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STANDING COMMITTEE ON RAILWAYS
(2019-20)

(SEVENTEENTH LOK SABHA)

MINISTRY OF RAILWAYS
(RAILWAY BOARD)

THIRD REPORT

DEMANDS FOR GRANTS

(2020-21)

LOK SABHA SECRETARIAT

NEW DELHI

March, 2020/Phalguna, 1941 (Saka)

S.C.R. No. 230

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(2020-21)

Presented to Lok Sabha on 02.03.2020

Laid in Rajya Sabha on 02.03.2020

LOK SABHA SECRETARIAT

NEW DELHI

March, 2020/Phalguna, 1941 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON RAILWAYS (2019-20)@

Shri Radha Mohan Singh - Chairperson

MEMBERS

LOK SABHA

2. Dr. Farooq Abdullah
3. Shri T.R. Baalu
4. Smt. Ranjanben Bhatt
5. Shri Pankaj Choudhary
6. Shri Abu Hasem Khan Chowdhury
7. Smt. Sangeeta Kumari Singh Deo
8. Shri Arvind Ganpat Sawant$
9. Shri Suresh Kodikunnil
10. Shri Kaushalendra Kumar
11. Smt. Diya Kumari
12. Smt. Jaskaur Meena
13. Shri Anubhav Mohanty
14. Shri Sunil Kumar Mondal
15. Smt. Queen Oja
16. Smt. Keshari Devi Patel
17. Shri Mukesh Rajput
18. Shri N. Reddeppa
19. Shri Sumedhanand Saraswati
20. Shri Gopal Jee Thakur
21. Sadhvi Pragya Singh Thakur

RAJYA SABHA

22. Shri N. Gokulakrishnan
23. Prof. Manoj Kumar Jha
24. Shri Mohd. Ali Khan
25. Shri Joginipally Santosh Kumar
26. Ms. Saroj Pandey
27. Shri Garikapati Mohan Rao
28. Shri Ashok Siddharth
29. Shri Bashistha Narain Singh
30. Mahant Shambhuprasadji Tundiya
31. Shri Motilal Vora

@ Constituted w.e.f. 13.09.2019 vide Lok Sabha Bulletin Part II No. 550 dated 13.09.2019.

$ Shri Arvind Sawant was nominated in place of Shri Hemant Tukaram Godse vide Bulletin-II No. 1170 dt. 25.02.2020

LOK SABHA SECRETARIAT

1.	Dr. Kavita Prasad	-	Joint Secretary
2.	Shri Arun K.Kaushik	-	Director
3.	Shri D.R. Mohanty	-	Additional Director
4.	Smt. Banani Sarker Joshi	-	Executive Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Railways (2019-20) having been authorised by the Committee to submit the Report on their behalf, present this Third Report on 'Demands for Grants (2020-21) of the Ministry of Railways'.

2. This Report is based on facts and figures submitted by the Ministry of Railways and the depositions made by the representatives of the Ministry of Railways (Railway Board) before the Committee on 17.02.2020. The Committee considered and adopted the Report at their sitting held on 28.02.2020. Minutes of the related sittings are given in the Appendix to the Report.

3. The Committee wish to express their thanks to the officers of the Ministry of Railways (Railway Board) for appearing before the Committee and furnishing the information that the Committee desired in connection with the examination of the Demands for Grants (2020-21). They would also like to place on record their appreciation for the assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

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

New Delhi; **RADHA MOHAN SINGH**

28 February, 2020 **Chairperson**

9 Phalguna, 1941 (Saka) **Standing Committee on Railways**

REPORT

PART-I

I. INTRODUCTORY

The Indian Railways have the distinction of being one of the largest railway systems in the world under a single management and are seen as the prime movers to the economy and society of the Indian sub-continent. As the principal constituent of the nation's transport infrastructure, the Railways have served as a national integrator with a major role in its socio-economic development. They are a vital link in the demand and supply chain by connecting market to production centres, ports etc. thereby stimulating the emergence of a modern economy. The Railways have also connected industrial production centres with sources of raw materials and facilitated industrial development, linked agricultural centres with distant markets and with sources of essential inputs, thereby promoting rapid agricultural growth. More importantly, the Railways have linked places enabling large scale rapid and low cost movement of goods and people across the length and breadth of the country. By connecting far flung and remote areas they have successfully managed to 'mainstream' these places not only by providing transport facilities but by opening up tourism, trade and general communication to such areas. In the field of defence preparedness, Indian Railways remain the most dependable mode for large scale troop mobilization. Development of strategic lines in this context becomes an all important aspect enhancing the defence preparedness.

2. After the merger of the Railway budget with the General Budget from the year 2017-18, the Railway receipts and expenditure became a part of the documents of the General Budget. The expenditure of the Railways is now a part of Demands for Grants of the Ministry of Finance like other Ministries/Departments of Government of India. The entire expenditure of Railways is now covered in 'Demand for Grant No. 83' with sub-sections as 'Revenue' and 'Capital'.

3. The Railway Budget Statement shows the total revenue receipts, revenue and works expenditure, distribution of excess of receipts over expenditure and position of various Funds *viz.*, Depreciation Reserve Fund, Development Fund, Pension Fund,

Capital Fund, RRSK and Railway Safety Fund. The Revenue receipts of the Railways consist of earnings from passenger traffic, other coaching earnings (which include parcels and luggage), earnings from goods traffic and sundry earnings like rent, catering receipts, interest and maintenance charges from outside bodies, commercial utilisation of land and air space, commercial publicity on rolling stock and station buildings, reimbursement of operating losses of strategic railway lines by the Ministry of Finance, etc. There are also other Miscellaneous receipts like receipts of Railway Recruitment Boards from sale of application forms and examination fees, etc. and Government's share of surplus profits which includes receipts from subsidised Railway companies in which the Government has no capital interest. The total of Revenue and Miscellaneous receipts makes up the total receipts of the Railways. The portion of the earnings which is due to the Railways during the financial year but has not actually been realized is held in a "Suspense" account. The expenditure incurred by the Railways is on Revenue account and on Works account. The Revenue account consists of Ordinary Working Expenses incurred by the various Departments on the Railways in their day-to-day working and other miscellaneous expenditure like the expenditure on Railway Board, Audit, Surveys and other miscellaneous establishments etc. The Revenue Account also includes appropriation to the Depreciation Reserve Fund and the Pension Fund.

4. Demands pertaining to the Ministry of Railways for the year 2020-21 were laid in Lok Sabha on 5 February, 2020. There are 16 Demands for Grants of the Railways - Demands 1 to 15 deal with the revenue expenses *viz*. Revenue Expenses, and Appropriations to the Funds and Demand 16 deals with Works Expenditure *viz.* - Acquisition, Construction & Replacement of assets which, *inter alia*, cater to development of infrastructure, renewal and replacement of assets, amenities for passengers, amenities for staff etc. The estimated and targeted financial performance of Railways in Revised Estimate (RE) for the Financial Year i.e., 2019-20 and Budget Estimate (BE) for 2020-21 have been presented which include total revenue receipts, revenue and works expenditure, distribution of excess of receipts over expenditure and position of various Funds, *viz*., Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund, and Railway Safety Fund.

5. The Demands for Grants of the Ministry of Railways for 2020-21 are given in the following statement:-

(Rs. in thousands)

Sl. No.	Details	Total Demand (2020-21)	
		Voted	Charged
	Revenue		
1	Indian Railways – Policy Formulation, Direction, Research, and other Miscellaneous Organization	2596,01,00	4,00,00
2	General Superintendence and Services on Railways	9247,19,47	17,38
3	Repairs and Maintenance of Permanent Way and Works	17352,88,47	43,01
4	Repairs and Maintenance of Motive Power	7249,42,76	1,12
5	Repairs and Maintenance of Carriages and Wagons	17324,77,90	93
6	Repairs and Maintenance of Plant and Equipment	9385,91,63	56,36
7	Operating Expenses – Rolling Stock and Equipment	17563,68,15	93
8	Operating Expenses – Traffic	34908,75,29	6,90
9	Operating Expenses – Fuel	30169,64,04	--
10	Staff Welfare and Amenities	9155,78,15	5,65
11	Miscellaneous Working Expenses	8526,67,58	491,60,91
12	Provident Fund, Pension and Other Retirement Benefits	57225,26,56	6,81
13	Appropriation to Funds	60560,00,00	--
14	Other Transport Services	2215,63,00	--
	Dividend to General Revenues, Repayment of loans taken from General Revenues and Amortization of Over-Capitalization	--	--
	Total Revenue	**283481,64,00**	**497,00,00**
	Capital		
15	Assets – Acquisition, Construction and Replacement	237526,79,00	102,63,00
	Grand Total (Revenue + Capital)	**521008,43,00**	**599,63,00**

6. The Indian Railways have three primary sources of revenue:

(i) budgetary support from the Central Government,

(ii) Internal Resources (revenue from freight and passenger traffic, leasing of railway land, etc.), and

(iii) Extra Budgetary Resources (market borrowings and institutional financing, public private partnerships, foreign direct investment etc.).

7. The percentage of GBS, Internal Resources and EBR in the total budget share during the years from 2016-17 to 2019-20 is as under:

(Rs in cr)

	2016-17	**2017-18**	**2018-19**	**2019-20 (RE)**
Gross Budgetary Support	45232	43418	52838	68105
	41.14%	*42.6%*	*39.6%*	*43.6%*
Internal Resources	12125	3070	4663	5000
	11.03%	*3.01%*	*3.5%*	*3.2%*
Extra Budgetary Resources	52578	55498	75876	83247
	47.83%	*54.4%*	*56.9%*	*53.2%*
Total Capex	**109935**	**101986**	**133377**	**156352**

8. The Budget at a glance for 2020-21 *vis-à-vis* 2018-19 and 2019-20 for the Ministry of Railways is as under:

(Rs. in crore)

Description	**RE 2018-19**	**Actuals 2018-19**	**BE 2019-20**	**RE 2019-20**	**BE 2020-21**
1.Gross Traffic Receipts	196714	189906.58	216675	205833	225613
2. Miscellaneous Receipts	500	600.79	260	436	300
3. Total Receipts	197214	190507.37	216935	206269	225913
4. Net Ordinary Working Expenses	141000	140200.30	155000	151208	162753
5. Appropriation to Pension Fund	47300	44280.00	50000	48350	53160
6. Appropriation to Depreciation Reserve Fund	500	300.00	500	400	800
7. Total Working Expenses [4+5+6]	188800	184780.30	205500	199958	216713
8. Miscellaneous Expenditure	2400	1953.21	2400	2500	2700
9. Total Expenditure (7+8)	191200	186733.51	207900	202458	219413
10. Net Revenue [3-9]	6014	3773.86	9035	3811	6500
11. Appropriation to Development Fund	1000	750.00	1000	1311	1500
12. Appropriation to Capital Fund	14	--	3035	--	--
13. Appropriation to Rastriya Rail Sanraksha Kosh	5000	3023.86	5000	2500	5000
14. Operating Ratio	96.2%	97.3%	95%	97.46%	96.28%

9. It may be seen from the above that Budget Estimates under Gross Traffic Receipts for the year 2020-21 have been placed at Rs.225613 cr which is an increase of around Rs.19780 cr over the Revised Estimates 2019-20. While total expenditure at BE 2020-21 has been placed at Rs.219413 cr, it is an increase of Rs.16955 cr in comparison to Rs.202458 cr at RE 2019-20.

10. Net Revenue has also been reduced to almost 30% *i.e.,* Rs.3811 cr at RE 2019-20 from Rs.9035 cr at BE 2019-20. BE 2020-21 of Rs.6500 cr shows an increase of Rs.2689 cr over RE 2019-20.

