RAILWAY CONVENTION COMMITTEE
(1999)

(THIRTEENTH LOK SABHA)

EIGHTH REPORT
ON
RATE OF DIVIDEND FOR 2003-04 AND OTHER ANCILLARY MATTERS

Presented in Lok Sabha on 24 July 2003

Laid in Rajya Sabha on 24 July 2003

LOK SABHA SECRETARIAT
NEW DELHI

July, 2003/ Asadha, 1925 (S)

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RAILWAY CONVENTION COMMITTEE (1999)

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4.	Shri S.K. Ganguli	Sr. Committee Asstt.

$ Appointed as Chairperson w.e.f., 28.4.2003 vice Smt. Bhavnaben Chikhalia resigned from the Committee

Nominated w.e.f., 28.4.2003 vice Smt. Bhavnaben Chikhalia resigned from the Committee w.e.f. 19.2.2003.

* Nominated w.e.f. 20.05.2002 vice Shri Solipeta Ramachandra Reddy retired from Rajya Sabha w.e.f., 02-04-2002

@ Nominated w.e.f. 20.05.2002 vice S/Shri Lakhiram Agarwal and Maurice Kujur retired from Rajya Sabha w.e.f., 09-04-2002.

@@ Retired from Rajya Sabha w.e.f., 09.04.2002 and re-nominated to the Committee w.e.f, 20.05.2002.

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INTRODUCTION

I, the Chairperson, Railway Convention Committee (1999), having been authorised by the Committee to present the Report on their behalf, present this Eighth Report on Rate of Dividend payable by the Railway Undertaking to General Revenues and other Ancillary Matters for the financial year 2003-04.

2. The Railway Convention Committee (1999) was constituted on 21 January, 2000. Based on an interim Memorandum submitted by the Ministry of Railways, in consultation with the Ministry of Finance, on 4th January, 2002, the Railway Convention Committee (1999), in their Fifth Report, had recommended, purely as an interim measure, that dividend for the year 2002-03 to General Revenues be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant-in-lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 2001-02. The Fifth Report of RCC(1999) was presented to Lok Sabha on 26th February 2002 and laid in Rajya Sabha on 13th March, 2002. The action taken notes of the Government on the recommendations contained in the Fifth Report were furnished by the Ministry of Railways on 17th January, 2003, which forms **Appendix-III** to this Report.

3. An interim Memorandum on Rate of Dividend for the year 2003-04 containing the views of both the Ministries of Railways and Finance was furnished by the Ministry of Railways on 1st January, 2003 wherein the Ministry of Finance had proposed that the existing rates and modalities for determining the dividend payable by the Railways on the investment from General Revenues and subsidy from General Revenues to Railways may continue to be adopted for the year 2003-04. The Committee took evidence of the Representatives of the Ministry of Railways on 2nd June, 2003 and that of the Ministry of Finance on 30th June, 2003. The Committee wish to express their thanks to the Representatives of both the Ministries for placing before them their views and for furnishing information the Committee desired in connection with the examination of the subject.

4. After considering the Interim Memorandum and the oral and written submissions made before them by the Ministries, the Committee have recommended, purely as an interim measure, that dividend to General Revenues for the year 2003-04 may be paid at the rate of 7 per cent on the entire capital invested on Railways from the General Revenues irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 2002-03. All other concessions now available are also allowed to continue on the existing basis for the year 2003-04.

5. The Committee considered and adopted this Report at their sitting held on 14th July, 2003. The Minutes of the sittings of the Committee are appended to the Report in **Part – II**.

New Delhi ;
14th July, 2003
23 Asadha, 1925 (S)

DR. (SMT) C. SUGUNA KUMARI
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

REPORT

I. GENESIS OF SEPARATION OF RAILWAY FINANCE

The first train in India as also in Asia was steamed out of Bombay on April 16, 1853 to Thane – a distance of about 33 Kms. by the Great Indian Peninsular Railway Company (present Central Railway) formed in England.

2 As regards the growth and development, the Indian Railways owes much to Lord Dalhousie, the then Governor-General of India (1848 – 1856), who suggested for a system of trunk lines connecting the hinterland of Bombay, Bengal and Madras Presidencies with the principal ports and also with each other. To undertake the work the Government had neither the funds nor the technical personnel. Therefore, the work was entrusted to private companies who were guaranteed a return of 5 per cent on their Capital for a period of 25 years. The companies on their part were expected to share their surplus profit with the Government and to sell the Railways to the Government after 25 years. As the expected profit failed to materialize and the guaranteed return continued to be a drain on the exchequer, the Government purchased the Railways on the expiry of the contract period ; but the management of the Railways was, however, kept with the companies. Later on, following the recommendations of the Acworth Committee (1920-21) the Government took over the management of the bulk of the Railways.

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

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

II. GUIDING PRINCIPLE OF RATE OF DIVIDEND

5. One of the basic principles enunciated by the first Convention Committee set up in April, 1949 after Independence was the fixation of a definite rate of dividend which included an element of contribution to the General Revenues over and above the bare interest paid by the Government on the Capital provided for Railways. This principle was enunciated on the consideration that, in essence, the general tax payer is the owner and sole shareholder of the Undertaking. This principle of the rate of dividend being higher than the average borrowing rate of interest paid by the Government was followed

by the successive Railway Convention Committees up to the year 1981-82. From 1981-82 onwards keeping in view the financial health of the Railways, the rate of dividend has been fixed by the Convention Committee at a level lower than the average borrowing rate of interest.

III. FINANCIAL STRUCTURE OF INDIAN RAILWAYS

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

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

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

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

iv) Railway projects are also not cleared by Public Investment Board as is done for projects of other Ministries. Once the survey reports become available, these are thoroughly scrutinised in the Railway Board and those which show some potential are recommended to the Planning Commission for consideration. For projects costing up to Rs. 100 crore, Planning Commission is required to concur before the work can be included in the Budget. For works costing over Rs. 100 crore the Planning Commission prepares an appraisal note which is then considered by an Expanded Board consisting of Members of the Railway Board and Secretaries of the Ministry of Finance (Expenditure), Planning Commission and the Department of Programme Implementation. The proposals for projects are then sent to the Cabinet Committee on Economic Affairs (CCEA) for approval with the recommendations of the Expanded Board, and once CCEA approves, the projects are included in the Railway Budget for seeking the approval of the Parliament.

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

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

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

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

8. The allocation of Railway expenditure to one or the other of the above mentioned categories (referred to as allocation heads of expenditure) is governed by the rules of allocation based on the principles introduced by the Railway Convention Committee, 1949, as amended by the successive Convention Committees from time to time.

9. In pursuance of the Resolution adopted by Lok Sabha on 21st December, 1999 and concurred in by Rajya Sabha on 23rd December, 1999, the Railway Convention Committee (1999) was constituted on 21st January, 2000 to review the rate of dividend payable by the Railway Undertaking to General Revenues, as well as other ancillary matters in connection with the Railway Finance *vis-à-vis* General Finance and to make recommendations thereon.

(A). Determining The Rate Of Dividend Prior To Presentation Of Railway Budget

10. The Committee generally present their Report on 'Rate of Dividend' during the Budget Session of Parliament and their recommendations are reflected in the Railway Budget. The Memorandum on 'Rate of Dividend' payable to General Revenues' is submitted to the Committee by the Ministry of Railways after obtaining the comments/concurrence of the Ministry of Finance.

(B) Capital-At-Charge Of The Indian Railways

11. Capital-at-charge means Capital contributed to the Indian Railways by General Revenues in the form of interest bearing loan capital, except that part of it on which no dividend is payable on the basis of reliefs recommended by successive Convention Committees and approved by Parliament. The Capital-at-charge of the Indian Railways has increased from Rs.827 crore in 1950-51 to Rs.40579.03 crore in 2002-03 (BE). This amount excludes Capital outlay on Metropolitan Transport Projects (MTP) and Circular Railway (Calcutta). The Capital outlay on MTP at Mumbai, Kolkata, Delhi and Chennai is Rs.3299.67 crore (BE) and that of Circular Railway (Kolkata) is Rs.260.17 crore (BE) in 2002-03.

(C). Dividend Paid

12. The annual dividend payable to General Revenues used to be less than Rs.100 crore till 31 March, 1964 but increased to Rs.2679.11 crore (BE) by 2002-03. In all, the Railways have paid so far to the General Revenues an amount of Rs. 30,027.65 crore as Dividend. It comes to 72.11 per cent of the Capital-at-charge on Indian Railways. However, the Ministry of Finance had permitted deferment of payment of dividend to the tune of Rs.1000 crore in 2001-02 together with Rs.1823 crore deferred in 2000-01 i.e., the total outstanding liability works out to Rs.2823 crore by the end of 2001-02. With regard to the payment of this arrear, the representative of the Ministry of Railways (Railway Board) while deposing before the Committee stated that out of Rs.2823 crore, Railways want to discharge Rs.50 crore during the current year. The balance left will be Rs. 2773 crore and depending upon the financial performance of the year 2003-04, the Railways shall try to reduce that also.

