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RAILWAY CONVENTION COMMITTEE

(2014)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

MERGER OF RAILWAY FINANCES WITH GENERAL FINANCE- ISSUES AND CHALLENGES

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

February, 2019/Magha, 1940 (Saka)

THIRTY FIRST REPORT

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Presented to Lok Sabha on 12.2.2019

Laid in Rajya Sabha on 12.2.2019

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Shri Bhartruhari Mahtab, MP - Chairperson

Members

Lok Sabha

2. Shri Abhishek Banerjee
3. Shri Sanganna Amarappa Karadi
4. Shri K. Ashok Kumar
5. Shri Kamalbhan Singh Marabi
6. **Vacant***
7. Ramen Deka**
8. Shri Janak Ram
9. Shri Rahul Ramesh Shewale
10. Shri Bharat Singh
11. Shri Liladharbhai Khodaji Vaghela
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14. Shri T.K. Rangarajan
15. Shri Prem Chand Gupta
16. Shri Abdul Wahab
17. Dr. V. Maitreyan#
18. Shri Ranvijay Singh Judev

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1.	Smt. Kavita Prasad	-	Joint Secretary
2.	Shri M. K. Madhusudhan	-	Director
3.	Shri D.R. Mohanty	-	Additional Director

***Vacancy occurred w.e.f. 05th July, 2016 vice Smt. Anupriya Patel was appointed MOS.**
#nominated w.e.f. 7 June, 2018
**** nominated w.e.f. 1 August, 2018**

INTRODUCTION

I, the Chairperson, Railway Convention Committee (2014), having been authorized by the Committee, present this Thirty First Report on 'Merger of Railway Finances with General Finance- Issues and Challenges'.

2. The Committee obtained background material and written information from the Ministry of Railways (Railway Board) in connection with the examination of the subject. The Committee also took oral evidence of the representatives of the Ministry of Railways (Railway Board) on 21st December, 2016 and 28th February, 2018. The Committee express their thanks to the representatives of the Ministry of Railways (Railway Board) for appearing before the Committee and also for furnishing requisite written information in connection with the examination of the subject.

3. The Committee considered and adopted this Report at their sitting held on 11th February, 2019. The Minutes of the sitting of the Committee are appended to the Report.

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

New Delhi:
11 February, 2019
22 Magha, 1940 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

REPORT

PART - I

I. INTRODUCTORY

The growth and development of Indian Railways owe much to Lord Dalhousie, the Governor-General of India (from 1848 to 1856), who suggested a system of trunk lines connecting the hinterland of Bombay, Bengal and Madras Presidencies with their principal-ports and also with each other. As the then Government had neither the funds nor the technical personnel to undertake the work, the task was entrusted to private companies who were guaranteed a return of five percent on their Capital for a period of twenty five years. In return, the Companies were expected to share their surplus profit with the Government and to sell the Railways to the Government after twenty five 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 period of contract, though the management of the Railways continued to be with the companies. Subsequently, following the recommendations of the Acworth Committee (1920-21) the Government took over the management of the bulk of the Railways. The Acworth Committee also recommended the Separation of Railway Finances from the General Finances primarily to secure stability for civil estimates by providing for an assured contribution from Railway Revenues and also to introduce flexibility in the administration of the Railway Finances.

2. On 20th September, 1924, a Convention commonly known as the Separation Convention was adopted through a Resolution of the House and approved by the Secretary of the State. Under the

Separation Convention, the Railways were required to pay dividend at a fixed rate on their Capital, the whole of which was advanced by the Government of India. The most notable features of the 'Separation Convention' were firstly, the fixation of a definite annual contribution from Railways to General Revenues calculated with reference to the Capital-at-Charge of the Railway system and the profits earned by it and secondly, the establishment of a Reserve Fund and a depreciation Fund for the Railways.

3. The general economic depression in the early thirties hit the Railways' Finances hard and depleted all their reserves in the endeavour to maintain the contribution to the General Revenues and also resulted in the postponement of renewal and replacement of infrastructure in the Railways. The situation deteriorated to such an extent that ultimately a moratorium had to be declared and the General Finances received no contribution from the Railways until the early forties when the Second World War brought heavy traffic to the Railways in India and that resulted in heavy earnings.

4. Amid a series of developments, the Railway Minister in the post independence era, made an announcement in the course of his Budget Speech (1949-50) about the setting up of a Railway Convention Committee consisting of members of the House to go into the issue of allocation of Railway surplus to the General revenues and other allied matters. The RCC decided to discard the 1924 formula and adopt in its place a simpler, more just and more easily workable arrangement. The working of the 'Separation Convention' ensured a steady return to the General Revenues and also enabled the Railways to strengthen their resources for discharging their obligation towards rehabilitation, increasing operating efficiency and provision of

adequate amenities. It also arrested the growth of over capitalization in the Railway Undertaking.

5. The working of the Separation Convention has been reviewed from time to time by the RCC appointed in 1954, 1960, 1965, 1973, 1977, 1980, 1985, 1989, 1991, 1996, 1998, 1999, 2004, 2009 and 2014 (the present term).

6. The Railway Receipts & Expenditure were already a part of the Annual Financial Statement (AFS) of the Union Budget. However, on the basis of the recommendations of a Committee headed by Dr. Bibek Debroy, Member, NITI Aayog and a Paper presented to the Government by Dr. Debroy and Shri Kishore Desai on 'Dispensing with the Railway Budget', the Railway Budget was merged with the Union Budget w.e.f. 2017-18 Financial Year.

7. The merger of the Railway Budget with the General Budget was argued mainly on the following grounds:

(i) Historical factors leading to Ackworth Committee's recommendations in 1921 for separation of Railway Budget from the General Budget do not hold good now, size of Railway Budget being much smaller compared to Union Budget.

(ii) Separate Railway Budget has led to excessive populism especially in the matter of fare fixation and selection and funding of projects.

(iii) Separate Railway Budget has failed to achieve commercialization of Railway for generation of adequate funds for projects or make it accountable for delivery of services.

8. Against the above backdrop, the Committee took up the subject for detailed examination and report. In the process of assessing the impact of the merger and the issues and challenges faced by the

Railways subsequently, the Committee obtained Background Note, Written Reply and Post-evidence Information from the Ministry of Railways besides taking oral evidence of the representatives of the Railway Board on two occasions. Based on the written and oral depositions of the Ministry, the Committee have analyzed the post-merger issues in depth as enumerated in succeeding paragraphs.