II. ANNUAL PLAN

11. With a view to making Indian Railways the growth engine of the economy, the Government have increased investment and introduced modern technology while focusing on safety, speed and service to passengers, aimed at implementing the objectives/thrust areas of the Annual Plan.

12. The details of the Annual Plan and Actuals for the years 2017-18 to 2019-20 and the Projections for 2020-21 are as follows:

(Rs in cr)

S. No.	Head	Annual Plan							
		2017-18		2018-19		2019-20			2020-21
		RE	Actual	RE	Actual	BE	RE	Actual (till Jan' 20)	BE
1	Gross Budgetary Support	25100	28590	38060	37844	51105	53105	47685	55250
2	Internal Resources	5900	1806	1500	1642	5500	2500	1562	2500
3	Rashitriya Rail Sanraksha Kosh	20000	16091	20000	18015	20000	17500	15299	20000
4	Market Borrowings	24786	18808	27529	23736	29031	34031	28475	30000
5	Funding through PPP	24000	22116	27000	24281	28100	17776	8805	25292
6	Total Market Borrowings (4+5)	48786	40924	54529	48017	57131	51807	37280	55292

S. No.	Head	Annual Plan							
		2017-18		2018-19		2019-20			2020-21
		RE	Actual	RE	Actual	BE	RE	Actual (till Jan' 20)	BE
7	EBR(Institutional Finance)	20314	14574	24769	27859	26440	31440	23591	28000
	Total Capex	**120100**	**101985**	**138858**	**133377**	**160176**	**156352**	**125418**	**161042***

** including Rs 250 cr for Nirbhaya Fund*

13. The Committee desired to know the details of the allocation proposed under each head by the Ministry of Railways for the year 2020-21 and the amount actually approved by the Finance Ministry. In response, the Ministry furnished the following details:

(Rs in cr)

	BE 2020-21 Proposed	BE 2020-21 Approved	Variation
Gross Budgetary Support	109503	70000	-39503
Internal Resources	12000	7500	-4500
Extra Budgetary Resources	75792	83292	+7500
Total Capex	**197295**	**160792**	**-36503**

14. On being asked about the reasons for the reduction of almost 20% by the Ministry of Finance in the proposed BE from Rs.197295 cr to Rs.160792 cr the Ministry stated that the variation in the two sets of figures is due to reduction in Gross Budgetary Support and Revenue Expenditure for Railways by Ministry of Finance and increase in Extra Budgetary Resources for financing the Capital expenditure.

15. It may be seen from the table above that the total plan outlay for the year 2020-21 has been increased to Rs.160792 cr. from RE 2019-20 provision of Rs.156084.33 cr. which is approximately 3%. When it was pointed out that this increase of 3% was one of the lowest increase in the total plan outlay since 2014-15, the Ministry submitted that while increase in Capex in BE 2020-21 over RE 2019-20 was 3%, the increase over Actual 2018-19 was, however, to the order of 21%. The Ministry further clarified that

the increase in BE outlays was need based keeping in view availability of overall resources. CapEx for 2018-19, 2019-20 and 2020-21 is shown in the following table.

	BE	RE	Actual
Capex 2018-19	146500	138858	133377
Capex 2019-20	160176	156352	125418*
Capex 2020-21	161042		

** as the end of January 2020.*

16. On being asked the reasons for lowering of allocation at the RE stage for FY 2018-19 and 2019-20, the Ministry stated that during 2018-19 the capex was reduced by Rs.7642 cr at RE stage over BE due to reduction of provision under internal resources and market borrowings. The actual capex was less over RE by Rs.5481 cr due to utilization of lesser funds under internal resources and EBR. Capex in BE 2019-20 was Rs.160176 cr and it has been reassessed at Rs.156352 cr in RE 2019-20. The capex was reduced by Rs.3824 cr at RE stage over BE mainly on account of assessment of lower internal resource generation at RE stage than at BE stage and due to reduction in market borrowings.

17. In response to a specific query regarding allocation against each individual heads during the years 2019-20 and 2020-21, the Ministry furnished the following comparative data of RE 2019-20 and BE 2020-21 outlays:

(Rs in cr)

Allocation-heads	RE 2019-20	BE 2020-21	Variation
Capital	45855	46750	+895
Cap.Fund	0	0	
DRF	1000	1000	
DF	1500	1500	
RSF	7250	8500	+1250
RRSK	17500	20000	+2500
EBR(IRFC)	34031	30000	-4031
EBR(IF)	31440	28000	-3440
EBR(P)	17776	25292	+7516
Total Capex	**156352**	**161042**	**+4690**

18. As can be seen from above, BE 2020-21 witnesses an overall increase of Rs.4690 cr in comparison to RE 2019-20 the breakup being in Gross Budget Support (GBS)

segment by Rs.2145 cr, Internal Resources by Rs.2500 cr and Extra Budgetary Resources by only Rs.45 cr. There is no variation in terms of allocations for DRF and DF. No allocations have been made either in RE 2019-20 or BE 2020-21 in respect of Capital fund.

19. Asked to state the measures taken/proposed for optimal utilization of the total allocation of Rs.161042 cr during 2020-21, the Ministry submitted that they planned to focus on the following objectives/thrust areas of the Annual Plan 2020-21 for the purpose of maximum utilization of funds:

"(i) Setting up of 'Kisan Rail' through PPP arrangements, to build a seamless national cold supply chain for perishables

(ii) Electrification of 6,000 Km of tracks

(iii) Setting up of large Solar Power capacity alongside the Rail Track

(iv) More Tejas type trains to connect iconic tourist destinations

(v) Bangaluru Suburban Transport project having fares on Metro Model.

(vi) Four station re-development projects and operation of 150 passenger trains would be done through PPP mode. The process of inviting private participation is underway.

(vii) High speed train between Mumbai to Ahmedabad would be actively pursued.

(viii) The target of new lines, gauge conversion and doubling/tripling etc. for 2020-21 is 3750 Route Kms against 3150 Route Kms in 2019-20.

(ix) Advanced Signalling System: Railways now plan to induct latest technology for Signalling & Telecommunication system. Under modernization plan of Railway signaling system, it has been decided to implement Centralized Traffic Control (CTC) system on IR. This will increase operational efficiency.

(x) Continued focus on Safety- 2019-20 has been one of the safest years in the history of Indian Railways. Consequential train accidents have reduced from 118 in 2013-14 to 51 in 2019-20 (upto December 2019). No passenger fatality has occurred in Consequential train accidents till 31/01/2020.

(xi) The indigenous "Make in India", *Vande Bharat* express has been successfully inducted on two routes, and further induction of 44 new Vande Bharat sets has been initiated.

(xii) Production of more than 700 locomotives and 6500 passenger coaches."

III. INTERNAL RESOURCES

20. In view of the continuous downward trend noticed in generation of Internal Resources from year to year, the Committee desired to be apprised of the reasons for the same. In reply the Ministry submitted that estimated contribution from Railways' internal resources to capex was determined primarily on the basis of Railways' estimated internal resource generation at various budgetary stages after meeting all obligatory revenue expenses while taking into account the capex needs from internal resources.

21. With regards to the Internal Resource component, the Ministry informed that there was a decline in 2019-20 from Rs.10500 cr in BE to Rs.5000 cr in RE. The following reasons were cited by the Ministry for decline in generation of internal resource generation during 2019-20 *i.e.*, BE *vis-à-vis* RE:

- Reduction in average passenger lead in RE *vis-a-vis* BE
- Reduction in loading target in RE *vis-a-vis* BE and reduction in average freight lead in RE *vis-a-vis* BE keeping with the trend
- Lesser projection of receipts under sundry earnings heads by the field units at RE stage *vis-a-vis* BE stage and refund adjustment towards an arbitration award.

22. The Ministry elaborated that the specific reduction of RE provision *vis-à-vis* the BE in 2018-19 and 2019-20 was the result of assessment of lesser internal resource generation at RE than at BE stage. The Ministry explained that the Railway finances were under stress since the implementation 7th Central Pay Commission recommendations which led to sharp rise in staff cost and moreover, the traffic earnings did not rise commensurately.

23. As regards Traffic earnings, the Ministry apprised that in 2018-19 and 2019-20 such earnings have been hit by slump in demand of major commodities like coal and cement which have traditionally been mainstay of IR's freight basket. The freight

earnings in 2019-20 have also been adversely affected by the adjustment of the freight advance taken last year.

24. Asked to enumerate the concrete steps proposed/initiated to supplement internal resources, the Ministry stated that maximizing internal resource generation required progressively higher growth rate in Railway receipts *vis-a-vis* the growth in Railway expenditure. Since about 90% of Railways' total receipts came from Passenger and Goods earnings, these two segments have all along been the focus area for revenue mobilisation. The Ministry further submitted that while keeping revenue expenditure to the bare minimum, they have been addressing the various concerns of the industry and customers and have responded proactively to the current slowdown in the economy, to minimize and mitigate the effect on Railways' business and finances.

25. The measures taken to revive the demand for freight loading by Rail were stated to be as follows:

- "Levy of busy season charge deferred
- Round-trip charging on Container traffic
- Discount on movement of empty containers and empty flat wagons
- Large-scale de-notification of commodities for container traffic
- Withdrawal of 5% surcharge on mini-rake/two-point rake/multi-destination
- Relaxation of distance condition on loading of intra-zonal two-point rakes
- Relaxation of distance restriction for mini-rakes
- Amendment in freight advance policy to grant priority to rake allotment
- Many measures have been taken to enhance ease of business, such as Pan-India implementation of eT-RR, reforms in the weighment etc.
- To sustain the increased loading and maximize the loading potential, instructions have been issued to the Zonal Railways to restart the running of freight convoys on identified routes through suitable regulation and rationalization of maintenance practices."

26. To augment passenger earnings, the Ministry stated that they have initiated the following measures:-

- "Augmentation of on-board capacity by attachment of additional coaches, running of special trains during festivals and holidays, running of Suvidha trains etc.
- Rationalisation of Flexi fare scheme through reduction of maximum cap in all flexi fare applicable classes, offering graded discounts in all flexi-fare trains and discontinuation of flexi fare in certain trains
- Offering 10% discount in basic fare on vacant berths/seats booked after preparation of first reservation charts
- Delegation of powers to Zonal Railways to declare sleeper class coaches running underutilized over particular section as second class unreserved on second class fare
- Delegation of powers to Zonal Railways to declare AC-III tier coaches running vacant during day time over a particular section as AC chair car over certain sections
- Streamlining of Computerised Passenger Reservation System to facilitate timely preparation of reservation charts and transfer of vacant berths to next remote location enabling optimum utilization of available accommodation
- Extension of Alternate Train Accommodation Scheme *viz.* VIKALP scheme on all trains to provide confirmed accommodation to waitlisted passengers
- Increase in number of RAC berths to provide additional accommodation to the passengers
- Organising intensive ticket checking drives, including fortress checks, etc. to discourage ticketless travel
- Diversification of ticket booking modes through proliferation of Automatic Ticket Vending Machines (ATVM), ticketing through mobile phone etc.
- Expansion of digital payment modes like net-banking, credit/debit cards, e-wallets, Unified Payment Interface (UPI)/Bharat Interface for Money(BHIM) to enhance passenger convenience"

27. The Ministry further explained that the Railways' efforts were hamstrung by inflexibility of a major part of revenue expenditure, periodic slowing down of the core sector of the economy affecting IR's freight traffic, stiff competition of the ever expanding road sector to Railways' passenger and goods traffic and implementation of periodic Pay Commissions.