Statement showing important financial figures in respect of Indian Railways is at **Appendix – I.**

(D). Payment Of Dividend To General Revenues

13. The Railway Convention Committee (1999) had, in paras 54 & 55 of their Fifth Report had recommended that as a purely interim measure, the Dividend for the year 2002-03 to General Revenues on the entire capital be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting States for financing safety works during the financial year 2001-02. All other concessions as already available on residential buildings, new

lines, subsidies from General Revenues, etc. were also allowed to continue on the existing basis for the year 2002-03.

(E) Present State of Railway Finances

14. With regard to the financial position of Railways, the Ministry of Railways, in their interim Memorandum submitted to the Committee on 1st January, 2003, stated as under:-

> " the Indian Railways' finances got a set back in the recent years due to implementation of recommendations of V Central Pay Commission and the earnings are not picking up as per expectations due to recessionary trends in the present economy. Firstly, the balances in the various railway funds were almost completely used up for implementing the recommendations of the V Central Pay Commission during 1998-99 and 1999-2000. Payment of dividend to General Exchequer then had to be deferred in 2000-01 and 2001-02 to extent to Rs.1823 crore and Rs, 1000 crore respectively. This was necessitated by a drop in generation of internal resources due to which maintaining the minimum requirements of the railway's plan became difficult. For the same reason, the loan of Rs. 249 crore from the General Exchequers towards Capital Fund, in 2000-01 became necessary."

15. While explaining the financial position of the Indian Railways during the year 2001-02, the Ministry of Railways furnished the following in their interim Memorandum :

> " The position in 2001-02 has shown a slight improvement. As per the final results for the year, the earnings target set in the Revised Estimates has been surpassed by Rs. 89 crore through Rs.1330 crore short of the budgeted target. The budgeted freight loading target of 500 mt was scaled down to 489 mt in the revised estimates keeping in view the recessionary trend prevailing in the economy. However, Railways achieved an overall loading of 492.31 mt which is 3.31 mt higher than the revised target. The Railways were also able to achieve the revised estimates of the freight earnings.
>
> The Railways exercised strict control over the Revenue expenditure and were able to achieve a saving of Rs. 1487 crore in the Ordinary Working Expenses over the budget estimates and Rs. 397 crore over the revised estimates, respectively. The Ordinary Working Expenses in 2001-02 have increased only by 4.2% as against 8 % to 14% in the previous decade. The vigorous economy measures being taken by the Railways to arrest the growth of working expenses are visibly fructifying.
>
> The operating ratio in actuals stood at 96.0% as against 98.8% envisaged in Budget Estimates. Due to the improved availability of resources, the Railways have repaid fully the loan of Rs. 249 crore along with interest due, taken for Capital Fund from General Exchequer in 2000-01 ."

16. With regard to the performance of the Indian Railways for the year 2002-03, the Ministry of Railways in their interim Memorandum further submitted as follows:

"The earnings of the Railways in the current year have so far fallen short of the budgeted expectations mainly on account of shortfall in passenger earnings. Approximates to end of November, 2002 show a shortfall of Rs. 285 crore in the overall earnings position as compared to the proportionate target. The freight loading target for the current fiscal has been kept at 510 mt. To end of November, 2002 Railways have been able to achieve a freight loading of 334.45 mt which is 5.55 mt more than the proportionate target for the year and 19.66 mt more than the loading during the corresponding period last year. Consequently, the freight earnings have also surpassed the budget proportions to end of November, 2002 by Rs. 260 crore. The passenger earnings, however, are short of the target by Rs. 516 crore to end of November, 2002/ This is due to lower passenger traffic, compounded by a rather stiff target. The working expenses on the other hand, are showing a saving of around Rs. 765 crore making the net position favourable by Rs. 480 crore. But, with the normal end of the year adjustments and possible post-budgetary factors like increase in rate of HSD oil and electricity tariffs etc., the present position may not be sustained.

The Railways are also required to extend financial assistance to the Konkan Railway Corporation (KRCL)/ KRCL has been set up with an investment of Rs. 3500 crore. Out of this, about Rs. 2500 crore was borrowed from market on the strength of letters of comfort issued by the Ministry of Railways. After commissioning, while the KRCL has been able to generate revenue just sufficient to cover its operating expenses, it has not been able to service the interest and debt liability. As a result, Ministry of Railways has had to extend support to KRCL by way of loans. As of 31.3.2002, this Ministry has lent Rs. 1378 crore on this account. KRCL's demand this year is Rs. 543 crore which the Ministry of Railways may have to provide. Over the next 7 fiscal years, KRCL would need an additional amount of approximately Rs. 3000 crore for redeeming/servicing its debt. The Railways are finding it difficult to bear this additional liability.

The Railways are also carrying a liability of Rs. 2823 crore towards General Exchequer on account of dividend deferred in 2000-01 and 2001-02.

(F). Issue of Rate Of Dividend for the year 2003-04

17. Keeping in view the financial position of Railways as indicated in aforesaid paragraphs the Ministry of Railways have proposed to the Committee that :

> "Despite slight improvement, the financial position of the Railways continues to be under pressure. Given this financial position, it is submitted that the existing rates and modalities for determining the dividend as brought out in **Appendix - II** may continue to be adopted for the year 2003-04 also. All concessions now available, as listed therein may also be allowed to continue for the year 2003-04".

18. In this connection, the Ministry of Railways have also forwarded the following views of the Ministry of Finance ;

> "While we are not opposed to the proposal that the existing rates and modalities for determining the dividend payable by the Railways on the investment from General Revenues and subsidy from General Revenues to Railways may continue to be adopted for the year 2003-04, we would like to reiterate the need to pay the dividend regularly. It is pertinent to mention here that in order to enable Railways to meet its Plan needs this Ministry had permitted deferment of dividend of Rs. 2823 crore during the year 2000-01 and 2001-02. The deferment of the dividend liability in these two years was agreed to, despite serious pressure on General Revenues, to enable the Railways to improve their finances. Railways need to improve their financial health in order to ensure that they are able to discharge the pending liability of deferred dividend along with the estimated dividend of Rs. 2679.11 crore payable in the year 2002-03. This Ministry is also of the opinion that the Railways should constitute a Railway Tariff Regulatory Authority with the mandate to fix tariff on a rational basis with automatic adjustment based on cost inputs, including fuel and electricity tariff and staff costs.

19. The Ministry of Railways (Railway Board) while commenting on the above views of Ministry of Finance have submitted the following for consideration of the Committee :

> " Observations of the Ministry of Finance are acceptable to the Ministry of Railways except the proposal for Constitution of a Railway Tariff Regulatory Authority…….. It is submitted that it has already been apprised to the Committee that the Ministry of Railways are of the view that under the Railway's Act 1989, full powers have been conferred on the Ministry of Railways (Railway Board) to fix the tariff rates. Setting up of any autonomous regulatory authority is neither necessary nor possible under the existing statutory provisions.
>
> The Ministry of Railways also intends to not only discharge in full the dividend liability for the year but also to clear the amount of dividend deferred in the recent years, may be in a phased manner, with the improvement in the financial position. "

20. When asked to give comments if the Rate of Dividend is enhanced by 1.5%, especially keeping in view the improvement in financial position of the Railways for last two/three years, Chairman, Railway Board, during evidence submitted as under :

> "We also have a forward huge liability of Rs. 2773 crore for the dividend deferred during the years 2000-01 and 2001-02. We would like to pay the dividend but the rates of the dividend should take into consideration the overall position of Railways' financial position and what also we can internally generate and what we need to provide for the depreciation reserve fund for the future and all that.
>
> The rates of interest and rates of public borrowing have been coming down over the years. I will elaborate on that. Further, Railways also have social service obligation. We have not been able to get compensation for that. This was recommended by the Group of Ministries as well as the hon. Committees, like RCC and Railway Standing Committee. We have not been able to get compensation for that also. We are not able to increase our fares and freights beyond a certain level for certain reasons. In the case of freight rates, we have out-priced ourselves. In the case of passenger fares, Railways need to have a policy of restraint or whatever the public can bear and all that. Last year we had made sufficient increase in this. With the result the number of passengers went down by about 2.8 per cent. So, this year we have not made that. We want to maintain the passengers for long distance especially."

