to the above observation of the Ministry of Finance, the Ministry of Railways in their replies submitted as under:

"The new line projects are funded through the budgetary support. The allocation to the project for the year is provided after taking into consideration the priority of the line and availability of resources. This project when taken up will also be allocated funds from within the budgetary support."

* At the time of factual verification, the Railway Board revised the figure to Rs.1823 crore.

They further added:

"The Railways are facing acute financial crisis and having large shelf of ongoing projects. In the present scenario it would not be feasible for the Railways to complete this railway line within the time schedule unless project specific additional budgetary support is provided or cost is shared by Ministry of Defence. However, the funds required for the current year would be allocated to the work through re-appropriation."

24. When asked whether the Ministry of Railways have discussed the proposal for additional funds for this project with the Ministry of Finance, the Ministry of Railways replied in the negative.

25. From the written replies, it has been noted that the updated cost of the works at 2000-2001 price level has increased to Rs.171.81 crore as compared to Rs.123.80 crore in 1999 for this 111.394 kms long line. Similarly, the cost of land for this proposal has now been estimated to be Rs.223.33 lakh at 2000-2001 price level as compared to Rs.180.85 lakh in 1999. When the Committee pointed out as to why this proposal could not be taken up urgently so as to curtail such significant cost escalation in cost of work and in land acquisition which is almost 25% apart from time overrun on a Defence Proposal (Priority No.1), the Ministry of Railways submitted as under:

"The updated cost of work at 2000-01 price level has been assessed as Rs.171.81 crore as compared to Rs.123.80 crore assessed at 1998-99 price level. The updated cost includes increase in cost by about Rs.30 crore due to upgradation of formation standards. The balance increase in cost due to escalation and other reasons is about Rs.18 crore and appears reasonable considering general price escalation in the intervening period. Similarly, in the updated cost of land of Rs.223.33 lakh, an amount of Rs.20.27 lakh is

due to items not included earlier e.g. Rs.11 lakh for compensation of pucca/kutchra structure and tube wells; Rs.5 lakh for demarcation of land boundaries and Rs.4.27 lakh for pay and allowance of revenue staff. The estimated escalation is Rs.22.27 lakh only. Army HQs vide letter No.14202.GenQ/Mov.(Plg) dated 5.3.1998 had conveyed that this railway line may be taken up on strategic consideration as priority No.3 Now Army HQs vide letter No.14202/74/G.Mov.(Plg) dated 9.5.2000 has requested for taking up of the work on strategic consideration as priority No.1. The proposal was initiated timely. However, various issues were pointed out while examining the report in the Ministry and recasting of the report took some time which was unavoidable. Further, as opined by Ministry of Finance and Planning Commission, the matter has been referred to the RCC for its recommendations.”

26. Further, the Committee pointed out that as per the Note for Expanded Board of Railways the table showing phasing of expenditure schedule it is seen that Economic Indices on Rate of Return (EIRR) have not been computed and asked the Ministry of Railways whether the phasing schedule has been worked out. The Ministry of Railways in their reply submitted that the EIRR have been worked out and it comes to 2.11% and the phasing schedule has also been worked out. However, the actual funding would depend upon availability of resources.

27. When the Committee wanted to know the specific infirmities noticed in the Reconnaissance Engineering cum Traffic Survey Report for which the report had to be recast, the Ministry of Railways submitted the following :

“..... the traffic projections taken were on the high side

The base year for estimating earnings and working expenses were different.

78.5% of working expenses for passenger services were taken into account on marginal cost principle whereas 100% working expenses should have been taken into account in the calculation of financial rate of return.

For purpose of calculating working expenses on the basis of Gross Tonne Kilometre, Engine Kilometre and Train Kimometre etc., the section of length was taken as 108 km, instead of 111.394 kms.

The traffic projections had to be reassessed and the various infirmities indicated in the Ministry's observations were rectified. The traffic report had to be recast and the rate of return reworked out. The cost of project has also been updated at the price level of 2000-01.”