IV. EXTRA BUDGETARY RESOURCE (EBR)

28. The Committee were informed that in the absence of adequate Gross Budgetary Support (GBS), Capital expenditure on projects in Indian Railways was supplemented with Extra Budgetary Resources (EBR) of the following kinds:

(i) EBR (Bonds)

(ii) EBR (Institutional Finance) and

(iii) EBR (Partnerships)

29. Provision under EBR in Revised Estimates 2019-20 and Budget Estimates 2020-21 was stated to be as under:

(Rs in cr)

	RE 2019-20	BE 2020-21	Variation
1. EBR(Bonds)	34031	30000	-4031
2. EBR(Institutional Finance)	31440	28000	-3440
3. EBR(Partnerships)	17776	25292	+7516
	83247	**83292**	**+45**

30. As may be seen from above, in BE 2020-21, the EBR has been kept at Rs.83292 Cr. as compared to RE 2019-20 provision of Rs.83274 Cr. The Ministry stated that in the FY 2020-21, additional provision from EBR in Budget Estimates has been made to finance projects of Doubling, Electrification and procurement of Rolling Stock. When asked to justify the reasons for almost static EBR, the Ministry stated that Railway Projects were highly capital intensive and required huge amount of investment for execution. The Ministry further clarified that the EBR components mentioned at No.1 and 2 in the above table involved borrowings by Indian Railways through Indian Railway Finance Corporation (IRFC). Outlay from these two sources has been placed at Rs.7471 cr lesser than RE 2019-20 and the same would again be reviewed at RE stage. Provision under these sources was stated to be need-based and keeping in view the debt liability whereas EBR(Partnerships), on the other hand, denoted investment from non-Railway stake holders like Private Corporations, Public Undertakings, State Governments and other authorities.

31. Since borrowings from EBR involved interest payment, the Committee wanted to know about the interest liability for extra borrowings. In reply, the Ministry stated that the total lease payment to IRFC as principal component and payment of interest was estimated at Rs.26160 cr in BE 2020-21.

32. In response to a specific query regarding emphasis on Extra Budgetary Resource (EBR) for sourcing the Annual Plan rather than endeavoring to augment Internal Resources for capital funding, the Ministry submitted that Railway projects being highly capital intensive required huge amount of investment for execution. Railways' dependence on GBS and EBR for project financing was due to its internal resources generation getting impacted unfavourably with adverse traffic earnings, rising prices, increasing working expenses and general recessionary trends in the economy.

V. RAILWAY FUNDS

33. The following table provides the details of appropriations to and withdrawals from the various Railway Funds during the years from 2016-17 to 2018-19:

Railway Fund Balances										
										(` in cr.)
		2016-17			2017-18			2018-19		
		BE	RE	Actual	BE	RE	Actual	BE	RE	Actual
Pension Fund										
	Opening Balance as on 1st April	3088	0	-4600	1058	775	775	253	1974	1974
	Appropriation to Fund	42900	35400	35400	44000	44700	46398	48100	47900	44880
	Withdrawal from Fund	45500	40000	40463	45000	45250	45275	48000	48000	46718
	Interest on balances	72	..	..	..	29	77	17	111	61
	Closing balance on 31st March	559	-4600	-9663	58	253	1974	371	1984	196
Depreciation Reserve Fund										
	Opening Balance as on 1st April	216	0	200	233	464	465	285	712	712
	Appropriation to Fund	3400	5400	5400	5200	5200	1740	700	700	500
	Withdrawal from Fund	3160	5200	4982	5000	5400	1526	500	500	534
	Interest on balances	13	..	..	..	21	33	22	47	40
	Closing balance on 31st March	470	200	618	433	285	712	508	959	718
Development Fund										
	Opening Balance as on 1st April	384	0	385	390	425	429	450	583	583
	Appropriation to Fund	2515	2515	2515	2000	1500	1506	1000	1000	750
	Withdrawal from Fund	2515	2515	2498	2000	1500	1381	1000	1000	1108
	Interest on balances	31	..	..	..	24	28	26	34	23
	Closing balance on 31st March	415	0	402	390	450	583	476	616	248
Capital Fund - Railways										
	Opening Balance as on 1st April	1444	0	180	1087	340	340	1311	360	360
	Appropriation to Fund	5750	5180	2398	5948	4925	0	6990	14	0
	Withdrawal from Fund	7000	5000	3000	6000	4000	0	5000	0	0
	Interest on balances	33	..		..	46	20	133	21	21
	Closing balance on 31st March	227	180	-422	1036	1311	360	3434	395	381
Debt Service Fund										
	Opening Balance as on 1st April	4107	0	-3000	803	933	933	163	193	193
	Appropriation to Fund	214	..		0	..	0	0	0	0

	Withdrawal from Fund	3000	3000	3003	0	800	771	0	0	0
	Interest on balances	109	..		0	31	31	9	11	11
	Closing balance on 31st March	1430	-3000	-6003	803	163	193	173	204	204
Railway Safety Fund										
	Opening Balance as on 1st April	101	0	23	18	23	160	23	0	307
	Appropriation to Fund from GBS	10783	10783	10732	10668	11375	11535	12180	13000	13000
	Withdrawal from Fund	10780	10780	10732	10668	11375	11548	12180	13000	13006
	Closing balance on 31st March	104	3	23	18	11375	307	23	147	301
Rastriya Rail Sanraksha Kosh(RRSK)				..						
	Opening Balance as on 1st April	..	..		0	..	0	9	9	9
	Appr. to Fund from Revenue	..	..	..	5000	5000	1100	5000	5000	3024
	Appr. to Fund from other sources			..	15000	15000	15000	15000	15000	15000
	Withdrawal from Fund	..	..		20000	20000	16091	20000	20000	18015
	Closing balance on 31st March	..	..	..	0	..	9	9	9	18

(i) Depreciation Reserve Fund

34. The mandate of Depreciation Reserve Fund (DRF) is to meet capital expenditure on replacement and renewal of Railway assets, including the improvement element. The amount of appropriation to DRF is from Railway revenues and is need based. Appropriation to Depreciation Reserve Fund (DRF) had been reduced from Rs.5000 cr. in 2017-18 to Rs.500 cr. in 2018-19, which is a reduction of 90%. Against this, the Actual was to the tune of only Rs.300 cr. During 2019-20, appropriation to DRF were reduced from Rs.500 cr. at BE to Rs.400 cr. at RE. For FY 2020-21, the amount has been raised to Rs.800 cr.

35. Taking the above facts into account, the Committee asked whether the relevance of DRF has been sidelined after introduction of other funds especially RRSK. In reply, the Ministry submitted that keeping in view the need to galvanise Safety of Railways and to meet present challenges including fresh assessment, planning and implementation of the safety plans as also to ensure assured funding for implementing the assessed safety works, the Government created a dedicated reserve fund i.e. Rashtriya Rail Sanraksha Kosh (RRSK) w.e.f. 2017-18 with a committed funding of Rs.1 lakh cr in 5 years. 25% of the annual contribution to this fund is to be met from Railways' internal resources. Since appropriation to DRF or Railway share of RRSK are from the Railway revenues, the appropriation levels to these funds are decided as per the works to be executed through each fund. The Committee were also informed that there was no sidelining of DRF as, for the time being, it financed only identified renewal

and replacement works while major part of renewal and replacement works having safety implications have been shifted to RRSK. The Ministry further apprised that in case, RRSK was not to be continued beyond 2021-22, all such works would have to be funded out of DRF again.

(ii) Capital Fund

36. The mandate of Capital Fund (CF) is to meet the debt servicing obligation of principal component of market Borrowings from Indian Railway Finance Corporation (IRFC) and for expenditure on works of capital nature.

35. When asked about the reasons for non-appropriation to Capital Fund in RE 2019-20 and not making any provision for it in 2020-21, the Ministry apprised that appropriation to the Capital fund is made from Railways' net revenue after meeting obligatory revenue expenditure. In RE 2019-20 and BE 2020-21, no appropriation to CF has been proposed and no expenditure from the fund has been planned due to inadequate internal resources. The Ministry have also stated that the provision for obligatory payment of principal component of market borrowings from Indian Railway Finance Corporation (IRFC) has been made from Gross Budgetary Support (GBS). It was further clarified that in line with the observation of Railway Convention Committee, the revised codal provisions allow charging of 'capital component of lease charges' to Capital (GBS) in case adequate funds are not available under Capital Fund.

(iii) Development Fund

37. The mandate of Development Fund (DF) is to meet capital expenditure on passengers and Railway users' amenities, labour welfare works, unremunerative operating improvements and safety works of smaller value. Such works are targeted to be executed through this fund in 2020-21.

(iv) Pension Fund

38. A scrutiny of the above data revealed that appropriations to the Pension Fund formed the bulk of the total working expenses of the Railways which rose from Rs.48350 cr. at RE 2019-20 to Rs.53160 cr. at BE 2020-21. This accounts for more

than a quarter of the total working expenses of the Railways. The Committee enquired the plan of action on the part of the Railways to cater to the growing needs of this segment. In response, the Ministry submitted as under:

> "The pension bill of Railways in RE 2019-20 and BE 2020-21 is estimated to be Rs.49000 cr and Rs.53000 cr respectively. It is one of the obligatory expenses from Railway revenues. Railways is the only department of the Government of India which meets the pension expenditure of its retirees from own receipts while in respect of all other departments, the same is met by the Ministry of Finance. The growth in pension bill of the Railways is inevitable and has to be met from Railway revenues as per the mandate given by the Government to Railways. With buoyant resource position in the past, Railways have met this growing expenditure despite bearing a huge social service obligation. However, after implementation of 7th Central Pay Commission recommendations, with sharp rise in staff cost and absence of commensurate growth in traffic earnings, it is increasingly becoming difficult to bear the pension expenditure from Railway revenues while bearing the social service obligations which have risen to the level of over Rs.50000 cr in 2018-19. The New Pension Scheme (NPS) implemented w.e.f. 01.01.2004 which would gradually taper down the pension bill of the Government would start giving results around the year 2034-35."

(v) Rashtriya Rail Sanraksha Kosh (RRSK)

39. The Rashtriya Rail Sanraksha Kosh (RRSK) had been created in 2017-18 with a corpus of Rs.1 lakh cr over a period of five years with an annual outlay of Rs.20000 cr, which includes Rs.15000 cr from Gross Budgetary Support and Rs.5000 cr out of Railways' internal resources. The Ministry of Finance has issued guidelines for 'Operation of RRSK' by Ministry of Railways.

40. The mandate of the RRSK is to finance critical safety related works of renewal, replacement & augmentation of assets. The Ministry submitted that RRSK was being utilised for financing identified works under Planheads, Track Renewal, Bridge Works, Signal & Telecom Works, Road Safety works of Level Crossings and Road Over/Under Bridges, Rolling Stock, Traffic Facilities, Electrical Works, Machinery and Plant, Workshops, Passenger Amenities and Training/HRD.

41. In response to a specific query on the method of monitoring and assesment of the RRSK, the Ministry informed that it was the Planning Directorate of Railway Board that had been assigned the task of regularly monitoring physical and financial progress

of works funded through RRSK. In addition, an independent RRSK Monitoring Committee has been created, headed by CEO, NITI Aayog to regularly examine the RRSK performance. The RRSK progress/performance shall also be reviewed annually by the Cabinet Committee on Economic Affairs (CCEA) headed by the Hon'ble Prime Minister.

