

**Speech of Shri Kamalapati Tripathi
Introducing the Railway Budget
for 1975-76, on 20th February 1975.**

Mr. Speaker,

Sir, I rise to present the Revised Estimates for 1974-75 and the Budget Estimates for 1975-76.

Introduction

Before I deal with these estimates, I would like to recall the very valuable contributions made by my able predecessor, Shri Lalit Narayan Mishra, in shaping the policy and fortunes of Railways at a very critical period in their history. During the last two years the Railways had to grapple with unparalleled situations not only in industrial relations but also in financial viability. The House is aware of the various measures that have been taken in the last two budgets to avert a serious derailment of railway finances.

Financial Results: 1973-74

In the last budget, we had recounted three factors, namely, the state of national economy, the deterioration in staff discipline and the impact of Pay Commission's recommendations as accepted and liberalised by Government, which caused a vast change in the financial performance of Railways in 1973-74. In the Revised Estimates it was assessed that the gross traffic receipts of the Railway Undertaking would fall short of the estimated amount by Rs. 93.20 crores. Similarly, it was anticipated that the working expenses, which had also been under heavy pressure, would over-run the original Budget Estimates by Rs. 34.77 crores, even after realising an economy of Rs. 17 crores. The dividend liability to General Revenues was, however, estimated to come down by nearly Rs. 4 crores. It was concluded that instead of earning a surplus of Rs. 23.86 crores the Railways will have a deficit of Rs. 99.75 crores.

The last quarter of the year, unfortunately, turned out to be worse than assumed and the revised freight target of 192 million tonnes could not be realised. It fell to 185 million tonnes, inclusive of departmental traffic. Shortfall also occurred in passenger traffic due to suspension of some train services. Thus, when the accounts for the year were finally compiled, gross traffic receipts were found to be Rs. 32.11 crores less than the Revised Estimates. A silver lining in the cloud was that the working expenses also went down by about Rs. 18 crores. While the appropriations to Depreciation Reserve Fund and to the Pension Fund were maintained at Rs. 115 crores and Rs. 16 crores respectively, the dividend liability to General Revenues, on actual computation, came to Rs. 170.92 crores against the Revised Estimate of Rs. 168.60 crores. The year-end deficit which was assessed at Rs. 99.75 crores in the Revised Estimates rose to Rs. 115.51 crores. The Railways could not discharge in full their dividend liability as the balance in Revenue Reserve Fund, after borrowing from General Revenues, fell short of actual requirements by Rs. 15.79 crores. The liquidation of this liability was carried over to 1974-75. Excluding this sum of Rs. 15.79 crores, the indebtedness of the Railways on 31st March, 1974, rose to Rs. 208.02 crores. 1973-74 was truly, in all respects, a depressing year in the financial history of the Railways.

Revised Estimates For 1974-75

Right from the beginning, 1974-75 was seen as a year of stress and strain. The Budget Estimates for 1974-75 projected a deficit of Rs. 52.79 crores. Hon'ble Members are fully aware that the gathering storm of the previous year finally broke in May last, culminating in a country-wide railway strike. The House was kept fully informed of the earnest efforts made by the administration to prevent the agitation, which impaired our transport capability in the first quarter of the year.

Mid-Year Appraisal

Shortly after the strike was called off, a rapid re-appraisal revealed that in the three months of April to June, 11.8 million tonnes of freight traffic had been lost. It was realised that the originating traffic during the year would not exceed 197 million tonnes, made up of 173 million tonnes of revenue earning traffic and 23.8 million tonnes of departmental traffic. Passenger traffic had also declined as the number of passengers carried was nearly 150 million less than in the corresponding period of the previous year. Other Coaching earnings had also suffered. Consequently, in the first quarter railway earnings dropped by Rs. 92.45 crores as compared with the Budget proportion. The trend of earnings foreshadowed a shortfall of approximately Rs. 140 crores during the year. In this situation, fares and freight rates had to be raised to recoup the anticipated deficiency of Rs. 140 crores in earnings. Hon'ble Members will recall that the introduction of the revised tariff was deferred by a week to enable consideration of the proposals by Parliament. This postponement reduced the current year's effect of adjustments by about Rs. 5 crores.

