R.C.C. No. 88

RAILWAY CONVENTION COMMITTEE (1996)

(ELEVENTH LOK SABHA)

THIRD REPORT ON RATE OF DIVIDEND FOR 1997-98 AND OTHER ANCILLARY MATTERS

Presented in Lok Sabha on 2.12.97

Laid in Rajya Sabha on

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LOK SABHA SECRETARIAT
NEW DELHI

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RAILWAY CONVENTION COMMITTEE
(1996)

Shri Manoranjan Bhakta — *Chairman*

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INTRODUCTION

I, the Chairman, Railway Convention Committee (1996), having been authorised by the Committee to present the Report on their behalf, present this Third Report on Rate of Dividend payable by the Railway Undertaking to the General Revenues and other Ancillary Matters for the financial year 1997-98.

2. Based on an interim Memorandum submitted by the Ministry of Railways in consultation with the Ministry of Finance on 2 January, 1995 and after considering the views put forward by the representatives of Planning Commission and the Ministries of Finance and Railways, the Railway Convention Committee (1991) in their Ninth Report, had recommended, purely as an interim measure, that the capital invested on the Railways upto 1952 might be treated as dividend free and the dividend for the year 1995-96 to the General Revenues on the remaining capital invested thereafter be paid at the rate of 7 per cent irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 1994-95. The Ninth Report of Railway Convention Committee (1991) was presented to Lok Sabha on 14 March, 1995 and laid in Rajya Sabha on 15 March, 1995. In implementation of the above recommendation of the Committee, the Minister of Railways had moved a resolution in both the Houses of Parliament and the same was passed in Lok Sabha on 4 May, 1995 and in Rajya Sabha on 9 May, 1995. The Ministry of Finance were advised accordingly by the Ministry of Railways on 8 June, 1995. However, the Ministry of Finance expressed their reservations on 10 November, 1995. That Committee after considering the fifth and final memorandum submitted by the Ministry of Railways on 7 January, 1996 and after taking into account the comments of both the Ministries of Finance and Railways, confirmed in their Twelfth Report their earlier recommendation made in the Ninth Report in regard to treating capital invested upto the year 1952 as dividend free. As the Ministry of Finance raised their objection in treating the pre-1952 capital as dividend free, the matter was taken up at the Ministers' level on 28 June, 1996. Thereafter, on the suggestion of Finance Minister, the matter was placed before the Cabinet who considered the same on 25 September, 1996 and directed that issues involved in the matter may be examined by the committee of Secretaries.

3. This is for the first time that a controversy in regard to the declaration of the Rate of Dividend by the Railway convention Committee has been created and that too after the resolution was adopted in Parliament. Due to this controversy the Ministry of Railways could not furnish their

memorandum on Rate of Dividend for the year 1997-98 before the Budget Session. Generally this memorandum is submitted to the Committee well before the presentation of annual railway budget to Parliament to enable the Committee to give their recommendations on the Rate of Dividend and other Ancillary Matters in time so that the same could be reflected in that year's budget.

4. However, the interim memorandum on Rate of Dividend for the year 1997-98 containing the views of both Ministries of Finance and Railways was furnished by the Ministry of Railways on 16 October, 1997 wherein it was stated that it has been decided by the Government as an exceptional case—not to be quoted as precedent, that dividend payable for the two years 1995-96 and 1996-97 be computed after excluding the capital invested upto 1952; the dividend payable in the subsequent years would continue to be calculated as in the past.

5. After considering the interim memorandum, the Committee had recommended, purely as an interim measure, that pending finalisation of Railways' Ninth Five Year Plan and submission of detailed memorandum in consultation with Ministry of Finance on Rate of Dividend and other Ancillary Matters to them, Dividend to General Revenues may be paid at the rate of 7 per cent on the entire capital invested on Railways from the General Revenues, irrespective of year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 1996-97. All other concessions now available may be allowed to continue on the existing basis for the year 1997-98.

6. The Committee considered, finalised and adopted this Report at their sitting held on 13 November, 1997. The Minutes of the sitting of the Committee are appended to the Report.

7. The Statement containing the recommendations and observations of the Committee is appended to this Report at Appendix-IV. For facility of reference these have been printed in thick type in the body of the Report.

NEW DELHI;
November, 25, 1997
———————————
Agrahayana 4, 1919(S)

MANORANJAN BHAKTA,
Chairman,
Railway Convention Committee.