42. The following statement indicates the actual status of year wise financing (Budgetary allocation and actual allocation) and source of actual financing to RSSK since its inception *i.e.,* 2017-18:

(Rs in cr)

Period	**Amount (Net)**	**of which -**	
RE 2017-18	20000.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	5000.00
Actual 2017-18	16091.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	1091.00
RE 2018-19	20000.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	5000.00
Actual 2018-19	18015.33	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	3015.33
BE 2019-20	20000.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	5000.00
RE 2019-20	17500.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	2500.00
BE 2020-21	20000.00	Addl. Budgetary Support	5000.00
		Central Road & Infrastructure Fund	10000.00
		Internal Resources	5000.00

43. Expenditure during 2017-18, 2018-19 and outlays in RE 2019-20 and BE 2020-21 under RRSK for various plan heads were stated to be as follows:

Minor Heads	**RE 2017-18**	**Actual 2017-18**	**RE 2018-19**	**Actual 2018-19**	**BE 2019-20**	**RE 2019-20**	**BE 2020-21**
16-Traffic Facilities	788.30	654.02	350.09	498.31	468.94	357.00	500.00
18-Railway Research			0.0001	0	0.10	0.0001	0.10

21-Rolling Stock	2212.97	1099.10	1853.16	1637.28	1094.82	3436.82	1380.00
29-Level Crossings	674.95	535.99	742.71	678.60	700.00	546.50	700.00
30-Road Over/Under Bridges	3999.74	3175.23	4550.01	3488.82	4100.00	2447.31	3100.00
31-Track Renewals	7859.26	8903.99	10111.68	9697.31	10120.00	8461.71	10599.47
32-Bridge Works	695.16	451.34	500.31	516.72	700.00	713.52	725.00
33-Signalling & Telecom Works	1965.86	1201.01	1222.77	1461.29	1650.00	1289.82	1550.00
36-Other Electrical Works	489.02	350.24	400.00	349.79	515.00	278.61	500.00
41-Machinery & Plant	234.90	127.10	249.35	179.82	229.58	153.46	225.00
42-Workshops incl PUs	299.85	240.96	250.00	202.67	300.00	227.30	300.00
53-Passengers Amenities	670.00	462.55	1371.85	795.10	1650.00	827.60	1525.00
64-Other Specified Works			50.00	42.00	300.00	150.00	300.00
65-Training/HRD	110.00	58.00	75.00	48.01	80.00	80.00	100.00
Credits/recoveries		*1168.8*	*1726.93*	*1580.31*	*1908.44*	*1469.65*	*1504.57*
Total	**20000.00**	**16090.73**	**20000.00**	**18015.33**	**20000.00**	**17500.00**	**20000.00**

44. It may be seen from the above data that there has been assured funding of Rs.15000 cr per annum (75% funds) out of Gross Budgetary Support for RRSK whereas actual generation of Internal Resources of Railways for the remaining 25% funding to RRSK has been falling short of target almost every year in the recent past. In fact, the total expenditure out of Internal Resources in Actual 2017-18 was Rs.3071 cr which included Rs.1091 cr as contribution towards RRSK. In Actual 2018-19 the Internal Resource portion was Rs.4663 cr, which included Rs.3023.86 cr towards RRSK. In BE 2019-20, an amount of Rs.5000 cr. was appropriated to the Rashtriya Rail Sanraksha Kosh (RRSK) which was halved to Rs.2500 cr. during RE.

45. When asked to explain the fallout of such a precarious situation, the Ministry submitted that the adverse resource position did not permit the desired level of funds to be transferred to RRSK, hence the contribution from Internal Resources remained on a very lower side.

46. Asked to share the measures taken to augment internal sharings, the Ministry submitted that all out efforts were being made to improve revenue and generate sufficient surplus for contribution towards RRSK so as to achieve the target of Rs.1 lakh cr in RSSK in the stipulated five years. However in the scenario of less than adequate generation of Internal resources, the Railways have been asked to prioritise their works and incur expenditure as per priority and availability of resources, so that sufficient funds to important safety works were ensured.

47. The Committee then desired to know whether the RRSK was fulfilling the purpose for which it was created, the Ministry stated that RRSK has been created to finance critical safety related works of renewal, replacement & augmentation of assets. A total expenditure of over Rs.34000 cr has been incurred on such safety works in 2017-18 and 2018-19, while provision of Rs.37500 cr has been made in RE 2019-20 and BE 2020-21. Thus according to the Ministry, the purpose of setting up the Fund for safety activities was being fulfilled to the maximum.

(VI) GROSS TRAFFIC RECEIPTS (GTR)

48. The Following table shows the Gross Traffic Receipts for the last 3 years:

(in Rs. Cr)

Sl.No.	Year	BE	RE	Actuals
1	2017-18	188998.37	187225	178725.32
2	2018-19	200840	196714	189906.58
3	2019-20	216675	2,05,833	**145333.61***
4	2020-21	2,25,613		

**** Approximate to end of January 2020***

49. The actual Gross Traffic Receipts under all heads till 31 Jan, 2020 is given as under:

(Rs. in crore)

Sl. No.	Head	RE 2019-20	Approximate to end of January 2020
1	Passenger earnings	56000	44279.72
2	Other Coaching earnings	6000	3865.30
3	Goods earnings	134733	92960.65
4	Sundry other earnings	9000	4227.94
5	Total traffic earnings (1+2+3+4)	205733	145333.61
6	Traffic Suspense	100.00	
7	Gross Traffic Receipts (5+6)	205833	

50. It may be seen from above that in GTR, for the last 3 years BE has been revised downwards every year at RE while actuals receipts remained at even lower level. To elaborate, GTR were reduced in RE 2018-19 to Rs.196714 cr. from Rs.200840 cr. at BE 2018-19 while actuals 2018-19 were at Rs.189906.58 cr. While a target of Rs.216675 cr. had been fixed for the year 2019-20, at RE stage it was predictably lowered (Rs.205833 cr). For 2020-21, BE has been made with a marginal increase to Rs.225613 cr.

51. Asked to specify the reasons for revising downward the target for Gross Traffic Receipts at RE from 2016-17 to 2019-20, the Ministry stated that BE targets were basically estimates made on certain assumptions before the commencement of a fiscal. These were subsequently modified at RE stage taking into account the trends during the year as a part of the budgeting exercise. Target of traffic receipts for a year at BE stage was decided taking into consideration the traffic plan as also other tariff and non-tariff measures to be undertaken during the year. Further, the BE targets for earnings were usually kept at a reasonably challenging level so as to encourage the entire set up to achieve it by mobilizing itself. The Ministry further explained that since most of Railways' traffic receipts (about 90%) came from two major segments of Railways' earnings i.e. passenger and goods, upward or downward revision of Gross Traffic Receipts target or actual achievement there-under largely depended upon the performance under these segments during the year. During the years in question, subdued performance under these two segments led to the downward revision or lower achievement in GTR

52. The Ministry have further submitted as under:

> "Currently, Railways' passenger and freight business are confronting intense competition from low cost airlines and speedily expanding road sector. The situation has been further aggravated by the recent slump in demand for coal and cement which used to be the mainstay of Railways' freight basket. Further, Railways' limited success in raising revenues through land monetization and advertisement etc. has led to downward revision in RE stage or lower achievement in sundry earnings during these years."

53. The details of the major reasons for downward revision of GTR from BE to RE and decline from RE to Actuals from 2017-18 onwards were stated to be as under:

> "2017-18
>
> - Drop in originating passengers – in non-suburban segment in RE *vis-a-vis* BE and drop in average sub-urban lead in actuals *vis-a-vis* RE
> - Trend of lesser average freight lead in RE *vis-a-vis* BE and less loading in Atuals *vis-a-vis* RE.
> - Very low growth in other coaching earnings

- Remittance of dividend receipts from Railway PSUs to General Revenues which hitherto used to be part of Railways' sundry earnings and lesser mobilisation under land monetisation.

2018-19

- Drop in originating passengers – in non-suburban segment in RE *vis-a-vis* BE and drop in average passenger lead in actuals *vis-a-vis* RE
- Trend of lesser average freight lead in RE *vis-a-vis* BE and less loading in Actuals *vis-a-vis* RE.
- Low growth in other coaching earnings
- Non-materialisation of revenue target from land monetisation.

2019-20

- Reduction in average passenger lead in RE *vis-a-vis* BE
- Reduction in loading target and average freight lead in RE vis-a-*vis* BE
- Reduction in revenue target under various heads of sundry earnings in RE *vis-a-vis* BE."

54. The earnings from passenger and freight traffic are given as under :

	Actuals 2018-19	**BE 2019-20**	**RE 2019-20**	**BE 2020-21**
Passenger	51066.65	56000	56000	61000
Freight	127432.72	143000	137433	147000

55. As can be seen from the above table, there was no change in the total passenger earnings at RE stage during 2019-20 from BE 2019-20. Freight earnings on the other hand have been reduced from Rs.143000 in BE 2019-20 to Rs.137433 cr at RE stage, *i.e.,* a decrease of about Rs.5567 cr. When asked the reasons not revising targets for passenger earnings at RE, the Ministry submitted as under:

> "Railways have targeted marginally higher originating passenger booking in RE 2019-20 than in BE. Passenger earnings usually pick up in the last quarter of the year with the Advance Reservation Period (ARP) for the busy season commencing. Further, a fare revision has been implemented w.e.f. 01.01.2020. Hence the passenger earnings target in RE 2019-20 has been retained at the BE level of Rs.56000 cr."

56. Asked to state the specific steps to arrest the falling trend of revenues in both passenger and freight traffic, the Ministry stated that the Railways have constantly been

striving to maximise the traffic earnings by targeting higher passenger and freight traffic, improving passenger services, rationalising fare and freight and exploration of non-fare revenue generation etc.

(VII) RAILWAY REVENUE

57. As regards the overall position of Railway Revenue since 2015-16, the following details were furnished to the Committee:

(Rs. in cr.)

Sl. No.	Year	BE	RE	Actuals
1	2015-16	25076.45	19897.84	19228.48
2	2016-17	18210.64	7695	4913
3	2017-18	8948.37	6425	1665.61
4	2018-19	12990	6014	3773.86
5	2019-20	9035	3822	
6	2020-21	6500		

58. An analysis of the above data exhibits that Actual Net Revenue has not been consistent since 2015-16. When asked about the factors responsible for such a variation in the Net Revenue over the years, the Ministry stated as under:

> "Net Revenue is the excess of Railway receipts over expenditure. This increases or decreases at various budgetary stages during a year depending upon the volume of receipts and expenditure as estimated or accrued in each stage. Main reasons for gradual decline in Net Revenue from 2015-16 to 2017-18 are (i) higher outgo towards pay, allowances and pension consequent upon implementation of 7th CPC recommendations and
>
> (ii) lesser growth in traffic earnings than estimated, the reasons for which have been explained in detail earlier. Decline in Net Revenue during the years impacted by Pay Commissions are not unusual as the expenditure abruptly increases during such years while the earnings do not grow commensurately."

59. The Ministry further elaborated that during the year 2018-19, the Net Revenue declined from the BE to RE stage as the total receipts were revised downwards by Rs.3876 cr (on account of massive downward revision of sundry earnings target by about Rs.11000 cr due less possibility of desired revenue generation through land monetization and advertisement) and total expenditure grew by Rs. 3,100 cr. to cater to higher Ordinary Working Expenses and Miscellaneous expenditure. In the Actuals of

2018-19, the Net Revenue further declined from the RE level as the total receipts dropped further from the RE level by Rs.6707 cr though Railways were successful in effecting a savings of Rs.4466 cr in total expenditure over RE. The Ministry clarified that the Net Revenue of 2018-19 at Rs.3774 cr indicated a growth of 126.5% over the corresponding figure of 2017-18.

60. In 2019-20, the Net Revenue target in RE has been kept at Rs.3811 cr against BE target of Rs.9035 cr. This downward revision in Net Revenue was reportedly due to reduction in Traffic earnings target by Rs.10842 cr *vis-a-vis* the BE target in the light of the trend of negative/nil growth in traffic earnings at the end of Nov'19 despite reducing the total expenditure provision in RE by Rs.5442 cr from the BE level.