28. The Committee pointed out that the Army Headquarter have requested for early construction of the new broad gauge line from Kolayat to Phalodi on strategic consideration and accordingly the Reconnaissance Engineering Cum Traffic Survey (RETS) was completed in January, 1999. They therefore, desired to know the reasons for referring the matter to the Committee after a lapse of nearly two and half years. The Ministry of Finance, in their reply, submitted as under:

“Ministry of Railways have conveyed that the Reconnaissance Engineering-cum-Traffic Survey for this line was completed in January, 1999. However, the report prepared by the Railway had certain infirmities as noticed during examination of the report in the Ministry of Railways. The report had to be recast which took some time. The proposal was forwarded to Planning Commission for their appraisal in August, 2000. The Planning Commission issued the appraisal note in December, 2000. Thereafter, as desired by the Planning Commission, the proposal has been sent to the Railway Convention Committee with the approval of Ministry for Railways.”

29. The Committee pointed out that on the approval of Expanded Board of Railways and Cabinet Committee on Economic Affairs the project is proposed to be included in Budget 2001-2002 with a provision of Rs.1 crore for initiating the activities of final location survey and preparation of land plan, etc. This amount is to be arranged through readjustment within the approved outlay for 9th Plan. As Rs.1 crore allocated for the project in the first year of commencement does not meet the phasing requirement (as scheduled) of Rs.3.09 crore, the Committee wanted to know from the Ministry of Railways as to what alternative arrangements are being planned to overcome the shortfall of Rs.2.09 crore for the first phase of completion of the project.

The Ministry of Railways, in their written reply, submitted as under :

“The work is proposed to be included in the Railway budget after obtaining requisite clearances. An outlay of Rs.1 crore only was proposed to be provided at the time of inclusion of the work in the budget since requisite clearances were not then available. However, the phasing schedule providing for Rs.3.09 crore was prepared much earlier i.e. in January 1999. The funds, as required for carrying out the preliminary activities, can further be increased through re-appropriation during the course of the year.”

30. Asked to give any other suggestion on the subject, the Ministry of Railways submitted the following:

“Railways are facing constraint of resources and have on hand the ongoing new line works requiring over Rs.21000 crore for their completion. Since this is a line proposed to be constructed on strategic considerations, it is proposed that project specific additional funding is provided so that the project is completed as per the schedule.”

31. During evidence, the Chairman, Railway Board suggested that the concession now available on construction of new lines on strategic considerations may also be extended to gauge conversion works taken up on strategic consideration.

32. Reacting to the above suggestion of Chairman, Railway Board, the Secretary (Expenditure) stated during evidence that no such suggestion has been received in the Ministry of Finance and if any formal suggestion is given to them, Ministry of Finance can give their observation in the matter.

33. The Ministry of Finance gave the following suggestion on the subject :

“The budget support given to the Railways is an investment made from General Revenues in the Railways. As the Government has raised money for the construction of Railways, it is reasonable that the return given by the Railways should be chiefly based on the moneys thus raised. In the past, the dividend paid by the Railways to the General Revenues was determined on the basis of the average borrowing rate plus an element of contribution to General Revenues. Since 1980-81, the margin has been reduced and currently the average borrowing rate is considerably higher than the rate of dividend payable by the Railways. While Railways do not return capital contributed from General Revenues, the Central Government have to return its earlier borrowing at a progressively higher rate of interest. As a commercial undertaking, Railways have tax-free concessional Capital. Although the dividend is calculated @7% on Capital-at-Charge, effective rate of dividend after excluding subsidy element is only 4.21% as compared to 10.77% of the average borrowing rate of Government in 2000-01. Thus, Railways should improve their financial health to correct the rising mismatch between the cost of providing Railway services and recovery of costs from the users of these services. This would require action both on expenditure management side and improvement & indexation with input cost of user charges from Railway users.”

34. The Committee note that in para 2 of the Resolution regarding Separation of Railway Finances from General Finances, adopted by the Legislative Assembly on 20th September, 1924 it was recommended that ‘the interest on the capital-at-charge of , and the loss in working, strategic lines shall be borne by the General Revenues and shall consequently be deducted from the contribution so calculated in order to arrive at the net amount payable from Railway to General Revenues each year’. The position remained unchanged till the partition of the country when all the then strategic lines remained in Pakistan. After Independence, six strategic lines were constructed in the country and all these lines, whether remunerative or unremunerative remained eligible for subsidy from General Exchequer. The total capital-at-charge provided by the General Exchequer for construction of these lines in the country till March 2001 is about Rs. 509.22 crore.