Elaborating the issue of social obligation borne by the Indian Railways, the Chairman, Railway Board, stated as under :

> "The Railways is also carrying a social burden of uneconomic lines as also development of the backward areas, integration of the country with North-East, J&K and also the burden of Konkan Railways Corporation in the larger social and national interest we are doing all this. We have been undertaking certain uneconomic operation in the transportation. While the hon. Committee has been giving us the subsidy or exemption for these things, yet the operating loss we are covering from our resources."

He further stated :

"The losses incurred on these accounts are more than Rs.2000 crore annually. This huge cost impinge upon the ability of the Railways to remain self-reliant and constraint its capacity to finance expansion and growth which are the aspirations of the country …… If we include the cost of social service obligation met by the Railways themselves to the payment of dividend, which we are paying, the percentage over capital will be of the order of 13 per cent. So, we are paying much more.

He added:

"Considering the above facts, in case Railways have to fulfill the aspirations of the people of the country including quality of service, including safety and expansion, there is a strong case for downward revision of the dividend rates, which I strongly feel would find fair with the hon. Committee. In fact, we were calculating how much dividend it should be. It should be almost 3 per cent or 4 per cent etc. That is the case. We have done a lot of work on this."

21. On the issue of Rate of Dividend, the Finance Secretary while deposing before the Committee stated :

"With regard to the Rate of Dividend, as the Committee is aware 7 per cent is charged on the total capital-at-charge with the Railways irrespective of the date of investment made. Normally in the corporate culture we go on the basis of the date of investment made, on that the Dividend is given. In case of Railways if the subsidy portion thereof is reduced, the actual effective rate of dividend paid by the Railways is much less and it comes to about 3.41 per cent, whereas they are supposed to pay 7 per cent. As the Committee is aware, in the years 2000-01 and 2001-02, the payment of dividend was deferred. That was mainly done at the request of the Ministry of Railways. It is because they felt that it was going to create a resource constraint for them to fund their activities. It was only to give them succour that the Ministry of Finance had agreed to this. We have requested the Railways and we would also like to request the Committee that the Railways should be asked to pay back the deferred amount in a phased manner to the Government."

He further added :

"Earlier we had been saying that the rate of dividend should be increased to 7.5 per cent. This time we have said that it should be at seven per cent. The Railways have agreed to this also. The reason behind this was that we are going strictly on the basis of the current economic scenario in the country where the interest rates are low and thereby our cost of borrowing is coming down. The cost of borrowing of the Government today includes open market borrowing. If you see, in the year 2002-03 it was 7.34 per cent over all and in the year 2003-04, up to 24th of June 2003, our cost of borrowing is 5.96 per cent, that means about six per cent. But we cannot go on an yearly basis because the cost of borrowing will differ from year to year. What we do is that we calculate the average weighted cost of borrowing and that comes to 7.34 per cent. In view of the reducing cost of borrowing for the Government of India as a whole, during the current year and last year and also with a view to helping the Railways – to consider their request to provide more funds for safety and for their other activities -- we had recommended seven per cent."

22. In this connection, the Additional Secretary (Budget), Ministry of Finance, also submitted :

> "We would be happy if the Committee recommends seven per cent but at the same time if the Committee is also ready to ask the Railways to at least pay back the deferred dividend of Rs. 2800 crore in three years' time. So, if they give us seven per cent plus whatever they are holding from us in three years' time, that would be really very helpful."

23. While drawing attention to the many railway accidents occurred during the months of May and June, 2003 resulting in loss of human lives, the Committee asked whether the Ministry of Finance at any time insisted or recommended to the Ministry of Railways that a part of the General Budget provided to the Railways should be spent by them specifically to maintain safety standards so that loss or suffering of human lives and loss of property are kept to the minimum, the Finance Secretary during evidence stated :

> "While we are very much concerned that the Railways need to take all effectives steps to take care of all these unfortunate accidents resulting in loss of human lives, it very much depends not only on merely giving funds but on their capacity to spend it. If there is requirement for the Safety Fund, they come to us and if we, at the end of year when we do the Revised Estimates exercise - where we are able to locate some savings in the Plan – it would be possible for us to consider giving some additional marginal requirement for the Railway Safety Fund".

<u>(G) Dividend concession on capital employed in case of gauge conversion works taken up on strategic considerations.</u>

24. The Railway Convention Committee (1999) had in para 37 of their Third Report on 'Construction of new BG line between Kolayat and Phalodi on strategic consideration' had recommended as under :

> "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."

25. In this connection, the Ministry of Railways have forwarded the following views of the Ministry of Finance in the matter :

> "Since the Ministry of Railways did not incorporate a note on the said subject in the Memorandum on rate of dividend for 2002-03, it is suggested that a separate memorandum on the subject may be submitted instead of placing this issue before RCC through this interim Memorandum. As the issue has wider ramifications, it would be preferable if Railways submit a separate memorandum on the subject covering, inter-alia, the total financial implications, time frame and

year-wise break-up of the anticipated cost of such gauge conversion. Ministry of Railways may also obtain the comments of Ministry of Defence in the matter".

26. Agreeing with the above views of the Ministry of Finance, the Ministry of Railways have stated that the proposal on 'Dividend concession on capital employed on gauge conversion works taken up on strategic considerations', which was to be submitted as part of this Memorandum would now be submitted separately to the RCC in the manner suggested by the Ministry of Finance.

Funds of Railways

(A) Depreciation Reserve Fund (DRF)

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

28. While approving the proposal of the Ministry of Railways regarding appropriation to be made to the Depreciation Reserve Fund in 2002-03, the Railway Convention Committee (1999) in their Fifth Report, had recommended as under:

> "The contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and the Plan requirement for 2002-03 which would be finalized by the end of December 2001/January 2002 . Though the Committee agree with the proposal of the Ministry of Railways, they desire to be kept informed of the actual amount of contribution made to DRF in the fiscal year 2002-03".

29. In this connection, the Ministry of Railways have submitted the following in their Memorandum :

> "An amount of of Rs. 2100 crore consisting of Rs. 2000 crore from Revenues and Rs. 100 crore from Production Units were appropriated to the DRF in 2001-02 . In the Budget Estimates 2002-03, the appropriation to DRF has been kept at Rs. 1978 crore and Rs. 100 crore respectively, from the Revenue and Production Units. The balance in the DRF is estimated to be Rs. 465 crore at the end of the financial year 2002-03".

30. The Ministry of Railways, vide their O.M. No. 99/RCC/204/2 dated 3rd March, 2003, have intimated that an amount of Rs. 2005 crore has been appropriated to the DRF in the Budget Estimate 2003-04.

31. On this proposal of Railways, the Ministry of Finance have observed that the Railway Plan requirement for 2003-04 would be finalized by the Planning Commission in consultation with the Ministry of Railways. Hence the appropriation to the DRF may be made in consonance with the capacity to generate internal resources and plan requirement.

(B) Pension Fund (PF)

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

33. The Railway Convention Committee (1999) in their Fifth Report, while approving the proposal of the Ministry of Railways regarding contribution to be made to Pension Fund in 2002-03, had recommended as under :

> "The appropriation to Pension Fund from revenues may be enhanced to Rs. 6100 crore in 2002-03, subject to adjustments keeping in view any variations of the estimated withdrawal during the course of the year. This, together with appropriation of Rs. 200 crore from Production Units will enable the Railways to meet the pension requirement of Rs. 6300 crore during the year".

34. Regarding the Pension Fund the Ministry of Railways in their interim Memorandum, have submitted the following for consideration of the Committee :

> "As per the Budget Estimates for 2001-02, Rs.5800 crore from Revenues and Rs.200 crore from production units were to be appropriated to the Pension Fund. The appropriation from Revenues has been scaled down to Rs.5600 crore in the actuals, in keeping with the reduced requirements on account of lesser pensionary outgo during the year. In the Budget Estimates 2002-2003, the appropriations to the Pension Fund have been kept at Rs.6000 crore and Rs.200 crore, respectively, from Revenues and Production Units. The balance in the Pension Fund is estimated to be Rs.465 crore at the end of the financial year 2002-2003.
>
> Pension liability is likely to go up to around Rs. 6500 crore in the year 2003-04 due to an increase in the number of pensioners and the sanction of higher dearness relief to pensioners. It is, therefore, submitted for the consideration of the Committee that the appropriation to Pension Fund from revenues may be enhanced to Rs. 6300 crore in 2003-04, subject to adjustments. This, together with appropriation of Rs. 200 crore from Production Units will enable the Railways to meet the Pension requirement of Rs.6500 crore during the year."