61. In response to a query regarding the reduction of the Revised Estimate by more than 50% *vis-à-vis* the Budget Estimate on a number of occasions and measures taken to arrest the downward trend of Net Revenue, the Ministry submitted as under:

> "It may be appreciated that the Net Revenue of Railways has shown signs of improvement in 2018-19 *vis-a-vis* 2017-18. The Net Revenue target in RE 2019-20 has been kept at a slightly higher level of Rs.3811 cr. A further higher target of Net Revenue has been kept in BE 2020-21 based on an estimated growth of 9.5% in total receipts and 8.4% growth in total revenue expenditure over RE of 2019-20. Accordingly, a 3.4% growth in loading and 2.1% growth in passengers has been kept. Apart from a fare revision w.e.f. 01.01.2020, the Railways have, as a part of ongoing process, initiated a slew of measures aimed at enhancing passenger earnings. To attract more freight traffic and to deal with the slump in demand for loading of core commodities Railways has been addressing various concerns of the industry and customers and has responded proactively to the current slowdown in the economy to minimize and mitigate the effect on Railways' business and finances. In sundry other earnings comprising non-fare revenue sources like monetisation of land, advertisement and publicity etc., a higher growth target (22.4%) has been kept. On the other hand, the expenditure provision from Railway revenues in the BE have already been kept at the bare minimum. This would further be followed up during the year with imposition of spending limit etc on appropriate heads and would be monitored very closely so that the budgeted Net Revenue target could be achieved."

(VIII) OPERATING RATIO

62. Operating Ratio which is a direct indicator of the working of Railways and its growing value reflects various shortcomings on the part of Railways. The overall position of the Operating Ratio since 2015-16 was stated to be as under:

(in %)

Sl.No.	Year	BE	RE	Actuals
1	2015-16	88.5	90	90.5
2	2016-17	92	94.9	96.5
3	2017-18	94.57	96	98.4
4	2018-19	92.8	96.2	97.29
5	2019-20	95	97.46	--
6	2020-21	96.28		

63. It may be seen from the above data that Operating Ratio of Railways has been above 96 since 2016-17 till 2019-20. In that context, the Committee asked the Ministry to explain the reasons for growing trend of Operating Ratio and measures taken to contain the Operating Ratio to a reasonable extent. In response, the Ministry stated that in 2016-17, sharp rise in staff cost due to implementation of 7th CPC coupled with drop in goods earnings primarily contributed to rise in Operating Ratio. In 2017-18, shortfall in passenger, other coaching and sundry other earnings *vis-a-vis* the RE targets and the implementation of revised allowances pursuant to 7th CPC recommendations were the main reasons for rise in Operating Ratio. In 2018-19, though the Operating Ratio at 97.3% was marginally lower than that of 2017-18, the same remained high due to continuing pressure of 7th CPC on Ordinary Working Expenses & Pension expenditure on the one hand and subdued growth in traffic earnings on the other. In 2019-20, the Operating Ratio target in RE has been kept at 97.46% in the light of trend of negative/nil growth in traffic earnings at the end of Nov'19 despite reducing the total expenditure provision in RE by Rs.5442 cr from the BE level.

64. In response to a query on the reasons/factors anticipated while keeping BE 2020-21 for operating ratio at 96.28%, the Ministry stated that having absorbed the major impact of 7th CPC recommendations during 2016-17 and 2017-18, there has been a marginal improvement in the Operating Ratio in 2018-19. In 2019-20 however, due to negative/nil growth trend in traffic earnings, the Operating Ratio target in RE has been kept at 97.46% i.e. almost at similar level of 2018-19 actual. In anticipation of better growth in traffic earnings (9.6%) *vis-à-vis* the estimated growth of total working expenses of 8.4%, the Operating Ratio target of 96.28% has been kept in BE 2020-21.

65. The Committee then asked about the long-term measures taken/proposed to improve and sustain the Operating Ratio to a permissible limit. In reply, the Ministry submitted as under:

> "The Operating Ratio for Railways in a year should be considered appropriate/reasonable if the same ensures adequate Net Revenue for catering to Railways' Capex needs from internal resources during a year after fully meeting its revenue expenditure."

66. The Ministry further explained as follows:

> "It is however humbly submitted that factors such as slump in demand for loading of core commodities resulting from slow down in the economy, developmental priorities of the Government like expansion of road sector/low cost airlines affecting competitiveness of Railways' freight and passenger business and rise in staff cost arising out of periodic pay commissions etc. are not entirely within the control of this Ministry. Further, the ever growing social service obligations of Railways which have risen to the level of over Rs.50000 cr in 2018-19 also reflect adversely on Railways' Operating Ratio."

67. As regards controlling revenue expenses, the Ministry apprised as under:

> "Side by side all out efforts are also being made to keep the controllable revenue expenses at a bare minimum with imposition of spending limit, close monitoring etc. As regards the long term measures, Railways have been putting thrust on capacity improvement works like Dedicated Freight Corridor, doubling/quadrupling and electrification etc. Ongoing last mile projects and priority projects are getting ring fenced allocation for early completion so that these along with the capacity enhancement projects enhance traffic throughput substantially and thereby to Railway revenues. These are expected to contribute to improvement in the operating ratio to a reasonable level."

(IX) PHYSICAL TARGETS AND ACHIEVEMENTS

68. The details of Physical targets and achievements on various Projects during 2018-19 and 2019-20 and the targets for 2020-21 were stated to be as under:

	2018-19		2019-20			2020-21
	Revised Target	Achievement	Budget Target	Revised Target	Actual (Upto Jan 2020)	Budget Target
1. Construction of new lines (rkm)	1000	479	500	300	278	500
Gauge conversion (rkm)	1000	597	600	400	345	600
2. Doubling of lines (rkm)	2100	2519	2650	2450	942(without DFC	2650
3. Rolling stock						
a(i) Diesel locomotives	122	129			31	
a(ii) Electric locomotives	573	625	725	725	675	725
b. Coaches	5836	6074	7690	8026	6229	6534
c. Wagons (vehicle units)	11000	9595	15000	13000	9771	12000
4. Track renewals (rkm)	4400	4181	3900	3900	3872	4000
5.Electrification projects (rkm)	6000	5276	7000	6000	2881	6000

(i) New Lines:

69. It may be seen from the above data that during the year 2018-19, Indian Railways have targeted commissioning of 1000 km of New Line against which achievement was less than 50% and stood at 479.54 km. Similarly, during the year 2019-20, against the BE target of 500 kms of new lines and RE target of 300 kms, the achievement has been 278 kms as on Jan 31, 2020. The target for the current year has been kept at 500 kms.

70. Asked to enumerate the reasons for heavy reduction in BE and RE 2019-20 as compared to RE 2018-19 for network expansion, and shortfalls in the achievement of targets, the Ministry submitted as under:

"Commissioning of New Railway line involves land acquisition by State Governments, forest clearance by officials of forest department, shifting of infringing utilities (*both underground and over ground*), statutory clearances from various authorities, encountering unforeseen conditions like earthquake, flooding, excessive rains, strikes of labor, order of Hon'ble Courts etc & all these factors affect the completion time and cost of the projects.

However, due to enactment of new land acquisition Act of 2013, the land acquisition became a daunting task & extremely time consuming activity. Similarly, time taken in forest clearances was much more than anticipated, leading to slow progress."

71. The Ministry further stated that there have been large number of cases of local resistance against the land acquisition for new line projects, leading to delay. The Ministry summarised that the pace of execution of project & commensurate expenditure on a project is depending on large number of above mentioned factors, which themselves are sometimes interdependent, unpredictable in nature & differ from project to project, location to location as well. The Committee were also informed that traditionally Railway Board gives quite optimistic targets to Zonal Railways in the beginning of the year, so that, Zonal Railways can achieve higher progress.

(ii) Doubling:

72. It may be seen that during 2018-19, doubling of 2519 Km (*including 1000 Km of DFC track*) has been achieved against the Target of 2100 kms which was significantly the highest ever progress in the history of Indian Railways. The BE targets for 2019-20 was 2650 kms which was slightly revised downward to 2450 kms at the RE stage. The achievement has been 942 kms till the end of January 2020. The Target for the FY 2020-21 remains at 2650 kms.

(iii) Gauge conversion:

73. With regard to gauge conversion, it may be seen that the RE 2018-19 against the target of 1000 kms, the achievement was 596.8 km only. Similarly, during 2019-20, the target of 600 kms at BE which was reduced to 400 kms at the RE stage could not be achieved and the actual achievement was 345 rkm as on Jan, 2020.

(iv) Track Renewal:

74. In a written submission on the status of track renewal, the Ministry submitted as under:

> "During 2018-19, progress for Track Renewal for 4,181 track km was achieved against a target of 4,400 track km, which is 4.98% below. The shortfall is mainly because of non supply of full quantity of Rails from SAIL to meet the physical target of Through Rail Renewal (Primary) set for the year. During 2019-20, against proportionate target of Track Renewal for 3,250 track km up to January' 2020, a progress of 3,872 track km has been achieved, which is 19% more than the target."

75. The Committee desired to know the preparedness of the Railways to maintain the momentum in doubling and track renewals as well as increase achievement in other projects during 2020-21. In response, the Ministry submitted as under:

> "To spend the available resources in focused manner, in the year 2020-21, thorough review of throughput enhancement projects has been carried out with focused approach & the projects have been prioritized into Super Critical (58 Nos), Critical (68 Nos) and other throughput enhancement projects. All out sincere and focused efforts are being made by Railway for quick execution of these projects so as to get early returns to Railway. The Super Critical Projects are targeted for completion by December, 2021& Critical Projects by March, 2024 and all other sanctioned doubling projects are targeted to be completed by March, 2024. The Ministry have informed that the executable gauge conversion is around 2200 Km & has been targeted for completion by financial year 2022-23."

76. In response to a query, the Ministry deposed as under:

> "Considering the funds allotted to Construction organizations and achievement of Construction Organizations over the previous years, the targets of new line doubling and gauge conversion in 2019-20 were made more realistic to match with the rate of commissioning over the years. However, all out sincere efforts are being made to expedite rate of commissioning in Indian Railways."

(v) Railway electrification:

77. As regards achievements of Railway Electrification, the Ministry stated that all efforts were made by the executing agencies within their capacity, to achieve target of 2018-19 as a result of which, highest ever 5,276 RKMs electrification was achieved

during 2018-19, which was 29% more as compared to the previous year achievement of 4,087 RKM.

78. When it was pointed out that only about 58% electrification has so far been achieved whereas the goal is to achieve 100 percent by 2023, the Ministry assured that the pace which has been achieved in 2018-19 and 2019-20 shall be maintained in the coming years and the balance routes shall be commissioned by December, 2023 positively.

79. Asked to state specific measures taken for accelerating the pace of electrification, the Ministry submitted as under:

"(i) Full powers have been delegated to Zonal Railways for contract management, irrespective of the value of the contract.

(ii) More than Rs. 100 crores contracts are being executed on EPC mode for achieving economy of scale and for expeditious execution.

(iii) The concept of project preparation has been introduced wherein all the drawings, utility shifting, various clearance, land acquisition etc. are carried out well in advance before inviting tenders.

(iv) Monitoring through regular meetings at all the levels including monthly meetings, video conferences with all the GMs and field officers.

(v) Timelines and approving authorities for various drawings/schematic/plan approval for RE projects have been re-defined for faster clearances/ approvals."

(vi) Road Safety Works and Road Over Bridge/Road Under Bridge:

80. The physical targets set and achievements made in regard to Road Safety Works (level crossings) and Road Over Bridge/Road Under Bridge as on date for last three years is given below **:**

Physical Targets & achievement:

(Figures in Nos.)