35. Kolayat and Phalodi are important towns of Rajasthan which are located close to India’s International Border. The alignment runs along the India-Pakistan border. The Ministry of Defence (Army Headquarters) has requested for construction of a rail line on strategic consideration from Kolayat to Phalodi on priority number one. The Committee note that the proposed new line will not only be beneficial for the Army for mobility of troops along the border but will also provide an alternative route from Bhatinda to Jaisalmer.

36. The Committee feel that the issue of national security is of paramount importance and the construction of this strategic line from Kolayat to Phalodi has already been delayed unnecessarily for more than one and half years on one pretext or another. They, therefore, recommend that the work pertaining to the construction of this new BG line (111.394 kms) be taken up expeditiously by providing sufficient Budgetary support from General Revenues. The Ministry of Railways should also ensure that the project is completed as per the projected time-frame decided by the Ministry of Defence. The Committee may be kept apprised on the progress of this particular project from time to time.

37. The Committee note that during evidence Chairman, Railway Board, had suggested that the concession now available on the construction of new lines on strategic considerations may also be extended to gauge conversion works taken up on strategic consideration. The Committee recommend that a note on the above suggestion along with the views of the Ministry of Finance may be incorporated in the Memorandum on 'Rate of Dividend for 2002-03 and other ancillary matters' and sent to the Committee for their consideration.

NEW DELHI;

December 7, 2001
Agrahayana 16, 1923 (Saka)

BHAVNABEN CHIKHALIA
Chairperson
Railway Convention Committee

APPENDIX – I
(Vide Para 11)

Maj. Gen. Deepak Varma,
AVSM,
Addl. Dir. Gen. Mov.
Tel. 3375260
3011615

Additional Directorate General of
Movement Quartermaster General's
Branch Army Head Quarters, DHQ, PO
New Delhi – 110001

14202/Gen/Q.Mov. (Plg).

05 March, 1998

Dear Mr. Surya Narayanan,

1. Please refer to our discussions in your office of 26 Feb, 1998 regarding prioritization of rail projects being taken up on strategic considerations.
2. Our priority of railway lines on strategic constraints in Ninth Plan is as under :-

	Section	Priority
(a)	Luni- Barmer – Munabao	I
(b)	Chittorgarh- Mavli-Marwar	II
(c)	Kolayat- Phalodi	III
(d)	Rajpura-Bhatinda (Double Gauge)	IV
(e)	Jaladhar- Jammu Tawi (Double Gauge)	V
(f)	Ajmer-Nasirabad	VI
(g)	Jaipur-Merta Rd. (Double Gauge)	VII
(h)	Lumding-Dharamnagar	VIII

3. May I reiterate that our strategic requirements may not necessarily match the commercial aspirations but due weightage should be given to the aspect of national security. Decisions taken on the issue be kindly conveyed to us.

Warm regards,

Yours sincerely,
Sd/

Enclosure :One
Mr. S. Surya Narayanan,
Addl. Member (Planning),
Railway Board,
Rail Bhawan,
New Delhi.

APPENDIX- II
(Vide Para 11)

Tel. 3375268

Addl. Dte.Gen.Mov./Q Mov. (Plg)
QMG's Branch
Army Headquarters
DHQ PO. New Delhi – 110011

14202/74/Q.Mov.(Plg)

09 May, 2000

Director /Works (w2/NL)
Railway Board
Rail Bhawan
New Delhi. 110011.

CONSTRUCTION OF NEW RAILWYA LINES ON STRATGIC GROUNDS

1. Please refer your letter No. 93/W2/NL/N/24 dated 18 April, 2000.
2. It is confirmed that Kolayat to Phalodi rail project is required on strategic consideration. You are therefore requested to include the same in priority one and complete same at the earliest possible.

Sd/-
(ML. Mohan Babu)
Maj
DAQMG (Ops& Plg)
For ADG (Mov.)

APPENDIX – III
(Vide Para 12)
No.35(4)/PF.II/2000
Government of India
Ministry of Finance ,Department of Expenditure
Plan Finance II Division

New Delhi, September 28, 2000

OFFICE MEMORANDUM

SUBJECT : CONSTRUCTION OF NEW BG LINE BETWEEN KOLAYAT AND PHALODI
(111.394KMS) ON STRATEGIC CONSIDERATION.

* * *

The undersigned is directed to refer to Ministry of Railway's O.M.No.93/W2/NL/N/24 dated 22.8.2000 on the above cited subject .