35. In regard to this proposal of the Ministry of Railways, the Ministry of Finance have observed that appropriation to Pension Fund in 2003-04 could be based on the trends of actual expenditure in last few years.

(C). Development Fund (DF)

36. This fund has four segments and is used for meeting expenditure on

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

The appropriation to the Fund is made out of the 'Excess' left after meeting the dividend liability. Whenever the 'Excess' is not sufficient, the Railways may borrow money from the General Revenues as per the recommendation of the Railway Convention Committee, 1954. The money borrowed, together with the interest thereon, has to be repaid in subsequent years.

37. The Railway Convention Committee (1999) had, in para 61 of their Fifth Report recommended the following;

> "The Committee find that the appropriation to Development Fund has been kept at Rs.511 crore in BE 2001-2002. However, for the year 2002-03, the Ministry of Railways have proposed that the appropriation to the Development Fund be made out of the excess left after meeting the dividend liability. Though the Committee approved the proposal of the Ministry of Railways, they desire that the Ministry of Railways should, in their action taken notes, apprise the Committee about the actual amount that will be credited to this Fund at the end of the financial year 2002-2003".

38. The Ministry of Railways in their Memorandum, have apprised the Committee that in the Budget Estimates 2002-03, the appropriation to this fund has been kept at Rs. 550 crore.

39. The Ministry of Finance have also agreed that appropriation to Development Fund may be made out of excess left after meeting the dividend liability.

(D). Capital Fund (CF)

40. The Capital component of Railways Plan expenditure was earlier being financed from out of the budgetary support received from the general exchequer. With the budgetary support declining over the years and market borrowings being expensive and uncertain, a new Fund named Capital Fund has been created w.e.f., 1 April 1992 with the approval of RCC (1991). This Fund is used to finance part of the capital works requirements of the Railways after appropriation to Development Fund and the 'Excess' is appropriated to the Capital Fund.

41. The Railway Convention Committee (1999) had, in para 62 of their Fifth Report made the following recommendation:

> "The Committee were apprised that the Railways have not been able to generate enough internal resources to sufficiently contribute to the Capital Fund. In the year 2000-01 a loan of Rs. 249 crore had to be taken from the General Exchequer in order to ensure that the ongoing works under this Fund do not languish. However, even with this, it was difficult to provide the balance amount required from the Railways' diminishing generation of internal resources. Since, the rules of allocation for Capital and for Capital Fund are the same, the Ministry decided not to operate the Capital Fund for the present. The Committee, are concerned to note that the Ministry of Railways have decided themselves not to operate this Fund. In their opinion, they should have taken the approval of the Committee before taking this decision, particularly when this Fund was created with their concurrence."

42. The Ministry of Railways in their Memorandum submitted as under :

> "The Committee was informed vide the previous memorandum that since the Railways are not able to generate enough internal resources for being appropriated to the Capital Fund, the same will not be operated for the present. All the works hitherto charged to this Fund would be met from the Capital support provided by the General

Exchequer. The Fund, however, was not proposed to be closed as the loan of Rs. 249 crore obtained for the fund in 2000-01 and the interest accrued thereon was still to be repaid. An amount of Rs. 17.43 crore has been appropriated to this Fund in the Budget Estimates of 2002-03, mainly to pay the interest due on the loan.

The Ministry of Railways has since repaid the aforesaid loan along with the interest due threon in 2001-02 itself. This was possible due to the financial results in that year being better than was initially expected. As a result, no appropriation to the Fund for the year 2002-03 is now contemplated. The Fund will not be operated for the present".

(E) Railway Safety Fund (RSF)

43. As recommended by the Railway Convention Committee (1999) vide their Second Report, the Railway Safety Fund has been created with effect from 1.4.2001. This fund has been created for financing works relating to conversion of unmanned level crossings and for construction of Railway over/under bridges at busy level crossings. The Fund is currently financed through transfer of funds by the Central Government from the Central Road Fund (out of diesel cess), as well as the contribution that was being made to the Railway Safety Works Fund(RSWF) out of the dividend being paid by the Ministry of Railways to the General Revenues. Apart from this amounts can also be appropriated out of Railway revenues, i.e., out of the 'Excess' left after payment of dividend to General Revenues.

44. The Ministry of Railways, in their interim Memorandum, submitted the following for the information and consideration of the Committee :

"In BE 2002-03, an appropriation of Rs. 452.73 crore has been made to the Fund, consisting of Rs. 450 crore transferred by the Central Government from the Central Road Fund and Rs. 2.73 crore worked out as contribution that was supposed to be made for the RSWF out of the Dividend.

The appropriation to this Fund in 2003-04 will consist of the amount of transfer from the Central Road Fund to be intimated by the Central Government later while finalizing the Budget Estimates for 2003-04, and the amount that was being credited to the RSWF until 2000-01, calculated as part of the dividend."

45. In regard to Railway Safety Fund, the Ministry of Finance observed as follows:

"Railway Safety Fund, which has been created for financing works relating to conversion of unmanned level crossings and for construction of Railway over/under bridges at busy level crossings is financed by transfer of funds from Central Road Fund wherein receipts collected from additional cess levied on petrol and diesel are credited. This fund has been created in Public Account of India and General revenue is paying interest on the balances of this fund. Since the fund is being financed by transfers from general revenue, it is proposed that interest need not be paid from the general revenue on the balance of the fund".

(F) Special Railway Safety Fund :

46. Regarding Special Railway Safety Fund, the Ministry of Railways, in their interim Memorandum have submitted as follows:

> " In pursuance of the Railway Safety Review Committee (1998)'s recommendation that the Central Government should provide a one time grant to the Railways so that arrears in the renewal of vital safety equipment are wiped out within a fixed time frame of 5 to 7 years, the Government has decided to set up a non-lapsable Special Railway Safety Fund w.e.f., 1.10.2001. The cost of replacement of the over-aged assets to be replaced from the fund has been assessed as Rs,. 17000 crore inclusive of provision for inflation for the period of execution. The Special Railway Safety Fund is funded mainly through two sources viz., (1) Railways' contribution through the levy of Safety Surcharge on passenger traffic and (2) through additional financial assistance to be given by the Ministry of Finance.
>
> It is expected that with the levy of the Safety Surcharge, the Railways would be able to raise Rs. 5000 crore over a period of 6 years starting from 2001-02, which will be credited to the newly created non-lapsable Special Railway Safety Fund. The remaining Rs. 12000 crore would be provided by the Ministry of Finance.
>
> An amount of Rs. 1453 crore consisting of Rs. 1000 crore contributed by the Ministry of Finance and Rs. 453 crore being the Railways' share, has been appropriated to the fund in 2001-02.
>
> As per BE 2002-03, the appropriation to this fund would be Rs. 2210 crore, consisting of Rs. 1350 crore contributed by the Ministry of Finance and Rs. 860 crore being the expected surcharge on passenger fares".

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

47. The Ministry of Railways in their Memorandum have submitted for consideration as under :

> "It is submitted that the recommendations of Railway Convention Committee (1999) in their Fifth Report for the year 2002-03 may be made applicable for 2003-04 also in respect of interest on the balances in the various Railway Funds. According to this, the balances in the various Railway Reserve Funds (other than Development Fund, Railway Safety Fund and Special Railway Safety Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Works. The Railway Safety Fund and the Special Railway Safety Fund are 'interest free' funds".

48. In this connection, the Ministry of Railways have forwarded the following views of Ministry of Finance :

> "The existing principle governing interest on various Railway Fund balances placed in the Public Account of India may be allowed to continue during the year 2003-04 also. We agree that the balances in the Railway Safety Fund and the Special Railway Safety Fund may be treated as interest-free since both these funds have been constituted with the contribution from the General Revenues only."

Recommendations

49. The Committee find that the financial position of the Railways during the preceding years have slightly improved and they are of the opinion that the Railways ought to pay a dividend at an enhanced rate but at the same time more financial assistance be given to the Railways for safety improvement of Rail operations particularly in view of increase in number of Rail Accidents. However, after considering the views put forth by both the Ministries of Railways and Finance on the issue of rate of dividend during the evidence and also keeping in view the increased operational cost and due to certain other factors beyond the control of railways, the Committee recommend as a purely interim measure, that for the year 2003-04 dividend to General Revenues be paid at 7% on the entire capital invested on Railways from the General Revenues irrespective of the year of investment inclusive of the amount that was payable to States as grants in lieu of the passenger fare tax and contribution for assisting States for safety works during the year 2002-03.

50. All other concessions now available on residential buildings, new lines, subsidies from General Revenues, etc., be allowed to continue on the existing basis for the year 2003-04.