SN	Item	2016-17		2017-18		2018-19		2019-20	
		Target	Progress	Target	Progress	Target	Progress	Target	Progress (upto Jan'20)
1	Elimination of Unmanned Level Crossings	1440	**1503**	1500	**1565**	1500	**3479**	All UMLCs eliminated on Broad Gauge in Jan.'2020	

2	Closure of Manned Level Crossings	300	**509**	350	**470**	400	**631**	1000	**1133**
3	Construction of ROBs/ RUBs/ Subways	1210	**1354**	1250	**1395**	1400	**1477**	1500	**995**

81. The Committee have further been informed that as on 01.04.2019, there were 21,340 manned level crossings out of which 1,133 manned level crossings have been eliminated upto Jan. 2020.

(vii) Rolling Stock:

82. Physical Targets and achievements w.r.t. Rolling Stock as on date for last three years in tabular form were stated to be as below:

Rolling Stock	Target 2016-17	Achiev e-ment 2016-17	Target 2017-18	Achiev e-ment 2017-18	Target 2018-19	Achiev e-ment 2018-19	Target 2019-20	Achieve-ment # 2019-20
Diesel Loco-motives	320	332	290	296	122	129	0	31
Electric Loco-motives	300	294	352	377	573	625	725	657
Coaches	4302	4280	4659	4444	6058	6076	8026	6229

 # Upto 31.01.2020

Rolling Stock	2017-18			
Wagon	**Physical Target**	**Physical Achievement**	**Funds at RE stage**	**Actual Expenditure**
	7120	6290	3540	1546
	2018-19			
	Physical Target	**Physical Achievement**	**Funds at RE stage**	**Actual Expenditure**
	11000	9535	4122	2588
	2019-20 *			
	Physical Target	**Physical Achievement**	**Funds at RE stage**	**Actual Expenditure**
	12000	9771	4003	3166

** Up till Jan'2020*
Funds in Crore of Rupees

83. The Committee enquired about the life span of locomotives, coaches and wagons and the proposal to replace the outdated/obsolete Rolling Stock. In reply, the Ministry furnished the following detailed information:

"A. ELECTRIC:

- The codal life of electric locomotives is 35 years.
- As on 31.01.2020, 37 electric locomotives are working in inferior services which have completed their codal life.
- Electric Locos which have completed codal life are inspected by officers of the concerned Railway and taking into consideration condition of the locomotive in terms of safety, decision for its condemnation/continuation in service is taken.
- These locomotives undergo thorough regular inspection and all the minor inspection schedules comparable to locomotives which are within codal life. Over-aged locos are used for inferior* services, to avoid the under utilisation of locomotives which are within codal life.

(Inferior*: services related with yard shunting, marshalling and piloting works)

B. DIESEL:

The life span of Diesel locomotives 36 years. Presently, no overaged diesel locomotive is in mainline operation after completing its prescribed life span.

C. COACHES:

The codal life of ICF type passenger coaches is 25 years and for LHB type coaches is 35 years. Systems are in place in order to ensure that passenger coaches that have completed their prescribed service life or are unfit for service, are not allowed in train service over IR.

D. WAGON:

At the beginning of 2019-20, 4732 wagons are shown as overaged on the master database of wagons owned by Railways. Wagons having completed their codal life are detached during examination of trains, POH & ROH from service and are produced for condemnation. Interception, Condemnation and disposal of wagons completing their codal life is a continuous process and only in restricted cases of internal departmental use, Railways are permitted to use such wagons subject to mandatory safety checks."

X. BUDGET ANNOUNCEMENTS 2020-21

84. Besides electrification of 27000 rkm of Broad Gauge Railway Tracks, the Budget Announcements of 2020-21 also included Kisan Rail, setting up of large Solar Power Capacity, Station Redevelopment Projects, etc. In this context, when the Committee desired to know the preparedness of the Railways to achieve the objects, the Ministry furnished the following detailed information:

(i) Kisan Rail:

> "With a view to capture perishable traffic from other modes to Railways, Zonal Railways have been advised to assess the potential of perishable traffic including agricultural and animal products in the existing market, taking into account relevant information *viz*. name of commodity, type, quantity, O-D pairs, etc.
>
> A Committee has been constituted by the Ministry of Agriculture & Farmers Welfare, to take follow up action on the Budget Announcement on "Kisan Rail", and to prepare a preliminary Concept Note on the same. ED(FM) has been nominated as one of the Member of the Committee on behalf of Railways."

(ii) Setting up of Solar Power Capacity:

85. Regarding the setting up a large solar power capacity alongside the rail tracks and on the land owned by the Railways, the Ministry submitted as under:

> "IR has planned to setup solar power plants on rooftops of Railway stations, buildings and Railway land. IR has decided to use solar power in traction application for which 20 GW Solar Power Plant will be installed on about 51,000 hectares of vacant Railway land. It has been decided that strip of the vacant Railway land along Railway track can be used for installation of solar power plant. Accordingly, General Managers of all Zonal Railways have been authorized to use any of the above identified vacant land for installation of the solar plants and identify the land required for generating 20 GW Solar power."

(iii) Redevelopment of Four Stations:

86. One of the major announcements made in the budget was that four station re-development projects and operation of 150 passenger trains would be done through PPP mode. The Committee wanted to know the finer details of the proposal as it was likely to change the very future of Indian Railways. In response, the Ministry submitted as under:

"A Group of Secretaries has been constituted for development of 50 Stations. The Group of Secretaries consists of the following:-

1) Chief Executive Officer, NITI Aayog – Chairman

2) Chairman, Railway Board – Member

3) Secretary, Depart of Economic Affairs - Member

Ministry of Finance

4) Secretary, Ministry of Housing & Urban Affairs - Member

5) Financial Commissioner (Railways) - Member

Member (Engineering), Railway Board and Member (Traffic), Railway Board are the co-opted Members for their respective projects.

The Group of Secretaries is monitoring the bidding process."

87. The Ministry further informed that the projects would be taken up on PPP mode. Only the lease rights for use of land/air space or the structures built on it shall be leased to private parties for a fixed tenure under station redevelopment programme. The ownership of the Railway land/air space shall remain with the Railways.

88. For operation of 150 train services by Private Operators, the Ministry of Railways have constituted a Group of Secretaries (GoS) with a term of one year, inter-alia, to advise on the terms and conditions for operation of trains by private operators over Indian Railways network. The GoS have held seven meetings till now. The draft concession agreement outlining the rights and obligations of Indian Railways has been uploaded to the websites of Niti Aayog and Indian Railways, for comments from stake holders. The implementation of the above is likely to take a little more than 9 months time.

XI. MERGER OF RAILWAY BUDGET WITH GENERAL BUDGET

89. The Railway Budget was merged with the Union Budget in 2017 as against the convention of presenting it separately. Asked to state the distinct advantages or otherwise of the merger, submitted that the Railway Budget has been merged with the General Budget with the understanding that the Railways would meet its revenue

expenditure from its revenue earnings and the Ministry of Finance would provide the GBS as usual for the Capex.

90. The Ministry elaborated as under:

> "While the merger has ensured continuity for Railways in maintaining its distinct entity as a departmentally run commercial undertaking retaining functional autonomy and delegation of financial powers etc., it also has reduced the procedural requirements involved in presenting a separate budget. The merger has relieved Ministry of Railways from payment of dividend to the general exchequer on the capital-at-charge. Further, Ministry of Finance continues to reimburse operational losses of strategic lines. Moreover, Railways are getting the highest ever Capex in the post-merger era with more funds under RSF and RRSK resulting in more thrust on passenger safety, amenities, cleanliness, better mobility of trains etc. and availability of more funds which is generally facilitating all the Railway projects under execution."

91. Bringing the Railway finances under the General Budget has been perceived to be a crucial step forward in reducing populist yet financially unviable projects. When asked whether the merger of the Railway Budget with the General Budget enabled to achieve this end, the Ministry submitted as under:

> "The merger has ensured continuity for Railways in maintaining its distinct entity as a departmentally run commercial undertaking retaining functional autonomy and delegation of financial powers etc. It has not only reduced the procedural requirements involved in presenting a separate budget, but also has reduced populist yet financially unviable projects straining the resources of Railways."

92. In response to a specific query regarding prioritization of the financially viable projects and rationalizing the spending in those projects which have been languishing for a long period, the Ministry appried as under:

> "To ensure quick completion of important throughput enhancement projects within the available resources, a focused & detailed thorough review of projects has been carried out by Ministry of Railways and the projects have been prioritized into Super Critical Projects (58 nos.), Critical Projects (68 nos.) and other throughput enhancement projects (130 nos.). Accordingly, project wise phasing & requirement of funds for the Critical and Super Critical projects have been worked out.
>
> In order to utilize the available financial resources in focused manner, a thorough review of projects has been carried out and Railway Board has prioritized ongoing projects for implementation, based on stage of project implementation,

importance to economy and sustainability of Railway operations as per following details:

- Fifty eight (58) doubling projects have been identified as Super Critical Projects. The length of these 58 Projects is 4,082 Km, costing Rs. 33,519 cr. 1,735 Km have already been commissioned by March'19, leaving a balance of 2,347 Km with a throw forward of Rs. 9,930 cr.

Target has been set for completing these projects by December, 2021.

- Sixty eight (68) Projects (*67 Doubling projects and one Gauge Conversion project*) have been identified as Critical Projects. The length of these 68 projects is 5,818 km, costing Rs. 79,893 cr. 142 km have already been commissioned by March'19, leaving a balance of cr,676 Km with a throw forward of Rs.72,502 cr.

Target has been set for completing all these projects by March, 2024.

- The executable gauge conversion is around 2200 Km & has been targeted for completion by financial year 2022-23.

- In the overall interest of the nation and to ensure that projects are completed in time without cost overrun, lot of monitoring is done in Railways at various levels (field level, divisional level, zonal level and Board level) and regular meetings are held with the officials of State Government and concerned authorities to resolve the pending issues that are obstructing the progress of projects.

- To ensure that projects are completed even before time, Railway has adopted the concept of incentives to the contractor in the form of bonus clause in contracts which will further enhance the pace of execution of projects.

- For capacity enhancement of projects, institutional financing has been arranged, which has increased Railways' capacity for committed fund provision for capacity enhancement of projects.

With completion of these super critical & critical projects, all sanctioned projects on HDN & HUN routes would be completed."

PART-II

OBSERVATIONS/RECOMMENDATIONS

A comprehensive examination of the Demands for Grants (2020-21) of the Ministry of Railways has revealed consistently falling revenues, rising expenditure and a soaring operating ratio coupled with continuous erosion of customer base in both freight and passenger traffic segments. The Committee note that the Railways are making earnest efforts towards mopping up requisite resources and initiating structural reforms through a wide range of endeavours. The Committee are of the considered opinion that these are steps in right direction which also needs continuous follow up and effective monitoring so as to enable the Railways to garner sufficient external resources, generate adequate internal revenue and provide quality services for remaining in contention. Based on the information supplied by the Railways and evidence of the representatives of Ministry of Railways (Railway Board), the Committee have reached to certain conclusions which have been discussed in succeeding paragraphs.

ANNUAL PLAN

2. The Committee find that the Railway Budget is primarily funded from three different sources *viz* : (i) budgetary support from the central government, (ii) extra budgetary resources (primarily borrowings and also includes institutional financing, public private partnerships, and foreign direct investment, and (iii) its own internal resources (freight and passenger revenue, and leasing of Railway land etc.). The Committee observe that the

Annual Plan for the year 2020-21 of the Ministry of Railways has been pegged at Rs.1,61,042 cr comprising Gross Budgetary Support of Rs.70,250 cr, Internal Resources of Rs.7,500 cr and Extra Budgetary Resources (EBR) of Rs.83,292 cr. This has been made against a proposed outlay of Rs.1,97,295 cr. While allocations for GBS was proposed for Rs.1,09,503 cr, the final allocation was reduced by more than 30% to Rs.70,000 cr. According to the Ministry, one of the main reasons for drastic reduction in the BE proposal for 2020-21 was the reduction in the proposed GBS. The Committee are disappointed to note that the allocation of funds for the fiscal 2020-21 was not as per the Ministry's demand. They feel that it may not be adequate for effectively enforcing the ambitious investment plan of the Railways as well as expeditious completion of pending projects. The Committee recommend that the matter be taken up with the Finance Ministry at the appropriate level for enhancing the allocations suitably at the RE stage so as to enable the Railways to cater to the projected expansion, upgradation and modernization of Railway network.