II. SUGGESTED PARAMETERS FOR THE MERGER

9. The Committee were informed that while recommending to phase out the separate Railway Budget and merge it with the Union Budget, the paper on 'Dispensing with the Railway Budget', vide para 7.6, suggested the following parameters that might be followed while implementing the merger:

(i) The Net Revenues (revenues - ordinary working expenses) of Indian Railways is computed as "surplus".

(ii) A portion of surplus (based on agreed rules) is transferred to Railway Capital Funds (DRF, DF etc. or any other such account as the Government may decide). Past accruals to Railway Capital Funds to be retained.

(iii) Balance surplus, if any, is merged with the Consolidated Fund of India(CFI).

(iv) Capital-at-charge to be wiped off.

(v) GBS from Ministry of Finance (MOF) for capital works to be given to Ministry of Railways (MOR) and its departmental entities in a similar manner as GBS for other Government departments. This GBS is to be net of dividend as capital-at-charge is wiped off.

(vi) Based on the investment needs and project execution appetite, sources for additional requirements for capital funds to be agreed upon with MOR and MOF. This may include a mix of market borrowings, institutional finance or other means such as PPP, monetization of railway lands etc.

(vii) Gradually a suitable subsidy sharing mechanism may be worked out. The proposed railway regulatory/development authority may advise principles of sharing subsidies/social costs and MOF or other concerned departments to compensate MOR such costs based on agreed rules. This is consistent with recommendations of various Expert Committees.

(viii) On tariffs, the Government may exercise powers to fix passenger/freight tariffs as per the Railways Act, 1989 and due consideration to the suggestions of the above regulator, without needing to take Parliament's approval on tariff related matters.

(ix) The delegation of power rules as indicated in Section 6 (through Expanded Board for Railways) and powers of GMs/DRMs to sanction works may continue as per the existing guidelines. MOF has a precedence of granting special powers to certain commercial or strategic/commercial departments such as Posts, Telecom, Defence etc. so this is not inconsistent with existing practices.

(x) Suitable call on the power of re-appropriation with Railways can be taken as this is a practice discouraged both by MOR and MOF.

(xi) The Union Budget can have a section on railway financials (past year performance, proposed revenues, working expense and annual plan for capital works) similar to what is being done for other departments.

(xii) MOR to continue issuing and submitting to the Parliament, White papers, Outcome documents, Vision Plan etc. to communicate issues and Action Plan for railways.

10. The Committee asked whether all the above cited 12 parameters were followed while implementing the merger. In response, the Ministry furnished the following comments in a tabular form:

S.No.	Parameter	Comments
1.	The Net Revenues (revenues – ordinary working expenses) of Indian Railways is computed as "surplus".	Since the payment of dividend has ceased to exist, the 'Net Revenue' is the 'Surplus', which

2.	A portion of surplus (based on agreed rules) is transferred to Railway Capital Funds (DRF, DF etc. or any other such account as the Government may decide). Past accruals to Railway Capital Funds to be retained.	is entirely appropriated to one or the other Railways Funds. There is no balance surplus left to be merged with the CFI.
3.	Balance surplus, if any, is merged with the Consolidated Funds of India (CFI).	
4.	Capital-at-charge to be wiped off.	Capital-at-charge has been wiped off.
5.	GBS from MOF for capital works to be given to MOR and its departmental entities in a similar manner as GBS for other Government departments. This GBS is to be net off dividend as capital-at-charge is wiped off.	The GBS is provided by the MoF for the Capex as well as for the Revenue expenditure in the manner discussed in the point.
6.	Based on the investment needs and project execution appetite, sources for additional requirements for capital funds to be agreed upon with MOR and MOF. This may include a mix of market borrowings, institutional finance or other means such as PPP, monetization of railway lands etc.	This used to be the position even in the pre-merger era and has remained the same even after merger of the Railway Budget with the General Budget.
7.	Gradually a suitable subsidy sharing mechanism may be worked out. The proposed railway regulatory/development authority may advise principles of sharing subsidies/social costs and MOF or other concerned departments to compensate MOR such costs based on agreed rules. This is consistent with recommendations of various Expert Committees.	Since the proposed Railway regulatory/development authority is yet to take a final shape, consideration on the issue of suitable subsidy sharing mechanism is yet to begin.
8.	On tariffs, the Government may exercise powers to fix passenger/freight tariffs as per the Railways Act 1989 and with due consideration to the suggestions of the above regulator, without needing to take Parliament's approval on tariff related matters.	This used to be the case and has remained so even after merger of the Railway Budget with the General Budget.

9.	The delegation of power rules as indicated in Section 6 (through Expanded Board for Railways) and powers of GMs/DRMs to sanction woks may continue as per the existing guidelines. MOF has a precedence of granting special powers to certain commercial or strategic/commercial departments such as Posts, Telecom, Defence etc. so this is not inconsistent with existing practices.	The delegation of power earlier available have further been extended upto GMs and DRMs.
10.	Suitable call on the power of re-appropriation with Railways can be taken as this is a practice discouraged both by MOR and MOF.	The powers of re-appropriation as earlier available are available now also. The GMs/DRMs have also been authorised to re-appropriate funds within the same source and the minor heads of Capex.
11.	The union Budget can have a section on railway financials (past year performance, proposed revenues, working expense and annual plan for capital works) similar to what is being done for other departments.	Separate section on the Railways financials has been introduced in the Union Budget.
12.	MOR to continue issuing and submitting to the Parliament, white papers, Outcome documents, Vision Plans etc. to communicate issues and Action Plans for railways.	MoR will present white papers, vision documents etc. in Parliament, whenever the need arises. However, a consolidated Outcome Budget for all the Ministries/Departments including the Railways is being presented by the MoF. The practice of presenting a separate Outcome Budget by the Ministries has been done away from the Budget year 2017-18 as per the directives of the MoF.

III. SUGGESTIONS OF THE MINISTRY OF RAILWAYS TO THE MINISTRY OF FINANCE

11. On the issue of merger of Railway Budget, MOR communicated to MOF that prima facie, merger of Railway Budget with Union Budget was a workable idea and MOR was positively inclined towards the suggestion. However, Railways also stated that the merger would be useful if it served to:-

(i) Facilitate a clear demarcation between the commercial and social parts of the Railway which are presently intermingled. The commercial part of the business should be managed on sound commercial principles and the social part can be costed and compensated by general exchequer on pre-defined efficiency benchmarks.

(ii) Safeguard the speed and autonomy of decision making considering the scale and complexity of operations of Railways.

(iii) Ensure adequate funding to expand and modernize the Railway network.