2. The Comments of the Ministry of Finance are as under:

- (i) Strategic lines, whether remunerative or unremunerative are eligible for subsidy which the Railways shall claim, In other words, Railways shall not pay dividend on the capital advanced from the General Revenue on construction of such line.
- (ii) The losses in respect of working of such lines shall be borne by the General Revenues.
- (iii) The construction of such line on strategic consideration shall have to be decided by the Planning Commission. Generally, such proposal need to be placed before Railway Convention Committee for its recommendation.
- (iv) Current Year's budget assumes plan budget support to the tune of Rs. 3840 crore. Apart from this an amount of Rs. 1500 crore has been assumed as deferred dividend payment. No further support shall be possible from General Revenue. Thus, the expenditure on construction of new BG line shall have to be managed by the Railways within the Gross Budget support provided to them in the current year.

This issues with the approval of Secretary (Expenditure).

Sd/-
(R.N. Choubey)
Director (PF-II)

Ministry of Railways
(Shri S.K. Das. Director Planning)
Railway Board, Rail Bhawan,
New Delhi.

APPENDIX IV
(vide para 13)
F.No. N-14031/17/2000 PAMD
Planning Commission
(Project Appraisal and Management Division)

Yojana Bhawan, Sansad Marg,
New Delhi, 15th Dec, 2000

OFFICE MEMORANDUM

Subject : CONSTRUCTION OF NEW BG LINE BETWEEN KOLAYAT AND PHALODI
(111.394 KMS) ON STRATEGIC CONSIDERATION AT AN ESTIMATED COST
OF Rs. 123.80 CRORE

Five copies of the Appraisal Note on the above mentioned proposal prepared in consultation with the Transport Division, Planning Commission, are sent herewith for further necessary action at your end.

Sd/-
(Prem Singh)
Sr. Res. Officer

Shri S.K. Das,
Director, Planning,
Ministry of Railways
Rail Bhawan, New Delhi 110001

Copy to :

1. Chairman, Railway Board, Rail Bhawan, New Delhi 110001
2. Secretary Department of Expenditure, North Block, New Delhi
3. Secretary, Department of Statistics and Programme Implementation, Sardar Patel Bhawan, New Delhi 110001
4. Financial Commissioner, Railway Board, Rail Bhawan, New Delhi 110001
5. Joint Secretary, PF II, Department of Expenditure, North Block, New Delhi
6. Secretary/Additional Adviser (Transport)/Adviser (PAMD)/SRO(PS), Planning Commission.

F.No. N-14031/17/2000 PAMD
Planning Commission
(Project Appraisal and Management Division)

Yojana Bhawan, Sansad Marg,
New Delhi, 15th Dec, 2000

NOTE FOR EXPANDED BOARD OF RAILWAYS

Subject : CONSTRUCTION OF NEW BG LINE BETWEEN KOLAYAT AND PHALODI (111.394 KMS) ON STRATEGIC CONSIDERATION AT AN ESTIMATED COST OF Rs. 123.80 CRORE

1.0 Project Profile

1.1 The Salient features of the proposal based on Reconnaissance Engineering –cum-Traffic Survey Report (January, 1999) and EBR Memo on the above mentioned project are as under :

Particulars	Unit	Value
1	2.	3.
I. Physical Parameters		
(i) Length of proposed line	kms	111394
(ii) Traction		Diesel
(iii) Ruling Gradient	Ratio	1.200
(iv) Maximum Curvature	Degrees	3
(v) No. of Bridges		
(a) Major Bridges	No	Nil
(b) Minor Bridges	No	2
(vi) No. of level crossings	No	35
(vii) Construction Standard	Group	'D'
(viii) Gauge	MM	1676
(ix) Speed potential of the line	PMPH	100
(x) Land acquisition	Hac.	407
II. Traffic Projection		
(i) Passenger (p.a)	Lakh	2.43
(ii) Goods Traffic (p.a)		Nil
(iii) No. of Trains each direction	No.	3
(a) Passenger each way (each trip/day)	No.	222
(b) Goods	No.	Nil
III. Financial Parameters		
(i) Capital cost	Rs. Cr.	123.80
(ii) Average Cost (per Km)	Rs. Cr.	1.11
(iii) Capital Cost (Rolling Stock)	Rs. Cr.	3.47
(iv) Base year for cost estimates	Year	1998-99
(v) FE component	Rs. Cr.	Nil