REPORT

Genesis of Separation of Railway Finance

The first Railway in India as also in Asia was opened by the Great Indian Peninsular Railway Company (present Central Railway) formed in England. The Company took up the survey work in 1850 and it was completed in about 3 years. The first train steamed out of Bombay on April 16, 1853 to Thane—a distance of about 33 kms. A new Chapter in the history of India was thus opened.

2. The growth and development of Indian Railways owes much to Lord Dalhousie, Governor-General of India (1848—1856), who suggested a system of trunk lines connecting the hinterland of Bombay, Bengal and Madras presidencies with their principal ports and also with each other. As the Government had neither the funds nor the technical personnel to undertake the work, the same was entrusted to private companies who were guaranteed a return of 5 per cent on their Capital for a period of 25 years. In return, the companies were expected to share their surplus profit with the Government and to sell the Railways to the Government after 25 years. As the expected profit failed to materialise and the guaranteed return continued to be a drain on the exchequer, the Government purchased the Railways on the expiry of the period of contract, though the management of the Railways continued to be with the companies. Following the recommendations of the Ackworth Committee (1920-21) the Government took over the management of the bulk of the Railways.

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

4. Under the 'Separation Convention' the Railways are required to pay dividend at a fixed rate on their Capital, the whole of which was advanced by the Government of India. The 'Rate of Dividend' payable by the Railway Undertaking to the General Revenues as well as other financial

matters are determined periodically by the Railway Convention Committee of Parliament. This, in brief, is the genesis of Separate Railway Finance in India.

Guiding Principle of Rate of Dividend

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

Financial Structure of Indian Railways

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

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

(ii) Railway Ministry enjoys substantial powers of financial sanction to expenditure.

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

(iv) Railway projects are also not cleared by PIB as is done for projects of other Ministries. Recently a system of clearance by expanded Board has been introduced for projects costing over Rs. 50 crores.

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

7. The revenue receipts of the Railways are derived from Gross Traffic Receipts which include passenger earnings, goods earnings and sundry other earnings. The expenditure of the Railways falls in two categories:—

(i) Revenue expenditure or non-Plan expenditure; and

(ii) Other expenditure or Plan expenditure.

The revenue expenditure is met out of the revenue receipts of the Railways. It consists of ordinary working expenses of Railways,—

appropriations to the various reserve funds and other miscellaneous expenditure like subsidy/rebate to worked lines, expenditure on miscellaneous establishments, etc. The Plan expenditure is financed from budgetary support provided by the General Revenues, and withdrawals from various Railway Funds including Capital Fund as also from market borrowings.

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

9. In pursuance of the Resolution adopted by Lok Sabha on 30th July, 1996, the Railway Convention Committee (1996) was constituted on 3 September, 1996 to review the rate of dividend payable by the Railway Undertaking to General Revenues, as well as other ancillary matters in connection with the Railway Finance *vis-a-vis* General Finance and to make recommendations thereon.

10. Both the Ministers of Finance and Railways used to be nominated as Members of the Railway Convention Committee. However, this time, only the Minister of Railways has been nominated as Member of the Committee. Though nine sittings of the Committee have been held upto 14 July, 1997, the Minister of Railways did not attend any of the above sittings of the Committee.

Issue regarding treating pre-1952 Capital-at-charge dividend free

11. Based on an Interim Memorandum submitted by the Ministry of Railways in consultation with the Ministry of Finance on 2 January, 1995 and after considering the views put forward by the representatives of the Planning Commission, the Ministry of Finance and the Ministry of Railways, the Railway Convention Committee (1991), had in paragraph 56 of their Ninth Report presented to Lok Sabha on 14 March, 1995 and laid in Rajya Sabha on 15 March, 1995, recommended, purely as an interim measure, that the Capital invested on Railways upto 1952 be treated as 'dividend free' and the dividend for the year 1995-96 to General Revenues on the remaining Capital invested thereafter be paid at the rate of 7% irrespective of the year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the year 1994-95. The resolution approving the recommendations made in paragraphs 56 to 65 of the Ninth Report was admitted in Lok Sabha on 10 April, 1995 and the same was adopted on 4 May, 1995. In their action taken note submitted on 9 August, 1995, the Ministry of Railways stated that the recommendation regarding the dividend has been accepted and already made applicable in framing Revised Estimates 1994-95 and Budget Estimates 1995-96.