51. The Committee find that Dividend for the years 2000-01 and 2001-02 to the tune of Rs.2823 crore was deferred for payment and the Ministry of Railways have made a provision of marginal Rs.50 cr. in their Budget to discharge their liability during this year. The Committee desire that the Ministry of Railways should make all possible efforts to pay back the balance amount of their deferred dividend liability within three years period.

52. The Committee note that an amount of Rs. 2100 crore consisting of Rs. 2000 crore from Revenues and Rs. 100 crore from Production Units were appropriated to the Depreciation Reserve Fund (DRF) in 2001-02. In the Budget Estimates 2002-03, the appropriation to DRF has been kept at Rs. 1978 crore and Rs. 100 crore respectively from the Revenue and Production Units. The balance in the DRF is estimated to be Rs. 465 crore at the end of the financial year 2002-03. They, however, find that for the year 2003-04 (BE), an amount of Rs.2005 crore has been appropriated to this Fund. The Committee, therefore, recommend that the contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and they desire to be kept informed of the actual amount of contribution made to DRF in the fiscal 2003-04.

53. The Committee observe that the appropriation to the Pension Fund (PF) in the Budget Estimates 2002-03 have been kept at Rs. 6000 crore and Rs. 200 crore respectively, from Revenues and Production Units. The balance in the Pension Fund is estimated to be Rs. 465 crore at the end of the financial year 2002-03. The Ministry of Railways have now proposed that as the Pension Liability is likely to go upto around Rs.6500 crore in the year 2003-04 due to an increase in the number of pensioners and the sanction of higher dearness relief to pensioners, the appropriation to Pension Fund from revenues may be enhanced to Rs.6300 crore in 2003-04 subject to adjustments. The Committee, while agreeing with the proposal of the Ministry of Railways, recommend that the appropriation to Pension Fund from revenues may be enhanced to Rs.6300 crore in 2003-04, subject to adjustments and keeping in view any variations of the estimated withdrawal during the course of the year. This, together with the appropriation of Rs.200 crore from Production Units will enable the Railways to meet the pension requirement of Rs. 6500 crore during the year.

54. The Committee find that in the Budget Estimate 2002-03, the appropriation to Development Fund has been kept at Rs. 550 crore. However, for the year 2003-04, the Ministry of Railways have proposed that the appropriation to Development Fund be made out of the excess left after meeting the dividend liability. Though the Committee approve the proposal of the Ministry of Railways, they desire that the Ministry of Railways should, in their action taken notes, apprise the Committee about the actual amount that will be credited to this Fund at the end of the financial year 2003-04.

55. In regard to the Capital Fund (CF) the Committee note that due to better financial results than was initially expected in the year 2001-02, the Ministry of Railways have since repaid the loan of Rs. 249 crore along with the interest due thereon in 2001-02 itself. They further note that the Ministry are neither contemplating to appropriate to this fund for the year 2002-03 nor do they propose to operate the fund for the present. The Committee while agreeing with the views put forth by the Ministry of Railways desire that the Fund may not be operated for the present.

56. The existing principle governing interest on various Railway Fund balances placed in the Public Accounts of India may be allowed to continue during the 2003-04 also. The Committee also agree that the balances in the Railway Safety Fund and the Special Railway Safety Fund may be treated as interest free since both these funds have been constituted with the contribution from the General Revenue only.

New Delhi;
14th July, 2003
23 Asadha 1925 (S)

Dr. (Smt.) C. Suguna Kumari
Chairperson
Railway Convention Committee

APPENDIX I

(Vide Para 12)

STATEMENT SHOWING IMPORTANT FINANCIAL FIGURES IN RESPECT OF INDIAN RAILWAYS FOR THE PERIOD 1950-51 TO 2002-03

(Rs. In Crores)

Year	*Capital at Charge	Investment from Capital Fund	Gross Traffic Receipts	Total working Expenses	Net Revenue	Dividend Paid *	Excess (+) Shortfall (-)	Operating Ratio
1950-51	827.00	0.00	263.01	210.23	47.56	32.51	15.05	81.0
1951-52	850.11	0.00	290.82	224.35	61.75	33.41	28.34	77.0
1952-53	857.38	0.00	270.56	218.17	47.18	33.99	13.19	80.6
1953-54	869.30	0.00	274.29	231.75	86.92	84.36	2.56	84.4
1954-55	901.58	0.00	286.78	236.09	44.06	84.96	9.10	82.3
1955-56	968.98	0.00	316.29	258.22	50.34	36.12	14.22	81.6
1956-57	1071.71	0.00	347.57	279.27	58.38	38.16	20.22	80.3
1957-58	1222.44	0.00	379.78	309.44	57.78	44.40	13.38	81.5
1958-59	1856.69	0.00	390.21	321.44	59.32	50.89	8.93	82.4
1959-60	1432.28	0.00	422.33	334.62	74.55	54.43	20.12	79.2
1960-61	1520.87	0.00	456.80	358.24	87.87	55.86	32.01	78.4
1961-62	1682.98	0.00	500.50	390.51	99.75	75.85	24.40	78.0
1962-63	1896.81	0.00	566.79	429.52	123.32	81.26	42.06	75.8
1963-64	2159.63	0.00	632.21	472.27	145.19	95.95	49.24	74.7
1964-65	2135.12	0.00	660.85	528.11	118.11	101.93	13.18	79.9
1965-66	2680.82	0.00	733.57	583.04	134.84	116.20	18.56	79.5
1966-67	2841.57	0.00	768.78	639.25	114.12	182.39	318.27	83.2
1967-68	2978.03	0.00	818.14	693.80	110.12	141.53	-31.53	84.7
1968-69	3101.27	0.00	898.84	741.93	142.81	150.67	-7.86	82.5
1969-70	3195.51	0.00	951.28	790.02	146.56	156.39	-9.83	83.0
1970-71	3330.78	0.00	1006.69	847.34	144.73	164.58	-19.84	84.2
1971-72	3520.99	0.00	1096.59	911.85	169.08	151.24	17.84	83.1
1972-73	3725.81	0.00	1162.42	982.62	164.43	161.51	2.92	84.5
1973-74	3893.38	0.00	1137.89	1066.88	55.41	170.91	-115.51	93.7
1974-75	4105.56	0.00	1408.19	1317.29	73.64	187.47	-113.83	93.5
1975-76	4354.78	0.00	1767.01	1609.62	137.03	198.14	-61.11	91.1
1976-77	4533.70	0.00	2036.11	1718.56	296.29	209.05	87.24	84.4
1977-78	4797.12	0.00	2123.42	1750.12	352.79	226.56	126.23	83.0
1978-79	5023.92	0.00	2151.04	1867.55	260.82	224.16	86.66	87.5
1979-80.	5484.64	0.00	2337.84	2142.38	227.29	293.53	-66.24	91.5

1980-81	6096.35	0.00	2624.02	2536.46	127.49	325.36	-197.87	96.1
1981-82	6698.05	0.00	3538.24	3182.05	408.06	356.47	46.59	89.4
1982-83	7251.09	0.00	43.76.21	3883.35	554.29	485.98	118.31	88.3
1983-84	7567.80	0.00	4986.24	4661.46	378.95	423.70	-44.75	93.9
1984-85	8285.65	0.00	5358.77	4142.17	270.10	465.69	-195.59	96.3
1985-86	9078.07	0.00	2084.16	5828.14	685.87	507.04	178.83	90.6
1986-87	10373.10	0.00	7505.66	6900.56	680.84	578.85	101.99	92.2
1987-88	11622.22	0.00	8435.25	7802.95	723.15	638.86	84.29	92.5
1988-89	12987.51	0.00	9259.29	8632.99	737.33	715.66	21.67	93.0
1989-90	14629.45	0.00	20739.41	9887.73	982.07	808.81	173.26	91.5
1990-91	16125.80	0.00	12096.49	11153.86	1113.78	938.11	175.67	92.0
1991-92	17620.02	0.00	13729.74	12389.19	1540.95	1105.95	435.00	89.5
1992-93	20123.20	0.00	15688.44	13980.08	1955.43	1514.38	441.05	87.4
1993-94	20373.58	1746.99	17946.02	15134.54	3102.13	1296.05	1806.08	82.9
1994-95	21762.92	3161.88	20100.99	16590.12	3808.11	1361.71	2446.40	82.6
1995-96	22247.85	5465.04	22417.85	18524.90	4135.07	1264.44	2870.63	82.5
1996-97	23474.67	7437.10	24319.41	21000.80	3624.46	1507.46	2117.06	86.2
1997-98	25320.28	8526.05	28589.03	25876.03	3024.43	1489.21	1535.22	90.9
1998-99	27312.84	9516.50	29619.46	27834.60	2141.16	1742.08	399.08	93.3
1999-2000	29655.31	10116.75	32938.81	30843.99	2735.67	1889.78	845.89	93.3
2000-2001	32661.88	10390.00	34880.48	34667.34	1071.23	2130.94	763.59	98.3
2001-2002	36757.52	10389.83	37837.59	36293.21	2337.53	2337.18	1000.35	96.0
2002-03 (RE)	40846.75	10389.83	40867.00	38153.00	3187.40	2587.40	550.00	92.5

* Dividend paid inclusive of payment of deferred dividend also.