At the same time, working expenses were rapidly mounting up. Railways are a labour intensive organisation and the wage bill of million and a half employees constitutes the bulk of their running expenses. Staff costs during 1973-74 had risen steeply for reasons referred to earlier. The year 1974-75 saw no abatement in this trend as three retroactive revisions in the rates of dearness allowance imposed a further burden of Rs. 56.44 crores. Moreover, an additional liability of Rs. 50.37 crores arising out of Labour Tribunal Awards and other concessions to organised labour (Rs. 28.50 crores) and increase in coal prices (Rs. 9.70 crores) had to be taken into account. The aggregate financial implication of all the un-budgeted factors was calculated to be Rs. 106.81 crores. However, in September last, supplementary grants for only Rs. 56.44 crores were obtained, which were just sufficient to cover the cost of three increases in dearness allowance. The balance amount of approximately Rs. 50 crores was promised to be saved from working expenses through further intensification of economy measures.

Traffic Revival

In the post-strike period, a variety of measures were adopted to improve our efficiency. A number of special steps were initiated to rehabilitate rolling stock; overtake the arrears of maintenance, which had accumulated during the two years of labour unrest; step up operations through increased block-rake movements and ensure more intensive utilisation of assets. Efforts were simultaneously directed to achieve higher productivity through better supervision and administrative guidance; and economy in consumption of stores and fuel through management techniques. Faster disposal of scrap and reclamation of waste were also attempted. It was recognised that the revised traffic projection for the current year could be reached only if the monthly level of traffic carried in the remaining months was approximately 15 million tonnes, gradually rising to 16 million tonnes. Our transportation performance has been eminently successful, as the Railways during November and December have lifted over 15 million tonnes each month. The offerings of foodgrains, fertilizers, POL products and cement have been fully moved. Raw materials to steel plants have been carried as required and transport of finished steel products stepped up to reduce their accumulated stocks. The House will be glad to know that in the movement of coal, marked improvement has been achieved. In close collaboration with the Ministry of Mines, loading records have been created during the last few months, particularly from the outlying coalfields. The daily coal loading in November, 1974 averaged 8516 wagons against 7300 only six months ago. This performance was raised further in December last with an average of 8638 wagons per day. Even this record was surpassed in January, 1975 when an average daily loading of 8901 wagons was attained. This achievement is of particular significance in the context of the oil crisis, which has led to a greater country-wide dependence on the availability of coal. There has been some curtailment in the volume of departmental traffic in the wake of squeeze on Plan outlay. In the result, the total originating freight traffic during the current year is now anticipated at about 192 million tonnes despite the loss of 11.8 million tonnes in the strike-affected period. The revenue earning content is estimated at about the same level as assessed in August last. This target connotes an increase of about 7 million tonnes over the achievement of last year. If departmental traffic is excluded and only revenue earning traffic is compared, the increase over the last year's level would be nearly 10 million tonnes.

Concerted efforts to work to our potential have produced results on the Broad Gauge system which, to use a mechanical metaphor, is now working on all the cylinders. On the other hand, movement on the Metre Gauge is a bit sluggish and has not picked up as well. Operational fluidity on the Metre Gauge system is yet to be restored so that traffic traversing that area, particularly to and from stations in the North-eastern part of the country, can move freely. The problems inhibiting the growth of traffic in this area have been studied and pin-pointed and remedial steps devised. I am hopeful that the results would be fruitful.

Passenger traffic has belied estimates. The Railways during the first eight months of this year have carried 220 million passengers less than the corresponding period of last year. Half the shortfall is attributable to the May strike and the other half to the unavoidable cancellation of a number of passenger trains due to shortage of loco coal.

The Revised Estimates of passenger earnings have, in the circumstances, been placed at Rs. 405.85 crores or Rs. 15 crores less than the Budget Estimates. Following cancellation of passenger trains, the associated coaching traffic has also fallen. The revised estimate of 'Other Coaching' traffic has had to be scaled down to Rs. 68.58 crores. Goods earnings have been retained at Rs. 899.82 crores, which was the budget anticipation. Sundry earnings as estimated are likely to be realised. Consequentially, gross traffic earnings are now estimated at Rs. 1413.15

crores or Rs. 20 crores less than the budgeted figure.