12. Thereafter on 7 January, 1996 the Ministry of Railways had, in consultation with the Ministry of Finance, submitted their Final Memorandum to the Committee. The views of the Finance Ministry as reflected in the Memorandum contained the following observation in regard to Para 56 of the Ninth Report of RCC (1991):—

> "Railways should pay dividend at the rate of 7% on entire dividend bearing capital invested from General Revenues as recommended by the RCC in its Fifth Report and not on the basis of Ninth Report, in which the Committee recommended that the Capital invested upto 1952 may be treated as "dividend free" and Railways may adjust the rest of the dividend against the dues from State Electricity Boards. The Dividend rate of 7% compared to the Government's current borrowing rate of over 13.5% is already highly subsidised. As, such huge adjustment in the dividend payments by Railways will have adverse impact in the fiscal deficit of the Government, the recommendations made in the Ninth Report have not been accepted by this Ministry".

13. After considering the Final Memorandum and the arguments given by the representatives of both the Ministries of Finance and Railways, the Committee did not find any justification to modify their earlier recommendation made in the Ninth Report. They therefore, in para 40 of their Twelfth Report, reiterated their earlier recommendation and finally recommended that the Capital invested upto 1952 be treated as 'dividend free' and the dividend for the year 1996-97 to General Revenues on the remaining Capital invested thereafter be paid at the rate of 7% irrespective of year of investment inclusive of the amount that was payable by Railways to the General Revenues for payment to States in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1995-96. All other concessions then available, viz. dividend on residential buildings, new lines, subsidies from General Revenues, etc. were also allowd to continue on the existing basis while framing final Budget Estimates for 1996-97. The Twelfth Report was presented to Lok Sabha on 12 March 1996 and laid in Rajya Sabha the same day. The Ministry of Railways were asked to furnish their action taken replies on the recommendations made by the Committee in the said Report within six months i.e. by 11 September, 1996.

14. On 23 October, 1996, the Ministry of Railways informed the Committee that the Ministry of Finance have expressed their reservations in accepting the recommendations of the Committee contained in both Ninth and Twelfth Reports (para 56 and para 40 respectively) and that the matter was under consideration of the Government. The Ministry of Railways, therefore, requested the Committee to grant extension of time upto 31 December, 1996 for furnishing the action taken replies on the recommendations contained in the 12th Report of RCC (1991). The matter

was considered by the Chairman and an extension upto 15 November, 1996 only was granted. A second extension sought by the Ministry on 16 December, 1996 was granted upto 31 December, 1996. While seeking extension of time for the third time on 30 December, 1996, the Ministry of Railways informed the Committee that with a view to resolving the issue, the matter has been referred to the Cabinet for taking a final decision on the matter. The Committee were further informed that the Cabinet had referred the matter to a Committee of Secretaries. In view of the above position, the Ministry of Railways stated that until a final view was taken by the Cabinet and a resolution is moved in both Houses of Parliament for adopting the recommendations of the Committee, they would not be in a position to furnish the action taken notes on the recommendations contained in the Twelfth Report. As the Committee of Secretaries was heavily pre-occupied and this issue was unlikely to be taken up before mid January, 1997, the Ministry of Railways requested for extension of time upto 28 February, 1997. When the matter was placed before the Chairman, RCC, he remarked as under:

> "...Chairman, Railway Board contacted me over phone and was willing to come to explain personally about the matter. But I have exempted him to come. The extension is given upto 31 January, 1997. I have explained to Chairman (Railway Board) that this is the last extension and no further extension of time will be agreed. The Secretaries' Committee in case are not able to decide by this time, I have no other go but to report to Parliament about the non-cooperation of the Secretaries' Committee or Railways with the Committee".

15. However, on 30 January, 1997, the Ministry of Railways furnished their revised action taken replies which *inter-alia* stated as under:

> "In implementation of the above recommendation of the Committee, the Minister of Railways had moved a Resolution in both the Houses of Parliament and the same was passed in the Lok Sabha on 4.5.95 and in the Rajya Sabha on 9.5.95. The Ministry of Finance was advised accordingly on 8.6.95. However, the Ministry of Finance *vide* their letter dated 10.11.95 expressed reservations in accepting the above recommendation.
>
> The issue again came up before the Railway Convention Committee in their consideration of the 5th and final Memorandum submitted by the Ministry of Railways, incorporating the views of the Ministry of Finance and comments thereon. After taking into account the comments of the Ministry of Finance and further submission thereon by the Ministry of Railways in the Memorandum, followed by oral submissions before the Committee by the representatives of the two Ministries, the Committee

confirmed in their 12th Report their earlier recommendation in regard to treating the Capital invested upto the year 1952 as dividend free.