FINANCIAL ALLOCATION AND UTILIZATION

3. The Committee note that the BE of the Ministry for the year 2019-20 was Rs.160176 cr which was reduced at RE to Rs. 156352 cr while the actual expenditure (up to 30 January 2020) was only to the tune of Rs.1,25,418 cr. Similarly, during the year 2018-19, while the RE was scaled down to Rs.1,38,858 cr, the actual utilization was Rs.1,33,377 cr. During the year 2017-18 though the RE was Rs.1,20,100 cr, the actual achievement was only

Rs.1,01,985 cr. Thus, the financial performance of the Railways during the past three consecutive years reveal that even the reduced allocation at the RE stage could not be fully utilized. The Committee take note of the Ministry's assurance that they are embarking upon a number of measures which, *inter alia*, include electrification, new lines, gauge-conversion, doubling/tripling etc. for maximum utilization of funds during 2020-21. The Committee trust that the Railways would be able to honour their assurances by intensifying the proposed measures and optimally utilising the 2020-21 BE provisions of Rs.1,61,042 cr. The Committee feel that by virtue of maximum achievement in the fund utilization, the Railway would be on a stronger footing in availing the proposed amount from the Ministry of Finance at RE stage.

INTERNAL RESOURCE GENERATION

4. The Committee are concerned to note that over the years, there has been a sharp decline in the generation of internal resources by the Railways which has resulted in greater dependency on Budgetary Support and on market borrowings which do not help in the long term. To illustrate, the contribution of Internal Resources to total Capital Outlay was Rs.12125 cr or 11.03% in 2016-17 which was reduced to Rs.3070 cr or 3.1% of the total outlay in 2017-18. The trend was repeated in 2018-19 with only 3.5% of the budget being financed through the internal resources share of Rs.4663 cr. The situation became even more acute with only 3.2% or Rs.5000 cr being kept for internal resources in RE 2019-20. For 2020-21, the target is an

ambitious Rs.7500 cr or 4.6% of the budget. The main reasons attributed for this decline in internal resources are shortfalls in passenger, freight and sundry earnings. The impact of the 7th Pay Commission has also contributed significantly to this downturn. The Committee feel that the persistent decline in internal revenue generation is a pointer towards some inherent deficiencies in the overall planning and management. As a matter of fact, despite availability of adequate Government support and infusion of funds via market borrowings, the inability of the Railways to generate adequate resources is a matter of serious concern. Taking into account various measures initiated by the Railways to leverage internal resource generation, the Committee impress upon the Ministry to escalate their efforts in this direction so as to ensure requisite revenues for carrying out the intended objectives.

GROSS TRAFFIC RECEIPTS (GTR)

5. The Committee note that since 2017-18, the actual Gross Traffic Receipts of the Indian Railways have fallen short of the revised estimates. The Ministry have attributed intense competition confronted by the Railways' passenger and freight business from low-cost airline and specifically expanding road sector as the main reason for the slump in GTR. The situation has been further aggravated by the recent slump in the demand for coal and cement which used to be the mainstay of the Railway freight basket. In this context, the Committee would like the Railways to explore diversification of its freight business so that they do not remain fully dependent on carrying

traditionally bulk commodities like cement, coal and iron ore. The Committee are of the firm opinion that with such diversification according to the changing scenario would enable the Railways to increase their market share in the freight business which in turn results in enhancement of Gross Traffic Receipts.

6. The Committee are concerned to note the losses incurred by the Railways in passenger services purportedly due to the social service obligations which, *inter alia*, include pricing tickets at fares lower than costs, passenger concessions etc. The predicament of the Railways is that the profits earned from freight business is utilized to compensate for the loss incurred on passenger and other coaching services thereby adversely affecting both freight and passenger business. It therefore becomes imperative that both freight and passenger fares are rationalised prudently. Since the demand for transport is elastic in a competitive market, the Committee would like the Railways to be mindful of the fact that any increase in fares should be confined to a certain limit depending upon the competition from other transport modes. The Committee also recommend that there is a need to revisit the components that constitute social service obligations of the Railways in this challenging scenario. They are also of the considered opinion that the operational efficiencies of the Railways in both freight and passenger business have to be leveraged to a greater extent so as to retain the customer base and enhance revenues.

7. According to the Ministry, the limited success on the part of the Railways in raising revenues through land monetization, advertisements etc. has adversely affected their financial health. In view of the fact that non-fare revenue commands equal significance, more so when losses are incurred on passenger fares, the Committee impress upon the Railways to strengthen their planning, management and monetary mechanisms to earn substantial non-fare revenues through various methods/sources, already intended and put in place.

EXTRA BUDGETARY RESOURCES (EBR)

8. The Committee note that in 2016-17, while EBR financed around 48% of the total budget, this increased sharply to 54.4% in 2017-18. The trend has continued in subsequent years too. The Committee find that the total lease payment to IRFC as principal component and payment of interest is estimated at a huge amount of Rs.26,160 cr for BE 2020-21. While realizing that internal resources of the Railways have considerably shrunk and GBS can provide funds up to a certain extent only, the Committee appreciate the compulsion of the Railways for depending upon institutional finance to fund important rail infrastructure. In other words, a decline in generating adequate internal resources has forced the Railways to fund their capital expenditure through GBS and EBR. However, the Committee impress upon the Ministry to take into account the fact that an increased reliance on borrowings, which entail interest payment, could further exacerbate the overall financial situation of the Railways. Prudence, therefore, requires that

Railways have to make earnest efforts towards substantial enhancement of internal revenue generation so that over-reliance on the borrowings component of EBR is gradually reduced.

RAILWAY FUNDS

9. The Committee find that the Railways administer a number of Railway Funds. While the Depreciation Reserve Fund is meant to meet the capital expenditure on replacement and renewal of Railway assets, the Development Fund is to meet capital expenditure on passenger amenities, labour welfare works etc. Capital Fund is to meet the debt servicing obligations of principal component of market borrowing from IRFC and works of capital nature. The Ministry has also to administer the Pension Fund as well as to finance pensionary payments to the retirees. The Committee find that in 2020-21, appropriations to the DRF is estimated at Rs.800 cr. which is a huge reduction from Rs.5200 cr as provided in 2017-18, though marginally improved from Rs.300 cr in 2018-19 to Rs.400 cr in 2019-20. The Committee are given to understand that reduction in the DRF is due to the introduction of the RRSK as a source of assured funding. According to the Ministry, since appropriation of DRF or Railways share of RRSK is to be met from Railways' revenues, the appropriation levels to these funds are decided as per the works to be executed through each fund. Taking note of the Ministry's assurance that there is no sidelining of DRF, the Committee believe that in case the RRSK is not to be continued beyond 2021-22, the Railways should

remain prepared for adequate appropriation to the DRF so that renewal and replacement works having safety implications are again funded out of DRF.

10. The Committee note that appropriations to the Pension Fund account was nearly a quarter of the total working expense of the Railways. In just a span of one year the appropriations to the Pension Fund rose 10% from Rs.48350 cr at RE 2019-20 to Rs.53160 cr at BE 2020-21. In this context, the Committee find that Railways is the only department of the Government of India which meets the pension expenditure of its retirees from own receipts while in respect of all other Departments, the share is met by the Ministry of Finance. The Ministry, therefore, submitted that it is increasingly becoming difficult to bear the pension expenditure from Railway revenues, more so when the Social Service Obligations have crossed Rs.50,000 cr in 2018-19. Moreover, the New Pension Scheme (NPS) implemented in 2004 and intended to reduce the pension bill of the Government would start giving results around the year 2034-35. The Ministry's constraints in this regard merits due attention. The Committee desire that the feasibility of bearing at least a part of the Railways pensionary liabilities by the Ministry of Finance, consequent upon the merger of the Railway Budget with the General Budget, be explored so as to provide some relief to the Railways at least till 2034-35.

RASHTRIYA RAIL SANRAKSHA KOSH (RRSK)

11. The Committee note that the RRSK was established in 2017-18 with a corpus of Rs.1 lakh cr over a period of 5 years (Rs.20000 cr each year) for critical safety related works, augmentation of assets as well as their renewal

and replacement. The outlay for RRSK includes Rs.5,000 cr each from budgetary support and Railways' own internal resources. The remaining Rs.10,000 cr is to come from the Central Road and Infrastructure Fund. The Committee find that while 75%, *i.e.*, Rs.15000 cr is of the nature of assured funding, allocations from the internal resources have not been able to match up the targets. During 2019-20, spending on RRSK was curtailed by 50% and stood at Rs.2500 cr. Similarly during 2018-19 the actual allocation fell short by 40% and stood at Rs.3024 cr. In the face of falling internal revenue and the Railways' inability to transfer the desired level of funds to the RRSK, the Committee feel that the very purpose of the RRSK is gradually being eroded. The Committee are of the considered opinion that this large infusion of funds has been instituted to assure the safety of Indian Railways. It, therefore, becomes imperative on the part of the Railways to make concerted efforts to augment their revenue so that they are able to contribute their share to the RRSK Fund and the purpose of creating the Fund is well served.

<u>NET REVENUE</u>

12. The Committee find that the net revenue of the Railways witnessed a massive downward slide since 2016-17. For example, during 2016-17, BE of Rs.18210.64 cr was downsized to Rs.7695 cr or almost 58% at RE stage. However, actuals fell short of the revised targets by almost 37% at Rs.4913 cr. The scenario was repeated in 2017-18 where revised targets were Rs.6425 cr, but the achievement lagged way behind at Rs.1665.61 cr. During 2018-19, Net Revenue was reduced by around 54% i.e. from Rs.12990 cr. at

BE to Rs.6014 cr. at RE while actuals have been only Rs.3773.86 cr. Similarly during 2019-20, the net revenue was reduced by more than 56% *ie* from BE Rs 9035 cr to RE Rs.3822 cr due to reduction in traffic earnings. The Committee appreciate that the Net Revenue of 2018-19 at Rs.3,774 cr indicates a growth of 126% over the corresponding figure of 2017-18, i.e., Rs.1665.61 cr. This has happened due to several measures undertaken by the Railways. However, the projected net revenue generation in all these years have remained far below the estimates. The Committee, therefore, desire that instead of being complacent with the appreciable increase for the Net Revenue earned during 2018-19 *vis-à-vis* 2017-18, the Railways should further fortify the measures undertaken so as to bridge the gap between the projections and actual generation of Net Revenue during 2020-21 and beyond.

<u>OPERATING RATIO</u>

13. The Committee note that the Operating Ratio of Indian Railways has been consistently high at above 96% since 2016-17. To illustrate, the Operating Ratio has been 90.5, 96.5, 98.4 and 97.29% during the years 2015-16, 2016-17, 2017-18 and 2018-19 respectively. Further, for the year 2019-20, it has been revised to 97.46% from 95%. For 2020-21, a target of 96.28% has been kept. The reasons for poor Operating Ratio have been attributed to the sharp rise in staff cost due to the implementation of the 7th CPC coupled with a drop in goods earnings. The Committee are aware that the Operating Ratio is a function of total working expenditure to total traffic

earnings and any effort to improve the same revolves around maximizing the traffic earnings and minimizing the controllable working expenses. The Committee are of the strong view that in order to reduce Operating Ratio, the Railways need to review their strategic outlook and adopt a long-term strategy for enhancing the efficiency in operation and various maintenance units. The Committee, therefore, recommend that Ministry should observe more fiscal discipline and plug leakages and the Railway finances be better monitored and managed prudently by keeping a close watch on the undesirable/ unproductive expenditure so that the Operating Ratio is brought down to a reasonable level in the near future.