IV. Annual Finance			
(i) Gross Earnings (Rs. Crore)	1 st Year	6 th Year	11 th Year
(a) Passenger Traffic	1.07	n.a	n.a
(b) Goods Traffic	NIL	NIL	NIL
II. Working Expenses			
(a) Passenger Traffic	2.71	n.a	n.a
(b) Goods Traffic	Nil	Nil	Nil
Net Earnings	(-1.64)	N.A	N.A

Phasing of Expenditure

Year	Amount (Rs. Crore)
1 st Year	3.10
2 nd Year	18.57
3 rd Year	43.33
4 th Year	37.14
5 th Year	21.66
Total	123.80
FIRR (%) as per EBR Memo	(-) 3.06
EIRR (%) as per EBR Memo	Not computed
Completion schedule	5 years

1.2 Major Recommendations

- The proposal is for construction of about 111 kms long new BG line between Kolayat and Phalodi at an estimated cost of Rs. 123.80 crore/ The cost estimates are about 20 months old and needs revision. It is not an approved plan project of 9th pan. However, Planning Commission has agreed to include it in the 9th Plan provided taking up of this project does not affect the completion of projects under category A-2 and A-3 in the 9th Plan. And, also proposed outlays of Rs. 100 crore for this project for the year 2001-02, are re-adjusted within over all approved outlay of Railway for the 9th Plan.
- The project is sought to be justified on '*strategic requirements*' and substantial reduction in distance by rail between Kolayat and Phalodi. Traffic projects are not supported by supplementary information.
- Throwforward of new line projects is estimated to be Rs. 16924 crore. Implementation of this project would mean reduction in funding level of other new and on-going projects, thereby resulting in their implementation being delayed. The benefits foregone need to be reflected in the operation economics of this Project.
- Department of Expenditure, Ministry of Finance has indicated that "Strategic lines, whether remunerative or un-remunerative are eligible for subsidy which the railways shall claim....

the losses in respect of working of such lines shall be borne by the General Revenues. However, no further support shall be possible from General Revenue in the current year. The expenditure on this project have to be managed by the railways within the Gross Budget Support provided to them in the current year.”

- Planning Commission supports the view of Ministry of Finance that “such proposal need to be placed before Railway Convention Committee for its recommendation”.
- The project should be placed before the EBR after :-
 - (a) Updating the cost to current level and giving revised year-wise phasing of expenditure and commissioning date.
 - (b) Obtaining recommendation of the Railway Convention Committee
 - (c) Giving scheme-wise details of reprioritisation clearly indicating slippages in date of commissioning of individual projects assuming yearly outlays to be at the same level as in the current year.

Project Description

2.1 Based on Reconnaissance Engineering-cum-Traffic Survey Report (January, 1999), prepared on the basis of the correspondence/survey studies brought out by Northern Railway, Ministry of Railways has submitted a proposal for construction of new BG line between Kolayat and Phalodi (111.394kms) on strategic consideration at an estimated cost of Rs. 123.80 crore in the State of Rajasthan.

2.4. Land Acquisition : Being a new project, about 407.37 hac. Agricultural land at an anticipated cost of Rs. 80.85 lakh, is proposed to be acquired after sanction of the project.

2.5 Scope of the Project : The entire project alignment is sandy and fall in the Thar Desert. Proposed rail line would be single BG line as per physical specifications prescribed by engineering department of Railways. There is no major river and national highways, therefore, no ROB/RUB/Fly-over is proposed to be constructed. However, 37 numbers of bridges including two major one are to be constructed. Besides, there are number of electric overhead low/high tension wires and P&T over head crossings along the proposed alignment needed to be shifted or raised with the requisite clearance. Obtaining such clearances, are time consuming and need advance actions for the same. In addition to Kolayat and Phalodi, 6 new stations are to be constructed. Besides, 273 staff quarters under different category are to be constructed at various railway stations as per their requirements.

2.6 Project Time Cycle : The project is scheduled to be completed in 5 years subject to availability of sufficient resources. Since the project is yet to be sanctioned by the competent authorities, it is unlikely to be completed by 2003-04 as indicated in survey report.