The Ministry of Finance was again addressed on 24.6.96 for their views, if any, in connection with the recommendation on treating the Capital invested in the Railways upto the year 1952 as dividend free. The Ministry of Finance again conveyed on 26.6.96 that they were not in a position to agree with the recommendation. On 28.6.96, the matter was taken up at Minister's level. Thereafter, on the suggestion of the Minister of Finance, the matter was placed before the Cabinet who considered the same on 25.9.96 and directed that the issues involved in the matter may be examined by the Committee of Secretaries. The issue, at present, is under consideration of the Committee of Secretaries.

Except for treating the pre-1952 capital as dividend free, the remaining part of this recommendation has been made applicable in working out the dividend for the year 1995-96".

16. When no communication was received in regard to decision taken by the Secretaries' Committee on the issue of treating the pre-1952 Capital as 'dividend free', the Chairman, RCC, on 27 February, 1997, desired to hold a meeting with Cabinet Secretary, Finance Secretary and Chairman, Railway Board. After the meeting was held on 7 March, 1997, the Chairman, RCC recorded in the file as follows:

"Today Cabinet Secretary, Finance Secretary and Chairman, Railway Board alongwith his officers appeared before me and assured that by 18th of this month, this issue will be resolved without fail. I take this commitment into confidence. I have conveyed the Committee's unhappiness about such delay. When the Finance Minister himself was the member (of the Committee) thereafter raising objection on the rate of dividend is unfair".

17. When nothing was heard on the issue till 21 March, 1997, the Chairman, RCC issued a reminder to the Cabinet Secretary to do the needful at the earliest. However, the Cabinet Secretariat, in their reply dated 3 April, 1997, informed that 'the issue was discussed in a meeting of the Committee of Secretaries on 18 March, 1997 in the Cabinet Secretariat and the Railway Board is required to take further action'.

18. The Ministry of Railways, on 11 April, 1997, informed the Committee that 'based on the recommendations of the Committee of Secretaries, a note for the Cabinet is in the process and is being finalised in consultation with the Minister of Finance'.

19. On 22 April, 1997, the Ministry of Railways were asked to specify the time schedule by which the matter would be placed before the Cabinet. In their reply dated 6 May, 1997, the Ministry of Railways stated that a

draft note for the Cabinet, duly approved by the Minister for Railways, had been sent on 11 April, 1997 to the Ministry of Finance for offering their comments, if any, for incorporation in the final note required to be submitted to the Cabinet for their consideration. It was further stated that 'the matter was being followed up with the Minister of Finance and as soon as their comments are received, the final note will be submitted to the Cabinet'.

20. As desired by the Chairman, RCC, the Ministry of Finance were asked on 8 May, 1997 to furnish their comments on the said note expeditiously to the Ministry of Railways.

21. When no communication in the matter was received from both the Ministries of Finance and Railways, the Ministry of Finance were asked on 12 June, 1997 to intimate whether they have furnished their comments to the Ministry of Railways on the draft note to be submitted to the Cabinet. Simultaneously the Ministry of Railways were also addressed in the matter.

22. In their reply, the Ministry of Railways, informed the Committee on 17 June, 1997 that 'the said comments of Ministry of Finance are still awaited' and the last reminder was issued by them to the Ministry of Finance on 12 June, 1997.

23. When the matter was placed before the Chairman, RCC, he directed to ask the Finance Secretary to explain the reasons for the delay personally on 15 July, 1997. However, on 9 July, 1997, the Ministry of Finance informed that the views of the Ministry of Finance, as approved by the Finance Minister, on the draft note for the Cabinet, has since been forwarded to the Ministry of Railways.

24. When asked to furnish the latest position in the matter, the Ministry of Railways informed the Committee on 23 July, 1997 that a revised note for the Cabinet containing the recommendations of the Committee of Secretaries and the views of the Ministry of Finance thereon had been sent to the Cabinet Secretariat for being placed before the Cabinet for their consideration.

25. After the Cabinet Secretariat were asked on 1 August, 1997, to apprise the Committee of the latest position in the matter. The Committee were informed on 11 August, 1997 that 'the note received from the Ministry of Railways for consideration of Cabinet has since been returned to them for rectifying the procedural deficiencies and as soon as the note is received, it will be placed before the Cabinet'.

26. On being pursued the matter with Ministry of Railways, the Committee were informed on 19 August, 1997 that the revised note for the Cabinet had been sent to the Cabinet Secretariat on 11 August, 1997 for the consideration of the Cabinet. However, the Ministry of Railways, in their Interim Memorandum submitted to the Committee on 16 October, 1997 stated that *it has been decided by the Government that as an*

exceptional case, not to be quoted as a precedent, dividend payable for the two years—1995-96 and 1996-97—be computed after excluding the Capital invested upto 1952; the dividend payable in the subsequent years would continue to be calculated as in the past.