12. Subsequently MOF communicated its decision to merge the Railway Budget with the General Budget from 2017-18.The procedural details and other operational modalities for the merger of Railway Budget with the General Budget, were worked out by a Committee of officials from MOF and MOR constituted for the purpose, which submitted its report on 07.09.2016. The Government accordingly approved merger of the Railway Budget with the General Budget from the fiscal 2017-18. Accordingly, the unified budget includes estimates of MOR under a single Demand for Grant, (Demand No.80 – Ministry of Railways) and a single Appropriation Bill including the Railways is presented to Parliament.

13. The Committee queried whether all the three suggestions of the Ministry of Railways were accepted by the Ministry of Finance. In response, the Railway Board submitted as follows:

"The autonomy in making decisions available with the Ministry of Railways in pre-merger era continues even in the post-merger era. The adequate funding required for expanding and modernisation of the Railway network is also available. However, a decision on demarcation between the commercial and social part of the Railway activities and reimbursement of the social service obligation has not yet been taken by the Ministry of Finance."

IV. FUNCTIONAL AND FINANCIAL AUTONOMY

14. While taking oral evidence of the Railway Board before the merger took place, the Committee desired to be apprised of the status of the financial and functional autonomy of the Railways once the Railway Budget was merged with the General Budget. In response, a representative of the Railway Board deposed in evidence:

"What is understood as of now by financial autonomy is that the existing delegation of power for sanctioning of railway projects which is probably at par with NHAI, will continue. There will be no change in that. Ideally, left to ourselves, we would like Railways to function as a commercial organization with all our social obligations, pension obligations being taken over by the Government because these are not within our control. We have to do this per force. This should be absolved by the Government. As of now, there is no change either in the structure or any of these measures."

15. The representatives of the Railway Board further submitted:

"Sir, as far as that aspect is concerned, nothing has changed with this merger as far as the Ministry of Railways finances are concerned or the delegation of powers for sanctioning of projects, etc. are concerned as that would remain with the Railways. The Ministry of Railways will continue to remit all its

revenue to the CFI and incur expenditure after authorization from the Parliament. Whatever surplus is there in the Railways, it will continue to appropriate to its reserve funds. So, that way, there is no change.

At present, in Railways, there are 16 Demands for Grants, which after merger will go into only one Demand for Grant of the Ministry of Finance, which will have two sub-sections, namely, revenue and capital. With this, the capital at charge of the Railways will be wiped out and the system of payment of dividend will be given up."

16. After the merger took place, highlighting the status of the financial autonomy of the Railways, a representative of the Railway Board apprised in another evidence:

"At present, so far as the financial autonomy is concerned, it was one of the concerns which was expressed within the Railway Ministry. That has been accepted by the Government and the Ministry of Finance and we have been assured that this will continue. That is one aspect of it.

Then, about execution, right now we are still in the process of working out the impact on the social service obligations and the way in which it should be treated or we should be compensated for that. Earlier on, at one stage, the Ministry of Finance had their reservations about losses on the strategic lines which has now been restored. In fact, in the current year also, we have projected it. In the next year, what has been projected is Rs. 1,940 crore and it has been accepted by the Ministry of Finance. That will come through. One change which has taken place which I wanted to submit is that the dividend on the railway PSUs which was coming to us and were part of the sundry, now it has been decided by the Government that it will go directly to the Ministry of Finance. In the current year, we had expected roughly around Rs. 925 crore originally. But in the final revised figures, we have not taken it as part of our sundry earnings and all the railway PSUs have been directed to remit this amount of Rs. 925 crore directly to the Ministry of Finance."

17. Asked to state the date on which the decision regarding payment of dividend by the Railway PSUs directly to the Ministry of Finance was taken, the Railway Board in a post-evidence information submitted as follows:

> "The decision for remitting the dividend payment by Railway PSUs to Ministry of Finance instead of Ministry of Railways w.e.f 2017-18 was taken during September, 2017 (20.09.2017) and communicated to Ministry of Railways by Ministry of Finance on 3rd October, 2017."

18. In response to a specific query regarding any change in the system of railway administration subsequent to the merger, the Railway Board stated that the merger of Railway Budget with the General Budget was not aimed at changing the system of railway administration. The Railway Board further submitted as under:

> "The administrative, financial powers and the autonomy of the Railways has remained unchanged, due to which there has not been any change in the administrative set up. Railways continue to receive budgetary support from Government of India and borrow money from other institutions and market. The Railways are in control of their revenues and shoulder the expenditure including on its serving employees and pensioners as before. All these factors contribute towards safeguarding the functional and financial autonomy of the Railways."

19. Asked to state categorically whether Railways were getting adequate financial support after the merger, for expansion and modernisation of the Railway network, the Railway Board submitted as under:

> "The Railways are getting sufficient funds in the form of budgetary support and extra budgetary resources through institutional financing and market borrowings to finance its projects."

20. The Railway Board further stated as under:

> "The functional and financial autonomy of the Railways is intact and the availability of funds is satisfactory in the post-merger phase which is generally facilitating all the railway projects under execution."

V. BENEFITS OF MERGER

21. As regards the distinct benefits/advantages accrued to the Railways as a result of the merger, a representative of the Railway Board submitted in evidence:

> "The stated benefits of this merger are broadly as follows. It would save precious time of the Parliament by not having to hold separate discussions on consideration of two separate Budgets; it would facilitate multi-mode transport planning involving Railways, Roadways and Waterways; it will give an opportunity to the Ministry of Finance to scrutinize the estimates of the Ministry of Railways in greater detail for better allocation of resources."

22. The representative of the Railway Board further deposed:

> "The Ministry of Finance will continue to provide general budgetary support to Railways for meeting its capital expenditure. A separate statement of budget estimates and Demands for Grants will be created for Railways in the General Budget. Expenditure budget of the Ministry of Finance will contain a section on Railways to bring out a gist of Railway finances and other highlights. All legislative work relating to Railways, Demands for Grant and Appropriation Bill will be carried out by Ministry of Finance. Since the Ministry of Finance will be presenting the unified budget including the Railways, the Ministry of Railways would be required to present only the detailed Demands for Grants, the Outcome and Performance Budget and the Annual Report."

23. Asked to state frankly whether Railways were facing any constraints in any area of their operation subsequent to the merger, the Railway Board submitted as under:

> "Merger of the Railway Budget with General Budget has not brought about any constraints. Whatever difficulty in Railway finances or otherwise may emerge will entirely arise from Railways operation which, by and large, has remained as it is. The merger, in fact, has brought a sense of security that in time of need, Ministry of Finance will stand at the back of the Railways."