3.0 Need and Justification

3.1 Strategic Requirement: As the project located at adjacent with the Indo-Pak Border and almost running along the border, the project is proposed to be taken up on strategic consideration. In the support of taking up this project on strategic requirements, a copy of letter from Army Headquarters, Ministry of Defence has been enclosed with the EBR Memo.

3.2 Reduction in Distance : The construction of this line would provide direct rail link between Kolayat and Phalodi by shortening 351 kms distance in existing rail links between two towns via Bikaner, which is 49 kms. Further, the proposed line would also provide an alternative rail route from Bhatinda towards Jaisalmer. A mere reduction in the distance between two towns is not a justifiable reason for taking up the project. Besides, a road connection with the distance of 125 kms is already in existence on which a sufficient number of buses are in operation.

3.3 Traffic Projections

3.3.1 Passenger : It is indicated that the traffic projects are based on the assumption that the proposed rail link would be commissioned during the year 2003-04. Keeping this in view the traffic projections for the 1st, 6th and 11th years of the commissioning of the project section have been computed. It is also mentioned that the distance of Kolayat and Phalodi by road is only 125 kms, whereas the existing rail route distance is 459 km i.e., longer by 334 km. It is assumed that 50% of the total number of passengers traveling by bus in the proposed alignment, would be diverted to rail on its commissioning, which works out to 208 passengers per day each direction. The anticipated total number of passengers expected to move on the project section during 1st, 6th and 11th years of opening of the line are summarized as under :-

Particulars	Anticipated No. of Passengers (per day)		
	2003-04	2008-09	2013-14
1. Projected rail head passenger	458	505	553
2. 50% diverted road traffic to rail	208	235	261
Total Passengers	666	740	814

3.3.2 Annual average growth @3% has been assumed for projected rail passengers. The average growth of diverted traffic from road to rail has been taken @2.6% per annum for the first five years and 2.2% p.a. for the next five years. One DMU train with three trips (222 passengers per trip) during the first year of the commissioning is proposed to be introduced. The project authorities have indicated that a total of 353 passengers are moving by road. 50% of this figure works out to 176 instead of 208 as projected. Lesser fare on rail route has been indicated as a major factor for diversion in traffic from road to rail.

3.4 Freight Traffic Projects : As regards freight traffic, there is no small or large scale industry in the project area, except at Phalodi where salt iodination small scale industries are located. Therefore, no growth in freight traffic has been projected. However, with the reduction in distance, net saving in cost of haulage of empties for outward loading is projected Rs. 7.79 crore.

3.5 It is observed that traffic projections do not justify taking up this project. However, the proposal could be considered on the basis of strategic ground.

4.0 Cost Estimates

4.1 It is indicated that the cost estimates are based on SOR 1996, which are updated to the year 1998-99 applying different average percentage rates for different components (para 0.6.1.1 of the Survey Report). Broad item wise cost estimates are summarized as under :

Items	Rs. Crore
1. Civil Engineering Works	97.20
2. S & T Works	23.70
3. Electrical Works	2.90
Total	123.80

4.2 The cost estimates are said to be fairly realistic. The cost estimates updated to 1998-99 price level, are about 20 months old and need to be updated. The cost of land is said to be based on the rates supplied by revenue authorities for different classifications of land. The discrepancy in the cost of land mentioned in para 0.5.12.1 (Rs.180.85 lakh) and in para 0.5.12.3 (Rs.138.00 lakh) of EBR Memo may be rectified.

4.3 The average construction cost per km. of the proposed line works out Rs.1.11 crore.

Plan and Funding

5.1 The proposal is not included in the 9th Plan and such no outlay is provided in the Plan. However, Planning Commission has accorded its concurrence for its inclusion in the 9th Plan. The outlay of Rs.1.00 crore required for initiating activities of final location survey and preparation of land plan etc. in the terminal year of the 9th Plan, are proposed to be made available by readjustment within plan allocation of Ministry of Railways for the 9th Plan. However, as phasing of expenditure an outlay of Rs.3.09 crore is required in the first year. Keeping this less allocation of funds in view, it is observed that the project would not be completed within scheduled time and the fate of this project would also be the same like other railway projects. Therefore, it is suggested that the phasing of expenditure and project time schedule may be revised.