Determining the rate of Dividend Prior to Presentation of Railway Budget

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

28. On 26 February, 1997 while presenting the Railway Budget for 1997-98, the Minister of Railways in para 122 of his budget speech stated:

> "A Memorandum on Rate of Dividend payable to General Revenues has been submitted to the Railway Convention Committee. The Dividend for 1997-98 has been provided at the same rate as adopted for 1996-97 subject to suitable adjustments on receipt of recommendations of Railway Convention Committee. On this basis, the dividend liability for 1997-98 works out to Rs. 1630 crore".

29. As the Memorandum on the Rate of Dividend was not received by the Secretariat, the Chairman, RCC pointed out the same to the Minister of Railways on 26 February, 1997 itself. However, the Ministry of Railways furnished advance copies of the Interim Memorandum (without the concurrence of Ministry of Finance) the same day. The Ministry of Railways also stated that the Ministry of Finance have been requested separately to expedite their concurrence in regard to the interim Memorandum.

30. On 25 July, 1997 while forwarding the observations of the Ministry of Finance in regard to para 10 of the Interim Memorandum, the Ministry of Railways stated that the updating of the Memorandum was considered necessary as the observations of the Ministry of Finance were received by them recently and in the process, the information given earlier in the Memorandum got out-dated in some respect and this has been covered in the updated information.

31. The Ministry of Railways were therefore asked on 1 August, 1997 to furnish copies of revised/updated version of the Memorandum by 15 September, 1997. On 12 September, 1997 the Ministry of Railways informed the Committee that the revised/updated Memorandum on 'Rate of Dividend for 1997-98 and other ancillary matters' has been submitted to the Ministry of Finance on 29 August, 1997 and their comments on the same are still awaited.

32. In view of this, the Ministry of Railways asked for extension of time for a further period of one month from 15 September, 1997. The matter was placed before Chairman and he agreed to grant extension of time only upto 30 September, 1997.

33. On 17 September, 1997, the Ministry of Railways informed the Committee that the matter was being pursued vigorously with the Ministry of Finance. Second reminder to that effect was also issued by the Financial Commissioner (Railways) to Finance Secretary on 26 September, 1997. As the views of the Ministry of Finance were awaited despite repeated reminders, the Ministry of Railways requested the Committee on 30 September, 1997 to grant extension of time upto 24 October, 1997 for submitting the same.

34. When the matter was placed before the Chairman, RCC, he called a meeting of the representatives of both the Ministries of Finance and Railways on 14 October, 1997. The said meeting was attended by Chairman, Railway Board, Financial Commissioner (Railways) and Additional Secretary (Budget), Ministry of Finance. In that meeting Chairman made the following remarks:

> "...I have made it clear that Committee will not wait any more for their comments and *suo-motu* Report will be prepared and presented in the ensuing Session....".

35. On this, the Additional Secretary, Ministry of Finance stated that they have furnished their comments to the Ministry of Railways. The Chairman, Railway Board assured Chairman, RCC that they would send the Interim Memorandum within a day or two. Thereafter, Ministry of Railways forwarded the Interim Memorandum on 16 October, 1997.

36. The Ministry of Railways will now move a Resolution in Parliament in connection with the recommendations contained in the Twelfth Report of RCC (1991). After the recommendations are approved by the House, the Ministry of Railways will furnish Action Taken Replies on the recommendations contained in the Twelfth Report of RCC (1991).

Capital-at-Charge of the Indian Railways

37. Capital-at-charge means Capital contributed by General Revenues. The Capital-at-charge on the Railways is in form of interest bearing loan capital, except part of it on which no dividend is payable on the basis of reliefs recommended by successive Convention Committees and approved by Parliament. The Capital-at-charge of the Indian Railways has increased from Rs. 827 crore in 1950-51 to Rs. 23536.44 crore in 1996-97 (RE). This amount excludes Capital outlay on Metropolitan Transport Projects and Circular Railway (Calcutta).

Dividend Paid

38. The annual dividend payable to General Revenues used to be less than Rs. 100 crore till 31 March, 1964 but increased to Rs. 1507.46 crore by 1996-97. In all, the Railways have paid so far to the General Revenues

an amount of Rs. 17,734.93 crore as Dividend. It comes to 75.35 per cent of the Capital-at-charge on Indian Railways.