An Unsatisfactory Development

We had provided that cash realisation would be six crores short of the value of our physical output. This amount is likely to go up to Rs. 12 crores, as the payment of our dues is not so prompt. Special drive, however, is being made to collect our outstandings, before the close of the financial year. In the aggregate, gross traffic receipts are, therefore, expected to be Rs. 1401.15 crores - Rs. 26 crores less than the Budget Estimate of Rs. 1427.15 crores.

Economy In Working Expenses

I am conscious that economy in expenditure is essential so that the burden of rising prices and mounting staff costs may, to some extent, be mitigated. As mentioned earlier, the Railways were set an economy target of Rs. 50 crores in working expenses. I am happy to inform the House that the promised saving of Rs. 50 crores has been fully achieved. The saving has come in handy as our budget for working expenses can absorb the shock of three instalments of dearness allowance recently sanctioned by Government, which will cost the Railways Rs. 39 crores in the current year. The Revised Estimates of working expenses have, therefore, been fixed at Rs. 1191.55 crores or Rs. 13.26 crores less than the extant grants. Appropriations to the Depreciation Reserve Fund of Rs. 115 crores and to the Pension Fund of Rs. 16 crores, as provided in the original budget, remain unchanged. The dividend liability to General Revenues, for the current year, is expected to be Rs. 189.33 crores. The drop in gross traffic receipts, payment of enhanced dearness allowance and variations in the amount of dividend liability to General Revenues have altered the financial results at the year-end. The mid-year appraisal had shown that the deficit of Rs. 52.79 crores projected in the budget estimate would rise to Rs. 109 crores. After allowing for Rs. 5 crores on account of deferred introduction of the revised tariff, a drop of Rs. 26 crores in gross traffic receipts and after adding Rs. 39 crores for payment of dearness allowance, the deficit should have gone up to Rs. 179 crores. The saving of over Rs. 50 crores in the working expenses, to which I have referred, would help to bring it down to Rs. 128.19 crores.

Plan Outlay For 1974-75

After a re-appraisal of Plan resources in August last year, we were advised that the allocation for investment on Railways would have to be curtailed. A review of ground balances and materials in the pipeline was urgently undertaken. Deliveries of materials on order, which were not urgently required, were staggered, where possible, in consultation with suppliers. Further purchases were limited to the minimum quantities considered essential for maintenance and operation. The value of work-in-progress in workshops was reduced by increased productivity and speedier financial adjustments. These measures, particularly the curb on purchases, secured a reduction of Rs. 0.94 crore in inventories as against the budgeted increase of Rs. 7 crores. As a total saving of about Rs. 25 crores had to be achieved in the Plan outlay for the current year, the outlays on approved projects were also reviewed. While ensuring that no sanctioned scheme suffered, the inter-se priorities of works were re-arranged in the changed context and the expenditure regulated accordingly.

Plan Resources For 1975 - 76

For Plan outlay in 1975-76, the Railways have been allotted Rs. 308 crores, excluding Rs. 10 crores for Metropolitan Transport Projects outside the Railway Plan and Rs. 10 crores for investment in State Road Transport Undertakings. The allocation is even less than the reduced allotment for the current year and in the background of appreciable increase in material prices and wage rates, the physical content of the development plan will naturally be compressed.

In these circumstances, it is only correct that in distributing the resources, the proper maintenance of existing assets should receive paramount attention. My predecessor had brought to the notice of the House the backlog of maintenance and repair schedules and the need to overtake them speedily. Consistent with this objective, expansion schemes already sanctioned for increasing repair and overhaul facilities in railway workshops are being expedited. Construction of some new, as well as extension of existing, loco sheds are also proposed. The possibility of diversifying production units to undertake repair and rehabilitation of sick rolling stock will be explored. Heavy corrosion of steel-body coaches, in the tropical climate of the country requiring extensive repairs, has come to notice. Facilities for this type of work are also proposed to be set up.

Light Railways

Honourable Members will recall that construction of a broad gauge line in the area served by the erstwhile Shahdara-Saharanpur Light Railway was approved on the basis of equal participation by the Railways and the U.P. State Government in its construction and operation. A Joint Corporation was to be set up for this purpose. Construction is proceeding apace within the funds made available by the Government of U. P. and the allocation found possible by the Railways.