5.2 It has been observed that railway projects have longer gestation period because of thin distribution of resources by taking up of number of unviable projects simultaneously, resulting time proand cost over run. This practice needs to be checked initiating proper prioritization among the railway projects. In view of strategic requirement of this, the firm availability of funds in the year 2001-2002 and in the 10th Plan needs to be ensured.

6.0 Project viability

6.1 The project is not financially viable and yields a negative rate of return of (-) 3.06%. Since the cost estimates are old more than 20 months and the funds allocation is not as per phasing of expenditure for the commencing year of the project, the upward revision in cost will further decrease the rate of return. However, the construction of proposed line can be taken up on the grounds of strategic requirement.

6.2 It is indicated that the rate of return being negative, economic IRR has not been worked out. However, as per laid down procedure EIRR needs to be worked out separately for each project.

7.0 Findings and Conclusions

7.1 The proposal seeks the approval of EBR for construction of about 111 Km. long new BG line between Kolayat and Phalodi at an estimated cost of Rs.123.8 crore. The cost estimates are based on 1998-99 price level which are older by about 20 months and needs revision.

7.2 The project is sought to be justified on strategic requirement and substantial reduction in distance between two towns of Rajasthan. Passenger traffic projection are not supported by supplementary information. The basis of 458 projected rail passengers per day in the first year of commissioning of project is not indicated. A mere reduction in the distance is not a justifiable reason for such investment. As regards strategic ground, the project authorities have annexed a communication from army Headquarters conforming that the proposed rail project is required on strategic consideration. Planning Commission supports the view of Ministry of Finance that 'such proposal need to be placed before Railway Convention Committee for its recommendation'.

7.3 The project is not a plan scheme of 9th Plan and no outlay is provided. The Planning Commission has given its concurrence for inclusion the proposal in the 9th Plan provided taking up this project do not affect those projects which are in advanced stages of completion and falling under category A-2 and A-3.

7.4 On approval of EBR and CCEA the project is proposed to be included in the budget 2001-2002 with a provision of Rs.1 crore for initiating the activities of final location survey and preparation of land plan etc. This amount is to be arranged through readjustment within approved outlay for the 9th Plan. However, allocation of Rs.1.00 crore in the first year of commencement of this project does not meet the phasing requirement of Rs.3.09 crore. This may affect the completion schedule and cost estimates of the project.

7.5 Department of Expenditure, Ministry of Finance has indicated that "Strategic lines, whether remunerative or unremunerative are eligible for subsidy which the railways shall claim....the losses in respect of working of such lines shall be borne by the General Revenues. However, no further support shall be possible from General Revenue in the current year. The expenditure on this project have to be managed by the railways within the Gross Budget support provided to them in the current year."

7.6 Throwforward of new line projects is estimated to be Rs.16924 crore. Implementation of this project would mean reduction in funding level of other new and on-going projects, thereby resulting in their implementation being delayed. The benefits foregone need to be reflected in the operation economies of this project.

7.7 The project is to be completed within five years of period. The experiences gathered so far, in execution of railway projects, indicates that most of railway projects are not completed within stipulated time because of thinly allocating its resources to a number of unviable projects

simultaneously, resulting in substantial cost and time overrun. Since the project is proposed to be taken up on strategic consideration, the firm availability of funds during the 10th Plan may be ensured.

7.8 Yielding a negative rate of return (-) 3.06%, the project is financially unviable. The upward revision in cost and PTC would further negate the FIRR. It is indicated that since the project is financially unviable, EIRR has not been worked out. However, EIRR needs to be worked out separately even if the project is financially unviable.

7.9 The project should be placed before their EBR after :-

- (a) Updating the cost of current level and giving revised year-wise phasing of expenditure and commissioning date.
- (b) Obtaining recommendation of the Railway Convention Committee.
- (c) Giving schemewise details of reprioritizations clearly indicating slippages in date of commissioning of individual projects assuming yearly outlays to be at the same level as in the current year.

PART - II

MINUTES OF THE SIXTEENTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 27TH AUGUST, 2001

The sixteenth sitting of the Railway Convention Committee was held on Monday, the 27th August, 2001 in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi from 1500 hours to 1600 hours.