39. Statement showing important financial figures of Indian Railways for the period 1950-51 to 1996-97 is at Appendix-I. Another statement showing Capital-at-charge of Indian Railways from 1946-47 to 1949-50 is at Appendix-II.

Payment of dividend to General Revenues

40. In their Interim Memorandum dated 16 October, 1997, the Ministry of Railways have made the following submission:

> "Dividend to General Revenues is at present being paid at 7% on the entire capital invested on Railways excluding Metropolitan Transport Projects, inclusive of payment to States in lieu of Passenger Fare Tax, irrespective of the year of investment.
>
> In the recent years, there has been a sharp decline in the Budgetary Support from General Revenues for Railways' Plan expenditure. The Budgetary Support declined from 75% in the V Five Year Plan to 58% in the VI Plan to 42% in the VII Plan to 21% in the VIII Plan and 17% in 1996-97 which happend to be the terminal year of the VIII Plan. In order to maintain an adequate Plan size, the Railways had to resort to market borrowings through issue to Railway Bonds by the Indian Railway Finance Corporation. Since 1987-88, Railways have been paying lease charges of IRFC. The lease charges, which form part of Railways working expenses, have increased from Rs. 26 crores in 1987-88 to Rs. 1447 crores during 1996-97. The lease charges now are being paid approximately at an average rate of 17.5% per annum. Market borrowings are too costly when compared to the Capital provided by the General Exchequer which carries a dividend liability of 7%.
>
> It is, therefore, proposed for the consideration of Committee that the existing rate of dividend, namely, 7% may provisionally be adopted for the year 1997-98 also, applicable to the capital invested in Railways irrespective of the year of investment. All other concessions now available, as listed in Appendix-III may also be allowed to continue Incidentally, it may be mentioned that Budget Estimates for 1997-98 have been made based on the existing rate of dividend and concessions on the basis mentioned herein; pre 1952 capital has not been treated as dividend-free".

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

> "The proposal of the Railways for payment of dividend to the General Revenues on the basis adopted for 1996-97 connot be agreed to. The Railways should, in the year 1997-98, pay dividend at the rate of 7% on the entire capital inclusive of pre-1952 capital;

All other concessions now available in the form of subsidy are allowed to continue".

42. Commenting on the above views of Ministry of Finance, the Railway Board have submitted for consideration of the Committee as under:

"The dividend to the General Revenues and subsidy from the General Revenues to the Railways may continue to be computed for the year 1997-98 on the same basis as adopted for 1996-97 in the manner recommended by the Railway Convention Committee (1991) in their Twelfth Report except the recommendation relating to treating the pre-1952 Capital as dividend free".

Depreciation Reserve Fund

43. This fund has been created to meet the expenditure on replacement and renewal, including inflationary and improvement elements. Appropriation to this fund is met from out of revenues.

44. The Committee had, in paragraphs 43 and 44 of their Twelfth Report, recommended the following:

"Although the Committee had recommended for an appropriation of Rs. 2650 crore to the Depreciation Reserve Fund (DRF), yet the final appropriation to DRF was kept at Rs. 2000 crore in the budget estimates as warranted by the Plan needs for 1995-96. However, they find that at the end of the current financial year the balance in the DRF is expected to be Rs. 1200 crores. In this connection, the Ministry of Railways have informed the Committee that the Report of the working group on DRF which was initially submitted on 29 April, 1995, was referred back to the group for carrying out more detailed analysis. the Committee note that the revised report has since been submitted and is under examination of the Ministry of Railways. They expect that the above report would be examined without any further delay and a copy of the same alongwith action taken thereon may be made available to them at the earliest.

The Committee further note that a sizeable investment in rolling stock has been made by IRFC over the last few years. As the rolling stock is not the property of Railways and is with the Railways on lease only, no provision towards their replacement need to be made. Keeping in view the fact that the IRFC investment is deployed partly against the assets requiring replacements which would have otherwise been met out of the DRF and that a substantial balance is already under DRF, the Committee agree with the proposal of Ministry of Railways that the contribution to the fund in 1996-97 may be kept at Rs. 2000 crore, subject to minor adjustment as warranted by the Annual Plan for 1996-97 and the capacity of the system to generate internal resources".

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

"As warranted by the Plan needs for 1996-97 and the overall financial position of the Railways, the appropriation has finally been raised to Rs. 2200 crore. Incidentally, it may be mentioned here that the appropriation to DRF in the year 1995-96 was Rs. 2060 crore. The appropriation to the DRF in Budget Estimates of 1997-98 has been kept at Rs. 2000 crore as warranted by the Annual Plan for 1997-98 and the capacity of the system to generate internal resources. The balance in the fund at the end of 1997-98 is expected to be Rs. 1561 crore".