24. On the same issue, the then Chairman, Railway Board candidly deposed in evidence:

> "I would clarify. One main point was how has the budget separation really affected us, has it contributed negatively or positively? Only time will tell but so far we don't feel much of a difference. It is business as usual. We are not having further constraints nor we are empowered. As I mentioned in the beginning dividend liability has gone away".

VI. COMMERCIAL OBJECTIVES AND SOCIAL OBLIGATIONS

25. As mentioned earlier, the Ministry of Railways gave three suggestions to the Ministry of Finance before the merger took place. One such suggestion was to facilitate a clear demarcation between the commercial and social operations of the Railways which were intermingled. The Ministry of Railways suggested that the commercial part of the business should be managed on sound commercial principles and the social part can be costed and compensated by the General Exchequer on pre-defined efficiency benchmark. However, no decision on this suggestion of the Ministry of Railways has been taken by the Ministry of Finance.

26. In the above context, the Committee desired to know the efforts made by the Railways to maintain a seamless balance between the Railways' commercial objectives and social obligations. In reply, the Railways Board stated as under:

"Indian Railways is the life line of the country. It offers affordable transportation solutions to the poorest section of the society and therefore, the passenger fares have consciously been kept at low level particularly for second class ordinary and suburban passengers which constitute about 82% of the total passenger traffic. Efforts have been made to keep the passenger fare at affordable level. As the result, IR are sustaining losses in Passenger traffic over the years. During 2016-17, the total losses in coaching services was to the tune of Rs. 39565 crore. The fare fixation for carriage of passengers is done keeping in view the demands of the public minimizing the loss on this account. However, losses in passenger segment are continuing."

27. When the Committee wanted to have the views of the Chairman, Railway Board on the matter, he submitted in evidence:

"...Primarily it is a transport business; it is a commercial organisation and has to be run on commercial lines. Then, it has to take care of the social aspects also. We cannot shy away from development of underdeveloped areas. We will not be saying that we will not go there because it is not commercially viable because that is also our role. Socially also we have to do it and to run it well, we have to run it commercially. We will see what we can do. We will deliberate internally whether there is a method of starting new lines, we can never start a new line in a business like ours, out of the money which we make. It has to be invested by the owner. That way, it has to be out of the GBS. If we run the organisation totally commercially, then we can take all these decisions on a sound commercial basis. But we are a mix of both..."

28. The Chairman, Railway Board further stated:

"...Operating cost will keep on going higher and ultimately there will be no surplus as such. That is why I said we have to run a commercial portion commercially and social portion separately, then social portion should have to be taken care of by the government. We will apply our mind to it. We fully agree we need a long term plan, how we are going to develop Railways. We are looking at creating the National Rail Plan. We

are working on that. So far development of Railways was basically activity based, to develop a line here or there, electrify some portion. Now we have started a holistic view of entire electrification. We will go ahead with complete electrification because it is financially advantageous for us. We will be able to haul heavier trains and faster trains and it will help the nation and would march towards improving the economy."

29. Underlining the segregation of commercially viable Projects, another representative of the Railway Board deposed in evidence:

"I would like to submit that there is a segregation within the projects about those which are commercially viable. Since we need to expedite the total infrastructure investment, the projects which are commercially viable, we are funding it not through the budgetary support, we are funding it through IRFC. We have segregated certain things which we require, which are operationally required, because we have a constraint of throughput. The doubling are the ones which we have been pushing for and since we feel that we can carry far more revenue earning traffic, we have decided that the doubling projects, which we felt were both operationally required as well as which are commercially viable, we wanted to accelerate it and therefore, we have entered into an agreement with LIC. We are also doing short-term commercial borrowings from the market. We are doing it for the remunerative projects and which are also operationally required.

Then, bulk of the rolling stock, which we had found historically and where the lead time about getting it is also there and they all carry revenue traffic, which gives us additions the earnings, are being financed through the IRFC bonds.

Now, I would come to the things that would be required on a macro-holistic basis based on the aspirations of various regions. For example, Jammu-Srinagar line. It is a requirement as a National Project. These are segregated and clubbed into our requirement of GBS. There are a large number of projects in the North-Eastern Region, which are for

connectivity of various States with the mainstream. The J&K project is like this.

Then, the DFC, another high speed corridor which is also, right now, through the General Budgetary Support."

30. The representatives of the Railway Board further stated:

"As the hon. Chairman and the Committee have told, lots of State Governments had been coming to us for various projects about the lines. After working out the viability, if we found that per se with our total funding, it was not a very viable project, then we had tried and entered into a JV with some of the State Governments about sharing of the costs. When the cost is shared or the land is provided free, my overall project cost from the Ministry of Railways perspective comes down. If 100 per cent funding was to be done by us, and if things may not be absolutely viable, then the State Government comes forward and shares 50 per cent with us.

So, the categorisation is like this. Operational and commercial viability, we feel, can be funded in one manner. The projects where the viability could be increased because the State Government chips in, are basically the new line projects."

31. Asked to state the foolproof mechanism put in place to assure that the post-merger scenario would not lead to a pre-1924 situation where lucrative lines were getting more funds than the non-lucrative lines, the Railway Board apprised as under:

"While financial viability will be one of the important factors for project funding, the commitment of the Government of India to bring all the regions of the country under the rail network will strike a balance between the social and economic interests which was not the characteristic of pre-1924 era."

32. The Committee then asked whether the Railways on their own had made any attempt for computing the exact value of Social Service

Obligations being borne by them. In reply, the Railway Board submitted as under:

> "Indian Railways had engaged National Institute of Public Finance and Policy (NIPFP) for study of "Developing a mechanism for computing the value of Social Service Obligation (SSO) being borne by Indian Railways". NIPFP had submitted recommendations that, the losses on account of concession in passenger fare, uneconomic branch lines, strategic lines, EMU suburban services, may be considered as social services obligations."

VII. EFFORTS TO AUGMENT NON-FARE REVENUES AND INCREASE OVERALL EFFICIENCY

33. In response to a query of the Committee regarding efforts made by the Railways to lay emphasis on other sources of income apart from passenger fare and freight tariff, a representative of the Railway Board submitted in evidence:

> "We have the Non Fare Revenue (NFR). One is advertising earning. We can earn much more than what we are earning now. That is one area. The second thing is station development, commercial exploitation of the aerial space and also adjoining landmass. That is another way of monetization. There is a separate Directorate for NFR. We are hitherto depending on only fare and freight but we are on the job of exploring the other sources of income also."