APPENDIX II
(Vide Para 17)

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

The rate of dividend on the Capital-at-charge of the Railways and reliefs in dividend and by way of subsidy, based on the recommendations of the Railway Convention Committee (1999) applicable for 2002-03 are as under :-

I. DIVIDEND

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

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

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

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

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

II. SUBSIDY FROM GENERAL REVENUES

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

(a) Strategic lines.

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

(c) Northeast Frontier Railway (Non-strategic portion).

(d) Unremunerative Branch Lines subject to their unremunerativeness being established on the marginal cost principle in each case through an annual review of their financial results.

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

(f) Ferries and Welfare buildings.

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

APPENDIX - III

(Vide Para 2 of Introduction)

Statement showing the recommendations contained in the Fifth Report of the Railway Convention Committee (1999) on Rate of Dividend for 2002 – 2003 and other Ancillary Matters and Action Taken thereon

Sl. No.	Para No.	Recommendation	Action Taken by Government
1	2	3	4
1.	50	The Committee note that Ministry of Railways had proposed to transfer Rs.1500 crore to Deferred Dividend Liability Account for the year 2000-01. During the examination of witnesses at the time of finalisation of their First Report, the Secretary (Expenditure) had submitted before the Committee that deferment of Dividend for the year 2000-01 to the extent of Rs. 1500 crore was a one time facility to enable the Railways to meet its planned needs as otherwise their annual plan would have been cut drastically. The deferment of dividend is not a waiver of the amount and the Ministry would have to repay it subsequently. However, the Committee find that the Ministry of Finance have again allowed deferment of payment of dividend to the tune of Rs.1000 crore again in 2001-02. The Committee desire to know why the Ministry of Finance have repeatedly allowed deferment of payment of dividend , even though it was stated to be one time measure/facility to the Ministry of Railways for putting their finances in order. They would like to know from the Ministry of Finance as to how it is going to help the Ministry of Railways in the long run.	The Ministry of Finance agreed for deferring the dividend payment of Rs.1500 crore by the Railways to the General Revenues for the year 2000-01 as a facility to enable the Railways to meet its plan needs. Had this not been agreed to, the annual plan of Railways would have been cut drastically in that year. The deferment of Rs. 1000 crore in the year 2001-02 was agreed to considering the difficult financial position being faced by the the Railways in that year and the increased cost of Railway services. This support was extended despite serious pressure on the finances of the Government. This was specially agreed to in order to enable the Railways improve their financial position. In the year 2001-02 also, Railways' internal generation was much lower than what had been anticipated while formulating the budget of the year/ But for this deferment, the total plan outlay of the Railways for the year 2001-02 would have been reduced drastically, which in turn would have hampered the development plans of Railways.

2.	51.	The Committee are unhappy to note that the actual deferment of payment of dividend during the year 2000-01 has been Rs. 1823 crore instead of Rs. 1500 crore as intimated to them. They are perturbed about the manner in which the Ministry of Railways have proposed and the Ministry of Finance permitted excess deferment of payment of dividend without bringing it to the knowledge of the Committee and seeking its approval. They take a serious view about the way in which both the Ministries have kept the Committee in the dark. They desire to know as to when and under what circumstance this enhanced deferment was proposed by Ministry of Railways and agreed to by the Ministry of Finance. The Committee recommend that the entire situation may be explained to them within a period of three months.	An amount of Rs. 1500 crore was proposed to be deferred in BE and RE of 2000-01, to make good the shortfall of internal resources to meet the annual plan of the Railways. However, in the actuals, the internal resources fell further due to shortfall in earnings and non-clearance of Railway's dues by the Railway users. Despite pruning of the Plan, due to expenditure that had already been committed, the shortage of internal resources had to be made up by adjusting the dividend to be paid. Accordingly, the actual deferment of the dividend worked out to Rs. 1823 crore as against the previously assessed Rs. 1500 crore. The figures of deferment of dividend were firmed up at the time of finalisation of Accounts when the situation was apprised to the Ministry of Finance. It may kindly be appreciated that the earliest appropriate chance available for bringing this development to the knowledge of the Committee was through the "Third Interim Memorandum to RCC (1999) on Dividend payable by Railways to the General Revenues and contribution to the various Funds for 2002-03", and the Committee was apprised accordingly.
3.	52.	With the emergence of liberalized economy, the principle of survival of the fittest has come to the fore. The Committee are of the view that the present unprecedented financial crisis faced by the Indian Railways is nothing but teething problems faced by them while adapting itself to the liberalized economy. They are of the opinion that today in open economies, subsidies are being curbed so that the competition takes place and the fittest survives. In such a scenario protection, viz.,	The observation of the Committee is noted for guidance. The Railways are taking various steps for augmenting earning which, inter-alia, include resource mobilization through the alternative avenues as suggested by the Committee.

		deferment of payment of dividend repeatedly makes the entire railways system sluggish and unproductive. The Committee are convinced that the Indian Railways would be able to overcome this financial crisis if they strive to put right the structural imbalances in their system. They emphasise that exploring alternative avenues for resource mobilization viz., utilization of their resources to the maximum., such as making the best use of the space at railway stations, advertisement on coaches and other places, encouragement to private sector participation, restructuring of passenger and freight tariffs, etc., are some of the measures in this direction.	
4.	53	The Committee are unable to understand the two-faced strategy of the Ministry of Finance. On the one hand, the Ministry of Finance have proposed that Railways should pay a flat rate of 7.5 % dividend on Capital-at-Charge so that the rate of dividend becomes closer to average4 borrowing rate of the Government whereas on the other, they have permitted deferment of dividend year after year. The Committee do not see any logic as to how an organization which has been unable to pay dividend at a lower rate be asked to pay dividend at an enhanced rate. Hence, the Committee feel that it is unreasonable to ask Railways to pay dividend at an increased rate of 7.5 % for the present.	The observation of the Committee has been conveyed to the Ministry of Finance.

5.	54	After considering the arguments put forth by the Ministries of Railways and Finance on the issue of rate of dividend, the Committee recommend as a purely interim measure, that for the year 2002-03 dividend to General Revenues may be paid at 7% on the entire capital invested on Railways from the General Revenues irrespective of the year of investment inclusive of the amount that was payable to States as grants in lieu of the passenger fare tax and contribution for assisting States for safety works during the year 2001-02.	The recommendation has been given effect to while working out the Budget Estimates of Dividend payable for 2002-03.
6.	55	All other concessions now available on residential buildings, new lines, subsidies from General Revenues etc. may be allowed to continue on the existing basis for the year 2002-2003.	The recommendation has been given effect to while working out the Budget Estimates of dividend payable for 2002-03.
7.	56	Though the Committee have not agreed for any increase in the rate of dividend for the year 2002-03, they would like to caution the Ministry of Railways to put their financial condition in order. The Committee have inter-alia found that their earlier suggestions for following prudential policies so as to increase generation of their internal resources apart from putting an end to extravagant expenditure has not been translated into action in letter and spirit and the policies followed by the Ministry so far has not brought about the desired results. They, therefore, suggest that the Ministry of Railways should strive to explore alternative avenues, reform inherent structural imbalances in their system and promote private participation wherever possible. The Ministry should also follow such policies as to increase generation of internal resources by the optimum	The observations and earlier suggestions of the Committee have been noted for guidance. The Railways are taking all possible steps to increase internal resources by maximizing earnings and controlling expenditure. It is submitted that in the Budget Estimates for 2002-03, the Railways have been able to provide Rs. 2630 crore as internal generation component of the annual plan even after providing for the payment of the year’s dividend of Rs. 2679 crore in full.

		utilization of available resources and at the same time curtailing their extravagant expenditure. The Committee will be keeping a vigilant eye on the financial performance of the Railways during the year and the result thereof would be taken into consideration while reviewing the rate of dividend for the year 2003-04.	
8	57.	The Railway Convention Committee (1999) in their First Report had suggested for setting up of Rail Tariff Regulatory Authority with the mandate to fix tariffs on rational basis with automatic adjustment based on the cost of inputs, including fuel and electricity tariffs. At that time, the Committee had also cautioned the Government that while setting up of a Tariff Regulatory Authority for Indian Railways, the Government should take utmost care and ensure that this transition is gradual, smooth and above all with a human face. The Ministry of Finance, in their comments included in the Interim Memorandum on Rate of Dividend for 2002-03 and other ancillary matters, have endorsed the views of the Committee on the issue. However, the Ministry of Railways, in the same Memorandum, have submitted that full powers have been conferred on the Ministry of Railways to fix the tariff rates and as such setting up of an autonomous Regulatory Authority would not be possible under existing statutory provisions. Keeping in view the statutory provisions, the Committee recommend that the Ministry of Railways should, under these circumstances, ensure that tariffs are fixed on a rational basis with provision for automatic adjustment based on cost of inputs.	Adjustment of passenger fares and freight rates for different services and commodities is undertaken keeping in view various factors including the cost of service, value of service, prevailing socio-economic conditions, the need to generate additional revenue etc. in order to meet the overall increase in the working expenditure and to provide for the developmental activities of the Railways. Indexing the passenger fares and freight rates directly to the cost of inputs may prove to be counter productive after a certain stage as Railways are faced with growing competition from other modes of transportation. However, the Committee's recommendation will also be kept in view while further rationalizing the fares and freight rates.