46. On DRF, the Ministry of Finance have the following views:

"The contribution to Depreciation Reserve Fund from Revenue may be kept at Rs. 2000 crore in BE 1997-98 in consonance with the Plan requirement and the capacity of the system to generate internal resources".

Pension Fund

47. This Fund has been created to cover the current pension payments as also to meet the accumulated liability on account of pension benefits earned in each year of serivce. The appropriation to this Fund is from revenue.

48. The Committee in para 45 of their Twelfth Report had recommended the following:

"The Committee note that the balance in the Pension Fund is expected to be around Rs. 770 crores at the end of the current financial year. The Committee agree with the proposal of the Ministry of Railways that the contribution to Pension Fund may be enhanced to Rs. 2450 crores in 1996-97, keeping in view the increase in the number of pensioners and the pension being increased with each DA instalment. However, the contribution to the fund will be subject to minor adjustment keeping in view the likely withdrawals and the financial position of the Railways".

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

"To meet the liability arising out of the Fifth Pay Commission's recommendations, the appropriation to Pension Fund was kept at Rs. 3150 crore in BE 1996-97. However, this was finally scaled down to Rs. 2615 crore since the Fifth Pay Commission recommendations were not implemented in 1996-97.

The appropriation to Pension Fund in BE 1997-98 has been kept at Rs. 2200 crore (with the stipulation that overdrawal to the extent of Rs. 300 crore may be done during 1997-98 from the Pension Fund) as it was anticipated that the Pay Commission would be recommending enhancement of the retirement age, which would involve less pension outgo during the year. However, since the Government has not accepted this recommendation of enhancement of retirement age, appropriation to Pension Fund would have to be stepped up substantially at the RE stage. The exact amount by which the appropriation is to be augmented in 1997-98 would be intimated to the Committee in the next memorandum for determining the rate of dividend etc. for 1998-99. It may be mentioned that with the appropriation of Rs. 2200 crore adopted in 1997-98, the Pension Fund is expected to have a balance of Rs. 875 crore in its credit which will partly take care of the impact of the Fifth Pay Commission recommendations on pensionary charges".

50. The Ministry of Finance have agreed to the above suggestion of Ministry of Railways.

Development Fund

51. This Fund is used for meeting expenditure on

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

From the excess of revenue over the total working expenses, after clearing in full the dividend liability, the amount required for the above is credited to this Fund. In a year where the amount is not sufficient, the Railways borrow money from the General Revenues. This money together with the interest thereon has to be repaid.

52. In para 46 of their Twelfth Report the Committee, had recommended the following:

"With regard to Development Fund (DF) the Committee note that out of the excess of revenue over the total working expenses and after clearing in full the dividend liability, the amount required for the passengers and users' amenities (DF-I), Labour Welfare Works (DF-II), Unremunerative Operating Improvements (DF-III) and Safety Works (DF-IV) is credited to this fund. The Ministry of Railways have stated that the Budget Estimates for 1995-96 provided for appropriation of Rs. 350 crore to this Fund. The Committee desire that the Ministry of Railways should, in their action taken notes, apprise them about the actual amount that will be credited to this fund at the end of the current financial year".

53. In their Interim Memorandum dated 16 October, 1997, the Ministry of Railways have submitted the following for the consideration of the Committee:

> "Keeping in view the Plan needs, Rs. 314 crores has finally been appropriated to the Development Fund in 1996-97 and a projection of Rs. 350 crores has been made in the BE 1997-98 for being credited to this fund".

Capital Fund

54. The Capital component of Railways plan expenditure was earlier being financed from out of the budgetary support received from the general exchequer. With the budgetary support declining over the years and market borrowings being expensive and uncertain, a new Fund named Capital Fund has been created w.e.f. 1 April 1992 with the approval of RCC (1991). This Fund is used to finance part of the capital works requirements on the Railways. The Capital Fund is credited with all the "Excess" earlier referred to as "Surplus" left after Appropriation to Development Fund etc.