The following Members were present:

Shrimati Bhavnaben Chikhalia - Chairperson

Lok Sabha

2. Shri Raghunath Jha
3. Shri Ravindra Kumar Pandey
4. Shri Radha Mohan Singh

Rajya Sabha

5. Shri Suresh Pachori
6. Shri Solipeta Ramachandra Reddy
7. Shri Maurice Kujur
8. Shri A Vijaya Raghavan

SECRETARIAT

1. Shri M. Rajagopalan Nair - Joint Secretary
2. Shri R.C. Gupta - Director

Representatives of Ministry of Railways

1. Shri Ashok Kumar - Chairman, Railway Board
2. Shri R.N. Malhotra - Member, Engineering

Representatives of Planning Commission

1. Dr. N.C. Saxena - Secretary, Planning Commission
2. Shri B.N. Puri - Adviser, Transport

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways and Planning Commission, who came to tender oral evidence before the Committee.

3. The Chairperson, then, stated that the Committee have taken up the subject “Construction of a new BG line between Kolayat and Phalodi (111.394 kms) on strategic consideration” for examination and requested the officials to express their views on the subject without fear.

4. Then, the Chairperson and the Members took the evidence of the representatives of Ministry of Railways and Planning Commission and raised important questions relating to the subject.

5. The Chairperson, then asked the Ministry of Railways and Planning Commission to furnish complete information/details on certain important points that remained unanswered during the discussion at the earliest to this Secretariat.

6. A verbatim record of the discussion has been kept.

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The Committee then adjourned.

MINUTES OF THE EIGHTEENTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 27TH SEPTEMBER, 2001

The Eighteenth sitting of the Railway Convention Committee was held on Thursday, the 27th September, 2001 in Committee Room 'D', Parliament House Annexe, New Delhi from 1300 hours to 1345 hours.

The following Members were present:

Shrimati Bhavnaben Chikhalia - Chairperson

Lok Sabha

2. Dr. (Smt.) C. Suguna Kumari
3. Shri Hannan Mollah
4. Shri Manabendra Shah
5. Shri Radha Mohan Singh

Rajya Sabha

6. Shri Solipeta Ramachandra Reddy
7. Shri A Vijaya Raghavan

SECRETARIAT

1. Shri R.C. Gupta - Director
2. Shri Abha Singh Yaduvanshi - Assistant Director

MINISTRY OF FINANCE

1. Shri C.M. Vasudev - Secretary, Deptt. of Expenditure

MINISTRY OF RAILWAYS

1. Shri R.N. Malhotra - Chairman, Railway Board

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways and Ministry of Finance (Department of Expenditure) who came to tender oral evidence before the Committee.

3. The Chairperson, then, stated that Committee have taken up the subject "Construction of a new BG line between Kolayat and Phalodi (111.394 kms) on strategic consideration" for detailed examination and requested the officials to express their views on the subject without any fear.

4. Thereafter, they took the evidence of the representatives of Ministry of Railways and Ministry of Finance and raised important questions relating to the subject.
5. A verbatim record of the discussion has been kept.

The Committee then adjourned.

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MINUTES OF THE TWENTIETH SITTING OF THE RAILWAY CONVENTION
COMMITTEE (1999) HELD ON 12TH DECEMBER, 2001

The Twentieth sitting of the Railway Convention Committee was held on Wednesday, the 12th December, 2001 in Committee Room 133-A, Chairperson's Chambers, Parliament House Annexe, New Delhi from 1500 hours to 1600 hours.

The following Members were present:

Shrimati Bhavnaben Chikhalia - Chairperson

Lok Sabha

2. Shri Adhir Chowdhary
3. Shri Raghunath Jha
4. Dr. (Smt.) C. Suguna Kumari
5. Shri Hannan Mollah
6. Shri Ravindra Kumar Pandey
7. Shri Manabendra Shah
8. Shri Radha Mohan Singh

Rajya Sabha

9. Maurice Kujur
10. Shri Dina Nath Mishra
11. Shri Solipeta Ramachandra Reddy
12. Shri A Vijaya Raghavan

SECRETARIAT

1. Shri R.C. Gupta - Director
2. Shri Abha Singh Yaduvanshi - Assistant Director

2. At the outset, the Committee took up for consideration the Draft Report on "Construction of a new BG line between Kolayat and Phalodi on strategic consideration" and adopted the same with some amendments/modifications as shown in the Annexure.

3. The Committee also authorized the Chairperson to finalise the Report and present the same to both the House of Parliament after making consequential changes, if any, arising out of factual verification by the Ministry of Railways.

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The Committee then adjourned.