		The Committee desire to be kept apprised about concrete steps taken by the Ministry of Railways in this regard.	
9.	58	When the Railway Convention Committee (1999) were examining the subject 'Construction of new Broad Gauge line between Kolayat and Phalodi on strategic consideration', the Chairman, Railway Board, during evidence, had suggested that the concession now available on the construction of new line on strategic considerations may also e extended to gauge conversion works taken up on strategic consideration. The Committee had, recommended, in their Third Report, 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' for their consideration. However, they find that no such note has been incorporated in the Memorandum. The Committee have, therefore, decided to consider this matter after the proposal along with the comments of Ministry of Finance is received by them.	The memorandum for extension of concessions on gauge conversion works taken up on strategic considerations is under finalisation in this Ministry. After finalisation the proposal will be sent to the Ministry of Finance for their views and thereafter, will be submitted to the Railway Convention Committee for their consideration.
10.	59.	The Committee had, in their Second Report, recommended that the contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and the Plan requirement for 2001-02 which would be finalized by the Planning Commission in consultation with the Ministry of Railways. They, however, find that the Ministry of Railways have again submitted the same reason that the process of formulation of Railways' Plan for the fiscal year 2002-03 is yet to begin and	In the Budget Estimates 2002-03, the appropriation to DRF has been kept at Rs. 1978 crore and Rs.1000 crore respectively, from Revenues and Production Units. The balance in the DRF is estimated to be Rs.465 crore at the end of the financial year 2002-03.

		therefore contribution to DRF may be allowed to be made in consonance with the capacity of the system to generate internal resources and the Plan requirement for 2002-03 which would be finalized by the end of December, 2001/January, 2002. Though the Committee agree with the proposal of the Ministry of Railways, they desire to be kept informed of the actual amount of contribution made to DRF in the fiscal year 2002-03.	
11.	60.	The appropriation to the Pension Fund (PF) from revenues was kept at Rs.5800 crore for the year 2001-02. The Ministry of Railways have proposed to enhance the appropriation to the Pension Fund keeping in view the pension liability which is likely to go up to around Rs.6300 crore in the year 2002-03 due to an increase in the number of pensioners and the sanction of higher dearness relief to pensioners. The Committee, while agreeing with the proposal of the Ministry of Railways, recommend that the appropriation to Pension Fund from revenues may be enhanced to Rs.6100 crore in 2002-03, subject to adjustments and keeping and keeping in view any variations of the estimated withdrawal during the course of the year. This, together with the appropriation of Rs.200 crore from Production Units will enable the Railways to meet the pension requirement of Rs.6300 crore during the year.	As per the Budget Estimates for 2001-02, Rs.5800 crore from Revenues and Rs.200 crore from Production Units were to be appropriated to the Pension Fund. The appropriation from Revenues was scaled down to Rs.5600 crore in the Revised Estimates, in keeping with the reduced requirement on account of lesser pensionary outgo during the year. In the Budget Estimates 2002-03, the appropriation to the Pension Fund have been kept at Rs.6000 crore and Rs. 200 crore respectively, from revenues and Production Unit. The balance in the Pension Fund is estimated to be Rs.465 croe at the end of the financial year 2002-03.
12.	61.	The Committee find that the appropriation to Development Fund has been kept at Rs.511 crore iin BE 2001-02. However, for the eyar 2002-03, the Ministry of Railways have proposed that the appropriation to Development Fund be made out of the excess	In the Revised Estimates 2001-02, an amount of Rs.452 crore has been appropriated to the Development Fund. In the Budget Estimates 2002-03, the appropriation to this Fund has been kept at Rs.550 crore.

		left after meeting the dividend liability . Though the Committee approve the proposal of the Ministry of Railways, they desire that the Ministry of Railways should, in their action taken notes, apprise the Committee about the actual amount that will be credited to this Fund at the end of the financial year 2002-03.	
13.	62.	The Committee were apprised that the Railways have not been able to generate enough internal resources to sufficiently contribute to the Capital Fund. In the year 2000-01, a loan of Rs.249 crore had to be taken from the General Exchequer in order to ensure that the ongoing work under this Fund do not languish. However, even with this, it was difficult to provide the balance amount required from the Railways' diminishing generation of internal resources. Since the rules of allocation for Capital and for Capital Fund are the same, the Ministry decided not to operate the Capital Fund for the present. The Committee are concerned to note that the Ministry of Railways have decided themselves not to operate this Fund. In their opinion, they should have taken the approval of the Committee before taking this decision, particularly when this Fund was created with their concurrence. Now the Ministry of Railways have proposed that all the works hitherto charged to this Fund will be met from the Capital support provided by the General Exchequer. The Fund has, however, not been closed as the loan of Rs.249 crore obtained for this Fund in 2000-01 and the interest accrued thereon have still to be repaid. An amount of Rs. 17 crore has been appropriated to this	The observation of the Committee is noted. An amount of Rs.17.43 crore from Revenues has been appropriated to the Capital Fund in the Budget Estimates 2002-03, representing the interest payable to the General Exchequer on the loan of Rs.249 crore extended to the Railways in 2000-01.

		Fund in BE 2001-02 to pay off the interest liability for the year. The Committee may be informed of the actual appropriation to this fund for 2002-03.	
14.	63.	The Committee, in their Second Report, had recommended creation of a Railway Safety Fund (RSF) w.e.f., 1.4.2001 and to keep them apprised of the progress in this regard as the actual modalities for operation of this Fund were under finalisation in consultation with the Ministry of Finance. The Ministry of Railways have submitted to the Committee that it has now been decided with the consent of the Ministry of Finance, to put the entire contribution to 'Railway Safety Works Fund' (RSWF) into the new RSF instead of the earlier proposal to contribute 20% of annual contribution to the RSWF. The RSWF has accordingly been closed and arrangements are being made to complete reimbursement of the State Governments' dues from the balance in the fund by 31.3.2002. Thereafter, the balances standing at the credit of the fund will be transferred to the RSF. IN BE 2001-02, an appropriation of Rs. 302.77 crore has been made to the Fund, consisting of Rs. 300 crore transferred by the Central Government from the Central Road Fund and Rs. 2.77 crore worked out as contribution that was supposed to be made for the RSWF out of the Dividend.	As the process of reimbursement of the State Governments' dues from the balance of RSWF has not been completed in 2001-02, it is considered appropriate to give some more time to the State Governments to put forth their claims of reimbursement from the Fund. Accordingly, the balance standing at the credit of the Fund has not so far been transferred to the RSF. Appropriation to the Railway Safety Fund in RE 2001-02 is retained at Rs.302.73 comprising Rs.300 crore transferred by Central Government from Central Road Fund and Rs. 2.73 crore being the amount worked out as contribution to the Railway Safety Works Fund out of the dividend being paid to the General Revenues. In the Budget Estimates 2002-03, the appropriation has been kept at Rs. 452.73 crore consisting of Rs. 450 crore transferred by Central Government from Central Road Fund and Rs.2.73 crore being the amount worked out as contribution to the Railway Safety Works Fund out of the dividend being paid to the General Revenues.
15.	64.	The Committee were informed that, in accordance with the recommendation of Justice Khanna committee Report on Railway Safety, the Ministry of Railways have decided to set up a non-lapsable Special Railway Safety Fund to wipe out the arrears	The observation of the Committee has been noted and also conveyed to the Ministry of Finance.