Approval of Parliament was obtained for the construction and operation of new broad gauge lines in area covered by the Howrah-Amta, including Bargachia-Champadanga branch and Howrah-Sheakhala Light Railways. It was visualised that it will be possible for the State Government of West Bengal to participate equally in the construction and operation of these lines. The Government of West Bengal has, however, now intimated that in view of its serious financial position it is unable to accept this burden and that it will be able to contribute only land, free of cost, for the Howrah-Amta broad gauge line. As the inability of the State Government stems from its difficult financial position, I am bringing this change in the financial arrangements to the notice of the House.

Railway Convention Committee

The Railway Convention Committee, in its latest report in December 1974, has recommended, and the Parliament has approved, that, in addition to continuing the various concessions given earlier, the remission limit for dividend payable on Capital works-in-progress should be raised from 25% to 50%. This additional relief has, for the present, been allowed for 1974-75 and 1975-76 and amounts to Rs.1.40 crores and Rs. 3.91 crores respectively. I am grateful to the Chairman and other Members of the Convention Committee for this benefit and their sympathetic consideration of the Railways' problems.

Metropolitan Transport Projects

Metropolitan Transport Project Organisations, which have been placed temporarily under the administrative control of the Ministry of Railways pending the constitution of a separate authority, have continued to make progress in the preparation of techno-economic feasibility studies in Madras, Bombay and Delhi. Actual construction has started in Calcutta area. Construction of the Dum Dum-Tollygunge Rapid Transit Liner - the first underground railway in India - was sanctioned in 1972 at an estimated cost of Rs. 140 crores. On re-assessment, which takes into account the recent increase in labour costs and material prices, but excludes escalation of prices and interest charges during the period of construction, the estimated cost, has risen to Rs. 250 crores. The financing of higher costs has necessitated a review of its construction programme. In the Bombay area, feasibility studies for Corridor 7 and detailed designing in respect of Corridor 6 are in hand. Similarly, detailed designing for rapid transit corridors in Delhi and Madras which have been identified in consultation with the Planning Commission will be undertaken in 1975-76.

Search For New Models

Looking ahead, traffic projections of the Fifth Five Year Plan and their extension to a time horizon of 15 years indicate that our trains will have to consist of much heavier trailing loads than at present, particularly in respect of movement on the ghat sections and for the carriage of coal and iron ore traffic. It is envisaged that if the Railways' investment on line capacity is to be optimised, trains of 4500 tonnes, rising to 7200 and, in some areas, possibly to 9000 tonnes may have to be run. It is not possible for the existing locomotives and wagons to reach this level of line haul capacity. We are, therefore, already in search of appropriate models for future use. Higher capacity wagons would have to be designed and produced indigenously and heavy duty locomotives manufactured indigenously or obtained from abroad. Provision for the import, if necessary, of such heavy duty electric locomotives has been made in the third Czech credit agreement signed in December 1973. The need for a new type of coach with much larger carrying capacity has also been felt so that the pay-load of passenger trains can be improved and larger number of passengers transported per train. These requirements necessitate prolonged studies, detailed designing, prototype production and successful trials before they are produced in commercial quantities for use on line. Our Research, Designs and Standards Organisation, Lucknow, is presently, engaged on this important long-term assignment.

Labour Relations

Labour relations have shown considerable improvement after the unhappy events of May last. In the last few months, railwaymen have displayed keener sense of responsibility and greater devotion to duty. In appreciation of all-round increase in productivity, which has lately taken place, I have decided to condone the break in service of all railway employees except those who are charged with sabotage or violence. I firmly believe that only an enlightened management evokes the best response from its employees. Apart from augmentation of personnel cadres, I expect senior railway officers to establish direct contacts with the staff working under them, so as to maintain good industrial relations. It is only by fostering the spirit of mutual understanding and confidence that agitations can be avoided. We aim at making all railwaymen, feel that there is an identity of interests between them and the Management and both strive for a common national and corporate goal. Well-being of the staff forms a corner stone of this policy. I have directed the Zonal Railway Administrations to deal with all service matters speedily and sympathetically, wherever employees are not charged with sabotage or violence. The Railway Board are giving finishing touches to a comprehensive scheme to upgrade a number of posts at all levels in the non-gazetted cadres. This should improve the career prospects of employees as well as give them greater job satisfaction.