34. The Committee then desired to have the details of the measures taken by the Railways to earn more revenue through commercial use of Railway land, Redevelopment of Stations, Advertisements and other non-fare sources. In response, the Railway Board stated as under:

> <u>Commercial Utilisation of Railway land</u>
>
> "Railway is having approximately 0.52 lakh hectare of vacant land out of about 4.77 lakh hectare of land in possession. This vacant land is mostly in the form of narrow strips along the

Railway track, required for railways maintenance/operational needs. The vacant land which is not required by railways, is utilized for commercial development wherever feasible, in order to mobilize additional financial resources through Rail Land Development Authority (RLDA). As on date 59 land parcels have been identified and entrusted to RLDA having total area of about 214 hectares for commercial development having approximately revenue realization of Rs. 7000 Cr. These lease land parcels are spread in metropolitan cities like Delhi, Mumbai, Chennai, Secunderabad as well as in Tier-II / III cities. Besides entrusting of vacant land to RLDA for commercial development, Railway has been leasing/ licensing its vacant land for conventional usages which are essentially connected with Railway's operation / working such as bulk oil installations & oil depots, steel yards, concrete sleeper plants, coal dumps, connectivity to private sidings and ports and other infrastructure, commercial plots, vending stalls etc. Railways also lease/license land for development of public utilities by various Central / State Governments and Local bodies including permitted usages of Railway land to Railway employees under Grow More Food (GMF) Scheme to ensure continuous surveillance against encroachments. The revenue generation from such leasing/ licensing of land in last 3 years is Rs.1683 Cr. in 2015-16, Rs.2079 Cr. in 2016-17 and Rs.1525 Cr. in 2017-18. There is no bar on monetizing air space available with Railways. Railways have launched programme of Station redevelopment on neutral cost basis which involves redevelopment of Stations through monetization of air space available above Stations as well as vacant land available around the Stations.

Redevelopment of Stations

RLDA has also been assigned the task to redevelop major Railway colonies of metropolitan cities on commercial terms. For such development, RLDA has been permitted to lease out the space for commercial utilization upto 99 years. At present, 23 colonies have been entrusted to RLDA for redevelopment through monetization of extra space as presently most of the colonies are single / double stories and thus full Floor Space

Index (FSI) is not used. This will help redevelopment of colonies besides generation of non-fare revenue also.

Advertisements

Special emphasis is being laid by the Ministry of Railways to augment earnings through advertising and commercial publicity. Policies have been framed and full powers have been delegated to General Managers/Divisional Railway Managers of all Zonal Railways to award advertising contacts in order to expedite the process and increase revenue. Further, Central and State Government Departments have also been offered subsidised/ fixed rates for advertising on stations and on trains.

Scrap Disposal

1. In Railways, a well organized system exists for disposal of scrap.
2. Following actions have been taken to enhance revenue through scrap disposal:

i) All scrap sales is arranged through e-auctions in a transparent manner.
ii) All payments including Scrap Disposal (SD) and balance payment are received online which has resulted in ease of doing business.
iii) E-auctions are conducted more frequently with normally minimum three auctions per month auction conducting officer.
iv) Officers in the Divisions have also been empowered to conduct e-auctions.
v) Inspections are regularly carried out by officers of various departments with a view to promptly identify, mobilize and offer the scrap available in the railway system. Foot by foot surveys are carried out by officers, covering almost all sections of railways.
vi) Periodical review meetings are held in Railway Board and other units exclusively on scrap disposal and the progress is closely monitored.
vii) Scrap/Condemned concrete sleepers, abandoned buildings, microwave towers, bridge structures, etc are also now being e-auctioned.
viii) Month end closing balance of scrap is regularly monitored in the Board's office. Zonal Railways/PUs have been asked to

reduce the scrap balance so as to maximize the disposal and resultant revenue generation.

ix) In Stores Depots, CCTV cameras have been installed for continuous surveillance for preventing leakage of revenue.

As a result of above measures total sales in 2017-18 was of Rs. 3143 crores which is 15.6% higher than the sales of Rs. 2718 crores in 2016-17. During 2018-19, sales of Rs. 2513 crores (upto Dec' 2018) has been achieved against the corresponding sales of Rs. 1837 crores upto Dec' 2017 in 2017-18. There is an increase of 37% year on year.

Elimination of theft and leakages

With a view to prevent leakage of revenue of Indian Railway on account of ticketless/ irregular travelling, following steps have been taken:

i. Conducting of regular and surprise checks against ticketless travel, which are intensified during peak rush periods.

ii. Vigorous drives such as Ambush Checks, Fortress Checks are conducted in association with Railway Protection Force.

iii. Intensive Check Posts have been set up at important stations of each division of Zonal Railways to curb ticketless travelling in unreserved segments.

iv. With a view to curbing entry of without ticket passengers in ticketed areas and to reduce ticketless travel, instructions have been issued for ensuring effective manning of all designated/functional gates at stations.

v. Travelling public are urged to avoid ticketless travel through publicity campaigns launched by Zonal Railways through posters/notices/ announcements at railway stations and advertisements in newspapers.

35. Emphasising the need for increasing the overall efficiency of the Indian Railways, the Committee desired to know the endeavours of the Railways towards that direction. In response, the Railway Board furnished the following detailed information:

i) In recent years, thrust has been on infrastructure development. Increased capital expenditure and better project management have led to improved pace of commissioning of new

lines, doubling/tripling/quadrupling, electrification, traffic facility works etc. Railways' capital expenditure aimed at expansion of network, modernization and asset acquisition has taken a quantum jump by increasing from Rs. 58,718 crore in 2014-15 to Rs. 1,01,985 crore in 2017-18 (RE for 2018-19 is Rs. 1,38,858 crore). Greater thrust has been given to remove bottlenecks through enhanced investment in new lines, doubling, electrification and traffic facility works. These measures will increase capacity and efficiency of train operations.

Annual pace of commissioning of new lines, doubling/tripling/third & fourth line, gauge conversion has increased by 57% from 1,520 kms during 2009-14 to 2,382 kms during 2014-18.The target of new lines, gauge conversion and doubling tripling/ third & fourth lines for 2018-19 is 4,100 kms.

In order to segregate passenger and freight services, increase carrying capacity and speed of trains, construction of the Eastern and Western Dedicated Freight Corridors (DFC) is being fast tracked. DFCs are fully electrified high axle load (25 ton) corridors and will improve efficiency of freight transport. Khurja-Bhadan section on Eastern DFC and Ateli-Phulera section on Western DFC has been completed in 2018-19. Both DFCs are targeted for completion in 2020-21. Three more DFCs on East - West (Kolkata - Mumbai), North – South (Delhi – Chennai) and East Coast (Kharagpur – Vijayawada) routes are being planned.