NEW LINES

14. The Committee note there has been a definitive push for network expansion and modernisation in the BE 2020-21. The Committee are however disheartened to note that during 2018-19, for construction of new lines the achievement was 479 kms as against the target of 1000 kms indicating a shortfall of more than 50%. The Committee further find that Budget target for 2019-20 was halved from 2018-19 to 500 kms which was revised to 400 kms at RE stage. The actuals as of Jan. 2020 were 278 kms. The Committee are of the view that downward revision of the Plan allocations require reworking of priorities and rescheduling of activities which ultimately lead to tardy progress. The Committee therefore, call upon the Ministry to review all the pending projects for New Lines considering their economic viability,

critical importance, etc., and prepare an action plan to implement them in a definite time frame so that these projects are completed expeditiously.

DOUBLING

15. The Committee appreciate that as against the target of 2100 kms for doubling during 2018-19, the actuals were to the tune of 2519 Km (*including 1000 Km of DFC track*) which is reportedly the highest ever progress in the history of Indian Railways according to the Ministry. During 2019-20, the targets were revised slightly downward from 2650 kms to 2450 kms. The achievement upto Jan 2020 is at 942 kms which does not include the progress under DFC. The Committee trust that the Railways would continue with the momentum set in the previous year and expect the same level of accomplishments for the years 2019-20 and 2020-21 as well.

GAUGE CONVERSION

16. The Committee note with concern that there have been major shortfalls in gauge conversion during the last few years. Against the revised target to complete 1,000 km of gauge conversion, the achievement was only 597 km during 2018-19. The Committee also find that targets of BE 2019-20 of 600 kms were revised downwards to 400 kms at RE. The actuals as of Jan. 2020 were 345 kms. The targets for 2020-21 have been set conservatively at 600 kms. The Committee take a rather critical view of the apparent lack of progress in gauge conversions and recommend that the Railways should exercise due diligence and identify and remove all those impediments that obstruct network expansion so as to achieve the targetted gauge conversions in a seamless manner.

TRACK RENEWALS

17. The Committee note that during 2018-19, against a target of 4400 kms of track renewals, the achievement was 4181 kms while during 2019-20 , as against the target of 3900 kms, achievement was 3872 kms till January 2020. The targets for track renewals for 2020-21 have been set at 4000 kms. While appreciating this achievement, the Committee recommend that the Railways should accord highest priority to this sector and accelerate / sustain the healthy pace of track renewal currently set as it is central to sustainable operations of Railway network.

ELECTRIFICATION

18. The Committee are pleased to note that the Railways have accorded the highest priority to Railway electrification and they aim to achieve cent percent electrification of all broad gauge routes by 2023. However, during 2019 as against the revised targets of 6000 kms the achievement was 5276 kms. During 2019-20 as against the budget estimates of 7000 kms the revised estimate was reduced to 6000 kms. Till January 2020, the achievement was only 2881 kms. The Committee are apprehensive that achievement for 2019-20 may fall way short of the targets. As electrification would reduce the carbon footprint of the Railways and also provide a more environment friendly and sustainable source of transportation besides causing financial savings, the Committee recommend that efforts be stepped up for achievement of targets commensurate with the objects so that the gains of electrification are truly accrued.

MERGER OF RAIL BUDGET WITH THE UNION BUDGET

19. The Committee find that since 2017 the finances of the Railways have been merged with the General budgets with the understanding that the Railways would meet its revenue expenditure from its revenue earnings and the Ministry of Finance would provide the GBS as usual for the Capex. The Committee also find that the merger has ensured continuity for Railways in maintaining their distinct entity as a departmentally run commercial undertaking and retaining functional autonomy and delegation of financial powers etc. Further, the merger has also reduced the procedural requirements involved in presenting a separate budget. The most important aspect has been the discontinuation of the payment of dividend by the Railways to the general exchequer on the capital-at-charge. The merger also has resulted in defrayment of costs by the Ministry of Finance for operational losses of strategic lines. The Committee feel that the extent of dividend liability relief to Railways can be utilized for various works of capital expenditure and it will allow the Ministry of Finance more elbow room for better allocation of resources. The Committee understand that unification of budget will now give Railways a chance to focus more on their core business, modernization and safety concerns while the Ministry of Finance will remain responsible for the GBS needs of Railways. The Committee are of the considered view that in order to reap the benefits of the merger, the Railways should make use of the available additional allocations on creation

of assets and increase the net revenues of the Railways in order to cater to the financial needs of other deficit areas of Railways.

BUDGET ANNOUNCEMENTS – 2020-21

20. The Committee find that the Indian Railways would be implementing a new initiative called Kisan Rail with a view to increase their presence in the agricultural and animal products market. They find that the Ministry is mooting the use of refrigerated vans and special containers for quick transportation of such products. The Committee understand that perishables such as meat, poultry and fish as well as agricultural products need a quicker turnaround time in their transportation as well as controlled environment to retain their value. The Committee, therefore, recommend that the Railways should make earnest efforts for implementation of this initiative as it would help the farmers and other stakeholders get a better remuneration for their produce while reducing wastage and distress sales of such products due to lack of storage and refrigeration facilities.

21. The Committee find that the Railways are planning to utilise the sides of Railway tracks as well as vacant Railway land for setting up solar panels for the generation of solar energy. The Committee are of the considered opinion that this is an excellent initiative and totally in sync with the goal of cent percent electrification of Railway tracks by 2023. Taking into account the importance of utilising sustainable and clean energy, the Committee recommend the Ministry to expeditiously work out the modalities and efficiently utilise the allocated funds so that the very purpose of this

initiative is optimally achieved. The Committee would also like the Railways to ensure that such a unique and well-intended initiative should not be adversely affected by delays in fund allocation or other procedural rigmaroles.

22. The Committee find that the Ministry is planning to leverage PPP funds for the redevelopment of four stations and operation of 150 passenger trains. They further find that the modalities of the Project is currently being worked out. The Committee feel that this step may leverage the Railways finances from expansion and modernization of rail services. The Committee, therefore, recommend the Ministry to work out the procedures of funding, execution and implementation of the Project in a timebound manner so that the purpose is well-served.

New Delhi;
28 February, 2020
9 Phalguna, 1941 (Saka)

RADHA MOHAN SINGH
Chairperson
Standing Committee on Railways

APPENDIX I

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (2019-20)

The Committee met on Monday, the 17th February, 2020 from 1100 hrs. to 1315 hrs. in Committee Room No. '53', Parliament House, New Delhi.

PRESENT

Shri Radha Mohan Singh - Chairperson

MEMBERS

LOK SABHA

2. Shri T.R. Baalu
3. Smt. Ranjanben Bhatt
4. Shri Pankaj Choudhary
5. Shri Abu Hasem Khan Chowdhury
6. Smt. Sangeeta Kumari Singh Deo
7. Shri Suresh Kodikunnil
8. Shri Kaushalendra Kumar
9. Smt. Diya Kumari
10. Shri Sunil Kumar Mondal
11. Smt. Queen Oja
12. Shri Mukesh Rajput
13. Shri N. Reddeppa
14. Shri Sumedhanand Saraswati
15. Shri Gopal Jee Thakur

RAJYA SABHA

16. Shri N. Gokulakrishnan
17. Prof. Manoj Kumar Jha
18. Shri Mohd. Ali Khan
19. Ms. Saroj Pandey
20. Shri Garikapati Mohan Rao
21. Shri Ashok Siddharth
22. Shri Bashistha Narain Singh
23. Shri Motilal Vora

SECRETARIAT

1.	Dr. Kavita Prasad	-	Joint Secretary
2.	Shri Arun K. Kaushik	-	Director
3.	Shri D.R. Mohanty	-	Addl. Director
4.	Shri Ram Lal Yadav	-	Addl. Director
5.	Smt. Archana Srivastva	-	Deputy Secretary

REPRESENTATIVES OF THE MINISTRY OF RAILWAYS (RAILWAY BOARD)

1.	Shri Vinod Kumar Yadav	Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India
2.	Ms. Manjula Rangarajan	Financial Commissioner (Railways) & Ex-officio Secretary to the Government of India
3.	Shri Vishwesh Chaube	Member Engineering, Railway Board & Ex-officio Secretary to the Government of India
4.	Shri P.S. Mishra	Member Traffic, Railway Board & Ex-officio Secretary to the Government of India
5.	Shri Rajesh Tiwari	Member Traction, Railway Board & Ex-officio Secretary to the Government of India
6.	Shri P.C. Sharma	Member (Materials Management), Railway Board & Ex-officio Secretary to the Government of India
7.	Shri Pradeep Kumar	Member (Signal & Telecom), Railway Board & Ex-officio Secretary to the Government of India
8.	Shri Mukesh Kumar Gupta	Additional Member/Works
9.	Shri R.N. Singh	Principal Executive Director/Infrastructure

2. At the outset, the Chairperson welcomed the representatives of the Ministry of Railways (Railway Board) to the sitting and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker, Lok Sabha regarding the confidentiality of the proceedings.

3. The Chairman, Railway Board briefed the Committee about the super critical and critical categories of projects for implementation in Railways. He further elaborated about some of the focused areas pertaining to Railways as envisaged in Union Budget 2020-21 *viz.* safety on Indian Railways, track renewal, enhancement of funds for passenger amenities, electrification targets, development of stations and commercial use of surplus Railway land, elimination of level crossings, solar energy, Rashtriya Rail Sanraksha Kosh RRSK), Operating Ratio, vacancies in Railways. Besides, he elaborated new initiatives launched in the Budget 2020-21 such as Kisan Rail, National Infrastructure Pipeline etc.

4. The Committee, then, sought certain clarifications on the issues relating to the subject. The Chairman, Railway Board replied to some of the queries and assured to furnish the written replies to the queries in respect of which the information was not readily available with him. The evidence was concluded.

5. A verbatim record of the proceedings of the Committee has been kept.

The Committee then adjourned.

APPENDIX II

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (2019-20)

The Committee met on Friday, the 28th February, 2020 from 1100 hrs. to 1130 hrs. in Committee Room No. '2' Block-A, PHA Extension Building, New Delhi.

PRESENT

Shri Radha Mohan Singh - Chairperson

MEMBERS

LOK SABHA

2. Shri T.R. Baalu
3. Shri Pankaj Choudhary
4. Shri Arvind Ganpat Sawant
5. Shri Sunil Kumar Mondal
6. Shri Mukesh Rajput
7. Shri Gopal Jee Thakur
8. Sadhvi Pragya Singh Thakur

RAJYA SABHA

9. Prof. Manoj Kumar Jha
10. Shri Ashok Siddharth
11. Shri Motilal Vora

SECRETARIAT

1.	Dr. Kavita Prasad	-	Joint Secretary
2.	Shri Arun K. Kaushik	-	Director
3.	Shri D.R. Mohanty	-	Addl. Director
4.	Shri Ram Lal Yadav	-	Addl. Director
5.	Smt. Archana Srivastva	-	Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration the draft Report on Demands for Grants (2020-21) of the Ministry of Railways.

The Committee adopted the above-mentioned Report without any modification.

3. The Committee authorized the Chairperson to finalise and present the Report to the Parliament.

The Committee then adjourned.