		in renewal of vital safety equipments and replacement of over-aged assets on the Railways in a fixed time schedule of 5 to 7 years. They have been apprised that the cost of replacing of such over-aged assets has been reassessed to Rs.17000 crore at the current price level. They have also been informed that it is expected that with the levy of safety surcharge the Railways would be able to raise Rs. 5000 crore over a period of six years, including the current financial year. The remaining 12000 crore would be provided by the Ministry of Finance. The Ministry of Railways have further submitted that during the current financial year the Ministry of Finance have agreed to provide Rs. 1000 crore towards this Fund, whereas the surcharge which was levied from 1.10.2001 onwards is expected to fetch Rs. 400 crore in the current year. The Committee are happy on the creation of this Fund and a clear cut demarcation regarding its funding. However, they desire that the Ministry of Finance should ensure adequate availability of funds to the Ministry of Railways in the coming years so that they may not suffocate due to lack of resources. At the same time, they also suggest to the Ministry of Railways to make concerted efforts to ensure availability of the promised amount from their own resources towards this Fund.	
16.	65.	The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and, therefore, recommend that the balance in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of	The recommendation of the Committee has been given effect to while working out the Budget Estimates for 2002-03. However, it is submitted that no interest has been provided on the balances of Railway Safety Fund and Special Railway Safety Fund in 2002-03 (BE), as these funds have been

		interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 2002-03.	categorized as "Non-interest bearing Funds" by the MoF. This was submitted to the Committee also through the "Third Interim Memorandum to RCC (1999) on Dividend payable by Railways to the General Revenues and contribution to the various Funds for 2002-03".

PART – II

MINUTES OF THE THIRTYFIRST SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 8TH MAY, 2003.

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The Committee sat on Thursday, the 8th May, 2003 in Committee Room 'E', Parliament House Annexe, from1500 hrs to 1550 hrs.

PRESENT

Dr. (Smt) C. Suguna Kumari - Chairperson

MEMBERS

LOK SABHA

2. Shri Gurucharan Singh Galib
3. Shri Raghunath Jha
4. Shri V. Dhananjaya Kumar
5. Shri Ravindra Kumar Pandey
6. Shri Manabendra Shah

RAJYA SABHA

7. Shri Dina Nath Mishra
8. Shri A. Vijaya Raghavan

SECRETARIAT

1.	Smt. Paramjeet Kaur Sandhu	-	Joint Secretary
2.	Shri V.S. Negi	-	Deputy Secretary
3.	Shri O.P. Shokeen	-	Assistant Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee and congratulated Shri V. Dhananjaya Kumar, MP on his nomination to the Railway Convention Committee (1999). * * *

3. While considering the Draft Report on the Fourth Interim Memorandum from the Ministry of Railways on 'Rate of Dividend for 2003-04 and Other Ancillary Matters', the Chairperson observed that the financial position of Railways in the recent years has improved and the Railways should now be able to pay dividend to the General Revenues at a higher percentage as compared to the past few years. After some deliberations, the Committee decided that before finalizing the Draft Report, the representatives of the Ministry of Railways be called for oral evidence on the subject at their next sitting to be held on 2nd June, 2003.

4. * * *

5. * * *

The Committee then adjourned.

MINUTES OF THE THIRTYTHIRD SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 30TH JUNE, 2003.

* * *

The Committee sat on Monday, the 2nd June,2003 in Committee Room 'D', Parliament House Annexe from 1400 hrs to 1550 hrs.

PRESENT

Dr.(Smt) C. Suguna Kumari - Chairperson

MEMBERS

LOK SABHA

2. Shri Gurucharan Singh Galib
3. Shri Raghunath Jha
4. Shri V.Dhananjaya Kumar
5. Shri Hannan Mollah
6. Shri Ravindra Kumar Pandey
7. Shri Radha Mohan Singh

RAJYA SABHA

8. Shri Sudershan Akarapu
9. Shri B.P. Apte

SECRETARIAT

1. Smt. Paramjit Kaur Sandhu - Joint Secretary
2. Shri V.S. Negi - Deputy Secretary
2. Shri O.P. Shokeen - Assistant Director

REPRESENTATIVES OF MINISTRY OF FINANCE

1. Shri I.I.M.S. Rana - Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India

2. Smt. Vijayalakshmi Viswanathan - Financial Commissioner, Railways & Ex-officio Secretary to the Government of India

3. Shri K.K. Aggarwal - Member, Traffic & Ex-officio Secretary to the Government of India

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee. Thereafter, before taking up oral evidence of the representatives of the Ministry of Railways, the Chairperson drew attention of the Members towards increase in the number of rail accidents occurred particularly during the last month. The Chairperson emphasized the need to enhance the rate of dividend and opined that enhanced dividend amount might be spent on further strengthening of the safety measures being undertaken by the Railways.

3. Thereafter the Committee took oral evidence of the representatives of the Ministry of Railways in connection with the examination of the Fourth Interim Memorandum on 'Rate of Dividend for 2003-04 and Other Ancillary Matters'.

4. The Members raised various important issues relating to the Dividend and Railway Finance. The evidence was concluded and the witnesses then withdrew.

5. The Committee decided to hold their next sitting on 26th June, 2003 to take oral evidence of representatives of the Ministry of Finance also on the same subject.

6. The Committee then adjouned.

MINUTES OF THE THIRTYTHIRD SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 30TH JUNE, 2003.

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The Committee sat on Monday, the 30th June,2003 in Committee Room 'C', Parliament House Annexe from 1400 hrs to 1550 hrs.

PRESENT

Dr.(Smt) C. Suguna Kumari - Chairperson

MEMBERS

LOK SABHA

2. Shri Raghunath Jha
10. Shri V.Dhananjaya Kumar
11. Shri Hannan Mollah
12. Shri Ravindra Kumar Pandey
13. Shri Manabendra Shah
14. Shri Radha Mohan Singh

RAJYA SABHA

15. Shri Janardhana Poojary
16. Shri A Vijayaraghavan

SECRETARIAT

1. Shri V.S. Negi - Deputy Secretary
2. Shri O.P. Shokeen - Assistant Director

REPRESENTATIVES OF MINISTRY OF FINANCE

1.	Shri D.C. Gupta	Finance Secretary & Secretary Department of Expenditure
2.	Shri D. Swarup	Additional Secretary (Budget), Department of Economic Affairs

2. At the outset, the Chairperson welcomed the Members and representatives of the Miniistry of Finance to the sitting of the Committee. The Chairperson expressed her concern over the increasing number of railway accidents and stressed upon the need to improve the safety in railway operations. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Finance in connection with the examination of the Fourth Interim Memorandum of the Ministry of Railway on 'Rate of Dividend for 2003-04 and Other Ancillary Matters'.

3. The Members raised various important issues relating to the Dividend and Railway Finance. The evidence was concluded and the witnesses then withdrew.

4. Thereafter, the Committee decided to hold their next sitting on 14^{th} July, 2003 to consider and adopt the Draft Report on 'Rate of Dividend for 2003-04 and other Ancillary Matters'.

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

The Committee then adjourned.

MINUTES OF THE THIRTYFOURTH SITTING OF THE RAILWAY CONVENTION COMMITTEE (1999) HELD ON 14TH JULY, 2003.

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The Committee sat on Monday, the 14th July, 2003 in Committee Room 'E', Parliament House Annexe from 1400 hrs to 1515 hrs.

PRESENT

Dr.(Smt) C. Suguna Kumari - Chairperson

MEMBERS

LOK SABHA

2. Shri Raghunath Jha
3. Shri V.Dhananjaya Kumar
4. Shri Hannan Mollah
5. Shri Ravindra Kumar Pandey
6. Shri Manabendra Shah
7. Shri Radha Mohan Singh

RAJYA SABHA

8. Shri A. Vijaya Raghavan

SECRETARIAT

1. Smt. Paramjeet Kaur Sandhu - Joint Secretary
2. Shri V.S. Negi - Deputy Secretary
3. Shri O.P. Shokeen - Assistant Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee considered and adopted the Draft Report on 'Rate of Dividend for 2003-04 and Other Ancillary Matters' with minor modification/amendment as shown in the Annexure.

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

The Committee then adjourned.

Annexure

Amendment/modification to the Draft Report on Rate of Dividend for 2003-04 and Other Ancillary Matters.

Sl. No.	Page No.	Para No.	Line No.		
1.	17	49	3	**Be replaced**	….' the enhanced amount of dividend should be given back and '
				By….	' but at the same time more financial assistance should be given '
2.	17	49	7	**After** …….	during the evidence
				Add ….	and also keeping in view the increased operational cost and due to certain other factors beyond the control of railways,

* * *