100 per cent mission electrification of Indian Railways' Broad Gauge network has been planned by 2021-22. This will improve speed of trains, efficiency of operations, reduce cost, ensure India's energy security and make railways greener and more sustainable mode of transport. Pace of electrification has been significantly increased. 4,087 RKM has been electrified in 2017-18 compared to 610 RKM in 2013-14 and target for this year is 6,000 RKM.

Further, major impediments to mobility have been identified. A road map has been developed to overcome the existing impediments due to fixed infrastructure, movable infrastructure, and operational practices and is being implemented in a phased manner. These initiatives will increase average speed of trains and reduce travel time.

Also the concept of sanctioning works as an umbrella project where sanction is obtained for various individual works to speed up the process of sanctioning of works has been initiated.

ii) Modern High Horsepower locomotives: Efforts are on to increase horsepower to trailing load ratio of trains to improve acceleration and speeds. Under 'Make in India' initiative, Electric Locomotive Factory at Madhepura in Bihar is producing India's state of the art high-speed electric locomotives of 12,000 HP, the first of which was flagged off in April 2018.

iii) In order to provide better passenger experience and comfort, manufacture of Best in Class Train sets has been taken up by Integral Coach Factory (ICF), Chennai. The Train-18 is a Semi High Speed Train sets with distributed power which enables quicker acceleration. Contemporary passenger amenities like on-board infotainment and GPS based passenger information system, CCTV, automatic sliding doors with retractable coach footsteps and zero discharge vacuum based bio-toilets etc are provided in the train. ICF has turned out one rake of Train-18 in October 2018 which is undergoing trials and is expected to start commercial runs soon.

iv) In view of the additional safety afforded by LHB coaches, Indian Railways has completely switched over to production of LHB coaches from the year 2018-19 and has stopped the production of ICF design mainline conventional coaches. In view of the higher speed potential, better riding comfort & higher passenger safety afforded by LHB coaches, Indian Railways has more than doubled the production of LHB coaches (from 999 in 2015-16 to 2480 in 2017-18).

v) Safety is accorded the highest priority and all possible measures are undertaken on a continual basis to prevent accidents and to enhance safety. As a result of various safety measures and sustained efforts over the years, the number of consequential train accidents (including incidents at unmanned level crossings) has come down from 195 in 2006-07 to 104 in 2016-17 and further to 73 in 2017-18. In the current year during April to 31st December, 2018, 47 consequential train accidents have taken place as against 57 consequential train accidents during the corresponding period of the year 2017-18. Accidents Per Million Train Kilometers, an important index of

safety, has come down from 0.23 in 2006-07 to 0.09 in 2016-17 and further to 0.06 in the year 2017-18 despite quantum increase in the volume of traffic carried by Indian Railways over the years.

vi) To address Railways' requirement for critical safety works, the Government has introduced a new fund 'Rashtriya Rail Sanraksha Kosh (RRSK) since 2017-18. It has a corpus of Rs. 1 lakh crore to be utilized over a period of five years and has an annual outlay of Rs. 20,000 crore.

vii) To improve safety of train operations all unmanned level crossing gates have been eliminated. Further, Automatic Train Protection (ATP) system is being planned using a mix of proven European Train Control System (ETCS) level 2 or equivalent systems and indigenously under development Train Collision Avoidance System (TCAS). This will also improve the carrying capacity of tracks. The ATP system will be an aid to locomotive pilots and will help eliminate accidents caused due to human errors. Trials for these systems are underway and implementation will be done after their completion. Other signaling improvement works which are being undertaken are provision of automatic block signaling, Intermediate block stations (IBS), replacing mechanical interlocking systems with electronic interlocking, interlocking of level crossing gates. The provisioning of funds for signaling works has increased from Rs.853 Crs in 2015-16 to Rs.2025 Crs in 2018-19 respectively. These will result in improved safety and increased capacity to run trains.

viii) To authentically report train timings, a system of integrating data-loggers with the Control Office Application(COA) software has been started in Jan' 2018.

ix) The practice of signing of MOUs between Railway Board and GMs of all zonal railways and Production Units has been started for ensuring accountability and evaluation of performance of Zonal Railways.

x) Sharing of best practices is being encouraged amongst railway units.Rail Good Work Portal, an on-line platform has been developed in January 2018 where railway units are freely sharing the various good works being done by them. Over 4000

good works being done in various areas of railways have been shared by the units.

xi) General Managers, Divisional Railway Managers and field officials have been empowered by delegating administrative and financial powers to fast track decision making, deliverance and improve overall efficiency of Railways. The enhanced delegations and empowerment will improve safety, give faster access to work and breakdown sites, improve station and passenger interfaces, ease of contracting and procurement by user departments, improve upkeep of equipment, improve cleanliness and hygiene at stations and in trains, enhance training and capacity building of staff and boost employee morale. A Model Schedule of Power (SOP) has been issued for the first time from Railway Board in October 2017 (this replaces 16 SOPs of zones).

xii) Special thrust has also been given to develop leadership capabilities. Workshop on Leadership and Emotional Intelligence for GMs and DRMs has been organized at the National Academy of Indian Railways (NAIR) in November 2018 to develop leadership capabilities .This is being further proliferated to the level of Principal Heads of Departments, CWMs, ADRMs and JAG officers working as Branch officers. Enhanced capabilities of officers will result in improved and efficient management and operations of Railways.

xiii) Railways have continuously been striving to minimise its Operating Ratio by containing the revenue expenditure to the barest minimum and raising railways' revenue receipts. Revenue enhancing measures, inter alia, include targeting progressively higher traffic throughput, periodic rationalization of fare and freight rates, effective and innovative marketing strategies to capture more and more traffic, creation of additional capacity and optimum utilization of the existing rail infrastructure including rolling stock, enhancement in productivity and efficiency, improvement of passenger interface and focus on increasing the share of non-fare revenue sources in Railways' earnings. Expenditure control measures include strict economy and austerity measures, improved man-power planning, better asset utilization, inventory management, optimizing fuel consumption etc."