Effective from 1975-76, the level of Government contribution to the Staff Benefit Fund has also been doubled i.e., from Rs. 4.50 to Rs. 9.00 per employee, so that welfare activities and relief measures to the staff in times of distress do not suffer for want of funds.

Budget Estimates For 1975-76

In the first half of the current year, as well as in the previous year, the Railways' physical and financial performance reeled under near-stagnation in industrial economy, inflation in costs, disturbed staff relations and the impact of new scales of pay and rates of dearness allowance. The staff relations have since stabilised at a happier note and the scales of pay recommended by the Pay Commission have been fully implemented. The prospects for the next year, therefore, depend on the health of our industrial and agricultural economy as also on the cost-of-living index. There is a general apprehension amongst economic analysts that recession-cum-inflation will deepen and economy in the highly developed countries will get worse before it gets better in 1975-76. On the other hand, our economic outlook is less gloomy, if not positively better. Indications are already visible that the various measures taken by the Government, for containing prices and for giving a fillip to industrial and agricultural activity, are beginning to bear fruit. The winter rains have been timely and adequate with the result that a good rabi crop is expected. Let us hope Nature will be equally kind during the months of monsoon. In the mining sector, the production of iron ore is showing signs of picking up. The output of coal has already been stepped up and significant growth is planned for 1975-76. Heavy snowfall during this winter should improve the availability of water for hydel generation. With better power supply the industrial sector is bound to perform at a higher level of production. Against this agricultural and industrial background, one could legitimately be optimistic about higher offering of traffic to railways. Since the railways are also working at higher efficiency, a target of 210 million tonnes of originating freight traffic seems realistic and within our reach. Of this target, 20 million tonnes are attributable to departmental non-revenue traffic, which has been kept at the same level as in the current year. The Railways hope to carry revenue traffic of 190 million tonnes, up by 18 million tonnes over the current year's tonnage.

Passenger traffic has lately been showing a mixed trend. While the total number of passengers carried in 1973-74 was almost the same as in the previous year, the suburban traffic continued to grow but the non-suburban traffic showed negative growth and fell by 51 million passengers. In the current year, this trend has further accentuated. The fall in non-suburban passenger traffic beyond the strike-affected period is mainly due to cancellation of trains. The Hon'ble Members know that faced with shortage of loco coal the railway administration had to curtail some of their branch line passenger train services. Now that the production of coal has begun to gather momentum, it should be possible for us to build up our stocks. Subject to this contingency, restoration of cancelled trains will be commenced from the First of March, and progressively increased in the next few months.

Gross Traffic Receipts

Taking these prospects of goods and passenger traffic into account, gross traffic receipts at the existing level of fares and freight rates have been estimated at Rs. 1631.86 crores. Goods earnings have been assessed at Rs.1045.50 crores, as against the expected earnings of Rs. 899.82 crores in the current year. We have estimated our passenger earnings at Rs. 477.06 crores, up by

Rs. 71.21 crores over the Revised Estimates. 'Other Coaching' earnings are also expected to improve in sympathy with passenger earnings and have been raised from Rs. 68.58 crores in 1974 - 75 to Rs. 76.10 crores. Sundry earnings have been marginally increased from Rs. 38.90 crores in the current year to Rs. 39.20 crores in the next year.

Working Expenses

Working Expenses for 1975-76 are estimated to be Rs. 1298.28 crores, which include Rs. 54 crores for accommodating the full-year cost of three dearness allowance instalments recently sanctioned. There is also a provision of Rs. 42.74 crores for additional expenditure on repairs and maintenance of various assets in sheds and shops. The estimates also include nearly Rs. 23 crores to meet the higher fuel bill for larger volume of traffic assumed for the next year.

The appropriation to Depreciation Reserve Fund has been maintained, in accordance with the wishes of the Railway Convention Committee, at Rs. 115 crores, but contribution to Pension Fund has been marginally raised by one crore to Rs. 17 crores. Expenditure on Open Line Works Revenue and other miscellaneous items will go up by nearly Rs. 2 crores. The dividend liability, after taking credit for the relief granted by the Railway Convention Committee in its last Interim Report, is calculated to be Rs. 197.88 crores. Counting all these items of anticipated revenue and expenditure, the year is expected to end with a deficit of Rs. 15.97 crores.