PART-II

OBSERVATIONS/RECOMMENDATIONS

1. The Committee note that on the basis of the recommendations of a Committee headed by Dr. Bibek Debroy, Member, NITI Aayog and a Paper presented to the Government by Dr. Debroy and Shri Kishore Desai on 'Dispensing with the Railway Budget', the Railway Budget has been merged with the General Budget with effect from the Financial Year 2017-18. Such merger has been effected mainly on three grounds viz. (i) separation of Railway Budget from the General Budget does not hold good in the present scenario; (ii) separate Railway Budget has led to excessive populism; and (iii) separate Railway Budget has failed to achieve commercialization of Railway for generation of adequate funds. Without going into the merits of these arguments now that the merger has already been effected, the Committee are, however, of the considered opinion that onus now lies with the Government in general and the Ministry of Finance in particular to ensure that the unified Budget does not lead to excessive populism, especially in the matters of fare fixation and selection and funding of Railway projects. Equal import needs to be accorded to requisite commercialization of Railways with a view to enable them to generate adequate funds for projects and remain accountable for delivery of services, so that the grounds for merger are truly justified.

2. The Committee note that while recommending to phase out the separate Railway Budget and merge it with the Union Budget, the Paper on 'Dispensing with the Railway Budget' suggested 12 parameters to be followed while implementing the merger. In this context, the Committee find that while some suggested parameters were same as used to be in the pre-merger era, some other new parameters have been followed. However, one of the important parameters which is yet to be followed is the gradual working out of a suitable subsidy sharing mechanism to be advised by the proposed Railway Regulatory/Development Authority. Since the proposed Authority is yet take a final shape, consideration of suitable subsidy sharing mechanism is yet to begin. In view of the fact that the principles of sharing subsidies/social costs involve reimbursement of such costs to the Railways by the Ministry of Finance and other Departments concerned, the Committee stress that the process of establishment of the proposed Railway Regulatory/Development Authority be expedited, consistent with the suggested parameters for the merger of Railway Budget with the General Budget.

3. The Committee appreciate that out of the three suggestions given by the Ministry of Railways to the Ministry of Finance to make the merger useful, two suggestions *viz.* to safeguard the speed and autonomy of decision making process considering the scale and complexity of the Railway

operations and to ensure adequate funding to expand and modernise the Railway Network, have been accepted. However, the third suggestion i.e. a decision on demarcation between the commercial and social part of the Railway activities and reimbursement of the Social Service Obligation has not yet been taken by the Ministry of Finance. It is really a matter of serious concern for the Committee that on one hand the Railway Budget has been merged with the General Budget due to inadequate commercialisation of the Railways while on the other hand no demarcation between the Railways' commercial and social activities has been made nor any decision has been taken to reimburse the Social Service Obligations of the Railways. In other words, indecision regarding a clear cut demarcation and reimbursement of social costs might have led to inadequate commercialisation of the Railways, notwithstanding Railways' own performances. The Committee, therefore, emphasize that the sooner a demarcation between commercial and social parts is made, it would be better for the overall financial health of the Railways, empowering them to effectively focus on expansion and modernisation of Railway Network.

4. The Committee are glad to note that the merger of Railway Budget with the General Budget has not been aimed at changing the system of Railway administration as a result of which the functional and financial autonomy of the Railways is intact and availability of funds in the form of Gross Budgetary Support (GBS) and Extra Budgetary

Resources (EBR) is sufficient in the post merger phase, facilitating execution of all the projects. Taking into consideration the enormity and complexity of Railway operations, the decision of the Finance Ministry to safeguard the functional autonomy of the Railways, besides ensuring adequate funding to expand and modernise the Railway network, is commendable. The Committee trust that such autonomy accorded to the Railways would continue undeterred and unhindered so as to ensure seamless execution of critical expansion and much needed modernisation of railway network.

5. The Committee appreciate the candid statement of the then Chairman, Railway Board that the merger has neither constrained nor empowered the Railways. However, the Committee's attention has been drawn to some distinct benefits/advantages of the merger which *inter-alia* include facilitating multi-mode transport planning involving Railways, Roadways and Waterways; scrutiny of the estimates of the Ministry of Railways in greater detail by the Ministry of Finance for better allocation of resources, etc. What is more encouraging is the confidence exuded by the Ministry of Railways in submitting that the merger has in fact, brought a sense of security that in time of need, the Ministry of Finance will support the Railways. While taking note of some of the positive developments post-merger, the Committee believe that the trust reposed in the Ministry of Finance by the Ministry of Railways would be honoured, especially in the

current scenario when the Minister of Railways is also in charge of the Finance Ministry.

6. The Committee note that because of the some constraints, the Railways are funding the commercially viable projects through IRFC and not through the Budgetary Support. Similarly, for accelerating doubling projects which are operationally required for more revenue earning traffic, the Railways have entered into an agreement with LIC. For remunerative projects, the Railways are resorting to short-term commercial borrowings from the market, which is purely a temporary arrangement. As regards long term planning, the Railways are working to create a National Rail Plan for overall development of the Railways. The Committee are of the considered opinion that temporary and short term measures of funding like market borrowings, once cease to exist, might put the Railways in serious difficulties and therefore, it needs to be addressed appropriately. The Committee also desire that the creation of a National Rail Plan, as contemplated, be expedited so as to assure permanent and long lasting funding, including GBS for operationally required and commercially viable projects.

7. One of the well known perennial predicaments of the Railways is that they have to run on commercial lines and simultaneously fulfill their social obligations, as a result of which they are sustaining losses. As mentioned earlier, no decision on the demarcation between the commercial

objectives and social obligations of the Railways has been arrived at. The Ministry of Railways, on their own, had engaged National Institute of Public Finance and Policy (NIPFP) for study of 'Developing a mechanism for computing the value of Social Service Obligation (SSO) being borne by Indian Railways'. According to NIPFP's recommendations, the losses on account of concession in passenger fare, uneconomic branch lines, strategic lines and EMU suburban services, may be considered as SSO. The Committee urge the Ministry of Finance to take serious note of these recommendations of NIPFP and decide at an early date whether the commercial part of Railways' business be managed on sound commercial principles and the social part be costed and compensated by the General Exchequer on pre-defined efficiency benchmeark, especially after the merger.

8. While taking note of the the assurance of the Ministry that the commitment of the Government of India to bring all the regions of the country under the rail network will strike a balance between the social and economic interests, the Committee would, however, like the Ministry to ensure that the post-merger scenario does not lead to a pre-1947 situation where lucrative lines were getting more attention and funds than the non-lucrative lines.