Budget Proposals

Hon'ble Members will recall that railway tariff was comprehensively adjusted from 1st April, 1974. Supplementary charges were levied effective from the 15th of September, 1974. I see the next year generally as a period of stabilisation in the rate structure of rail-borne traffic, both passenger and goods. I would expect the Railways to concentrate and improve upon their financial performance and public image by enhancing the volume of their business and bettering the quality of their service. The House and the railway users will be glad to know that I do not propose to make any changes whatsoever for passenger travel in any class. Likewise, the freight rates already in force will continue undisturbed except for minor rationalisation in the tariff of foodgrains (including pulses) and iron ore and manganese ore for export. As the Hon'ble Members are aware, foodgrains and pulses are carried at rates below the bare operating cost. Approximately half the quantity is carried on Government account for public distribution and the balance is consigned by private parties. In the current year, the Railways will suffer a loss of Rs. 34.5 crores in lifting 14.5 million tonnes of these commodities. In 1975-76 this loss is expected to go up to Rs. 35 crores on the movement of 15.5 million tonnes. It is proposed to bring the commodities, generally described as foodgrains, within the framework of standard tariff and place the bulk of them, i.e. wheat, rice and jawar in the second lowest classification of goods. The proposal will yield an additional revenue of Rs. 35.5 crores, which will just about neutralise the loss. On an average, incidence of this proposal on prices will be as low as 2.5 paise per kg. I am sure that the good rabi crop will easily absorb this marginal expenditure.

Iron ore and manganese ore for domestic consumption pay a different charge, from consignments meant for export. In terms of transport effort on the part of the Railways, there is no valid reason for this differential tariff. I, therefore, propose to treat them alike and place them in the same common classification. This rationalisation would fetch the Railways an earning of Rs. 3.5 crores,

A memorandum is being circulated to the Hon'ble Members describing the proposals in detail. These two modifications, which will come into force from 1st April, 1975, will yield Rs. 39 crores during 1975-76. With this additional revenue, the deficit of Rs. 15.97 crores will be converted into a surplus of Rs. 23.03 crores, of which Rs. 18 crores will be utilised on defraying expenditure chargeable to Development Fund and the balance of Rs. 5.03 crores will be credited to Revenue Reserve Fund.

Looking Ahead

It will be my endeavour to improve the efficiency of Railways in all respects with the twin objective of ensuring better service to the public and healthy finances for the Undertaking. Observance of punctuality, in which lapses cause serious inconvenience to passengers, will be closely watched. More satisfactory service will be sought to be provided to rail users, both in passenger travel and movement of goods. Special consideration will be given to the economically backward areas while deciding laying of new railway lines or gauge conversions. Similarly, the present policy of the Government to give special encouragement to Scheduled Castes and Scheduled Tribes in recruitment and promotion will continue to be followed with vigour. Fulfilment of reserved quotas will be systematically monitored in Board's office. It is high time that the educated youth are more closely associated with the biggest national Undertaking in the country. It is proposed to give representation to

educational institutions in Divisional and Zonal Consultative Committees. The feasibility of setting up facilities for reservations at the University Campus before the commencement of vacations will also be examined. Greater impetus will be given to our policy to allocate bookstall and catering and vending contracts, cycle-stands, booking agencies, etc. to groups or co-operatives of genuine unemployed educated youth.

Sir, I have come to the end of my exercise, which requires me to lay before the Parliament an annual statement of estimated receipts and expenditure, but before I sit down, I would like to sum up the three years of Indian Railways with which I have dealt with today. 1973-74 was predominantly a year of staff unrest. Year 1974-75 has been a veritable watershed, marking the end of cheap sources of energy and the emergence of rising staff costs. I look upon 1975-76 as the year of promise, stabilisation and steady growth all round. It appears that the Railways are seeing the end of the tunnel. I am sure, taking new bearings; the Railwaymen will march forward in pursuit of higher physical performance and better financial results.