9. The Committee appreciate that apart from passenger fare and freight tariff, the Railways are focusing on Non Fare Revenue (NFR) and a separate Directorate for NFR has been

established. Such Non- Fare Revenue *inter-alia* includes earnings from Commercial Utilisation of Railway Land, Redevelopment of Stations, Advertisements, Scrap Disposal etc., which have paid rich dividends. For example, the revenue generation from leasing/ licensing of Railway land was Rs. 1683 crore during 2015-16, Rs. 2079 crore during 2016-17 and Rs. 1525 crore during 2017-18. Similarly, the proceeds from Scrap Disposal during 2017-18 were Rs. 3143 crore which was 15 percent higher than the revenue of Rs. 2718 crore earned during 2016-17. As these measures have potential for substantial revenue generation, corroborated by the above facts and figures, the Committee impress upon the Railways to intensify their focus on Non Fare Revenue so as to strengthen their financial health. The Committee would also like the Ministry of continue their efforts towards elimination of various kinds of thefts and leakages so as to prevent avoidable loss of revenue.

10. The Committee take note of the various measures initiated by the Railways for increasing the overall efficiency which *inter-alia* include increased capital expenditure and better project management, enhanced annual pace of commissioning of New Lines, construction of Dedicated Freight Corridors, hundred percent mission electrification of Broad Gauge Network, according highest priority to safety aspects, ensuring accountability and evaluation of performance of the Zonal Railways, delegating administrative and financial powers to the GMs and DRMs, striving to

minimize the Operating Ratio, etc. The Committee are of the considered opinion that the Indian Railways have to leverage their all round efficiency parameters and the above said endeavors are steps in right direction which ought to be continued unabated and further strengthened.

New Delhi:
11 February, 2019
22 Magha, 1940 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

ANNEXURE-I

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE TWENTY EIGHTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 21st December, 2016, from 1500 hrs. to 1600 hrs. in Committee Room-E, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar

Rajya Sabha

3. Shri T.K. Rangarajan
4. Shri Prem Chand Gupta

Secretariat

1. Sh. S.C. Chaudhary - Joint Secretary
2. Sh. D. R. Mohanty - Additional Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

1. Sh. B.N. Mohapatra - Addl. Member (Finance)
2. Sh. P.V. Vaidialingam - Adv (Finance)
3. Sh. Anand Prakash - EDF (B)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to have a briefing on the subject "**Merger of Railway Finances with General Finances-Issues and Challenges".** Impressing upon the witnesses to keep the proceedings of the Committee **"Confidential",** the Chairperson asked the Additional Member(Finance) Railway Board to brief the Committee on various aspects of merger of Railway Finances with General Finances highlighting *inter-alia* the pressing needs for the merger of the Railway Budget with the General Budget, the extent to which such merger would facilitate commercialization of Railways for generation of adequate funds, expansion and modernization of Railway network, compensation of Railway's social obligations, Railway's financial and functional autonomy etc.

3. The Additional Member (Finance), Railway Board accordingly gave a brief overview of the issues and challenges involving the Merger of Railway Finances with General Finances, the short term and long term impact of such merger, the Gross Budgetary Support required from the Government post merger etc. The representatives of the Ministry of Railways also responded to various queries raised by the Members. As some queries required detailed and statistical reply, the Chairperson asked the Addl. Member (Finance), Railway Board to furnish written reply thereon within 15 to 20 days. The Addl. Member (Finance), Railway Board assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings has been kept on record.

The Committee then adjourned due to want of quorum.

ANNEXURE-II

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE FORTY FIFTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 28th February, 2018, from 1130 hrs. to 1300 hrs. in Committee Room-G074, Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar
3. Shri Janak Ram
4. Shri Bharat Singh
5. Shri L.K. Vaghela
6. Shri K.C. Venugopal

Rajya Sabha

7. Shri T.K. Rangarajan
8. Shri Prem Chand Gupta
9. Smt. Vandana Chavan
10. Shri Ranvijay Singh Judev

Secretariat

1. Smt. Kavita Prasad - Joint Secretary
2. Shri M.K. Madhusudhan - Director
3. Shri D. R. Mohanty - Additional Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

1.	Shri. Ashwani Lohani	-	Chairman, Railway Board
2.	Shri. A.K. Prasad	-	Financial Commissioner
3.	Shri. Mahesh Kumar Gupta	-	Member (Engineering)
4.	Shri. Vijay Kumar	-	Addl. Member (Budget)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to have further briefing on the subject "**Merger of Railway Finances with General Finances- Issues and Challenges".** Impressing upon the witnesses to keep the proceedings of the Committee **"Confidential",** the Chairperson asked the Chairman, Railway Board to update the Committee on various developments, post merger of the Railway Finances with the General Finances with special reference to the three conditions put by the Railway Board before the merger viz. a clear demarcation between the commercial and social obligation of the Railways safeguarding the autonomy of decision making in the Railway Board and adequate funding to expand and modernize the Railway Network.

3. The Chairman, Railway Board accordingly apprised the Committee of the post-merger scenario which *inter-alia* included doing away with Capital-at-Charge, Dividend payments to the General Exchequer and subsidy being received earlier by the Railways, reimbursement of operational losses of strategic lines, *status quo* of the functional and operational autonomy enjoyed by the Railways during the pre-merger era etc. The representatives of the Ministry of Railways also responded to various queries raised by the Members. As some queries required detailed and statistical reply, the Chairperson asked the Chairman, Railway Board to furnish written reply thereon within 15 to 20 days. The Chairman, Railway Board assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings has been kept on record.

The Committee then adjourned.

ANNEXURE-III

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE FIFTY FIFTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 11th February, 2019 from 1030 hrs. to 1045 hrs. in Room No. 215, Parliament House Annexe Ext, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K.Ashok Kumar
3. Shri Janak Ram
4. Shri Bharat Singh
5. Shri Rahul Ramesh Shewale
6. Shri K. C. Venugopal

Rajya Sabha

7. Shri Prem Chand Gupta
8. Shri Sanjay Seth

Secretariat

1. Smt. Kavita Prasad - Joint Secretary
2. Shri M. K. Madhusudhan - Director
3. Shri D. R. Mohanty - Additional Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee which was convened to consider and adopt Draft Report on the subject Merger of Railway Finance with General Finance- Issues and Challenges. Giving an overview of the important Recommendations contained in the Draft Report, the Chairperson solicited the views/suggestions of the Members.

3. The Committee then took up for consideration the Draft Report and adopted them after some discussion.

4. The Chairperson thanked the Members for their valuable suggestions and active participation in the deliberations of the Committee.

5. The Committee, then, authorized the Chairperson to finalize the Report in the light of the factual verifications, if any, received from the Ministry and present the same to both the Houses of Parliament.

The Committee then adjourned.