55. The Committee had, in para 47 of their Twelfth Report, recommended:

> "Capital Fund to which all surplus left after payment of dividend and appropriation to Development Fund etc. are to be credited, is used to finance capital works on the Railways. In 1995-96, this Fund is estimated to be credited with Rs. 1705 crores. The proposal of the Ministry of Railways to make the appropriation to Capital Fund as first charge of the net revenue followed by Dividend and appropriation to Development Fund is not acceptable to the Committee as this Fund was agreed to be created on the suggestion of the Ministry of Railways itself from the year 1992-93. When there is no possibility of generating sufficient excess for appropriation to this Fund, it is incomprehensible to the Committee as to why the above proposal was mooted by the Ministry. The Committee are, therefore, of the opinion that in case the Railways feel that there will not be any scope to generate sufficient surplus in near future for appropriation to the Capital Fund, there is no point in continuing this fund any further. The Ministry of Railways, may, if considered necessary, abolish it and the surplus left after making payment of all the liabilities may be credited to Development Fund as was being done earlier".

56. For the year 1997-98, the Ministry of Railways have made the following proposal in their Interim Memorandum:

> "In 1996-97, Capital Fund has been credited with Rs. 1803 crore, while in 1997-98 (BE) this fund is estimated to be credited with Rs. 1024 crore".

Interest on Railway Funds and Loan to Development Fund

57. In para 48 of their Twelfth Report, the Railway Convention Committee (1991) had recommended as under:

> "The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and, therefore, recommend that the balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development Fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 1996-97".

58. The Ministry of Railways have submitted that these recommendations of RCC may be made applicable for 1997-98 as well.

59. The views of the Ministry of Finance in this regard are as follows:

> "The existing principles governing interest on various Railway Reserve Funds and Development Funds may be allowed to be continued".

Observation/Recommendations

60. In order to secure stability for Civil estimates by providing for an assured contribution from Railway Revenues and to introduce flexibility in the administration of Railway Finance, the Railway Finance was formally separated from the General Finance in 1924. As per convention, both Ministers of Railways and Finance used to be nominated as Members of the Railway Convention Committee. However, this time, only Minister of Railways has been nominated as a member of the Committee. The Committee are constrained to observe the lack of interest being shown by the Minister of Railways in the working of the Committee as is evident from the fact that he did not attend any of the nine sittings of the Committee held so far.

61. The Committee note that the Memorandum on Rate of Dividend is submitted to the Committee well before the presentation of annual Railway Budget to Parliament to enable the Committee to give their recommendations on Rate of Dividend and other ancillary matters in time so that the same could be reflected in that year's Railway Budget. While presenting the Railway Budget 1997-98, the Railway Minister in his Budget speech stated that 'a Memorandum on Rate of Dividend payable to General Revenues has been submitted to the Railway Convention Committee. The dividend for 1997-98 has been provided at the same rate as adopted for 1996-97 subject to suitable adjustments on receipt of recommendations of Railway Convention Committee. On this basis, the dividend liability for 1997-98 works out to Rs. 1630 crores'. As the Memorandum was not

received in the Secretariat, the Chairman, RCC pointed out the same to the Railway Minister in writing on 26 February, 1997 itself. Thereafter the Ministry of Railways furnished advance copies of the Interim Memorandum (without the concurrence of the Ministry of Finance) the same day. The Committee conclude that it is a clear case of negligence in the Ministry. The Committee desire that the Ministry of Railways should in future verify the facts mentioned in the Budget speech before the same are communicated to the House.

62. It is intriguing to the Committee that the Interim Memorandum on Rate of Dividend for the year 1997-98 containing the views of both the Ministries of Railway and Finance could only be submitted to the Committee on 16 October, 1997 as the Ministry of Finance raised an objection to the recommendation of the RCC (1991) made in para 56 of their 9th Report treating the pre-1952 Capital as 'dividend free'. Ironically, the then Finance Minister who was also a member of the above Committee did not raise any objection when the draft Report was sent to him. He also did not attend the sitting of the Committee in which the draft Report was considered and adopted. Not only this, the Ministry of Finance did not raise any objection when a Resolution accepting the above recommendation of that Committee was moved in the House by the Minister of Railways. This is for the first time that an undesirable controversy in regard to the declaration of Rate of Dividend by the Railway Convention Committee has been created and that too after the Resolution was adopted in Parliament. This is a glaring example of inaction and apathy on the part of the Ministry of Finance which is highly deplorable.

63. The Committee note that when the Ministry of Finance raised their objection in treating the pre-1952 Capital as dividend free, the matter was taken up at the Ministers' level on 28 June, 1996. Thereafter, on the suggestion of Finance Minister, the matter was placed before the Cabinet who considered the same on 25 September, 1996 and directed that the issues involved in the matter may be examined by the Committee of Secretaries. Going by the case history as mentioned elsewhere in the Report, the Committee feel that had the Chairman, RCC, on behalf of the Committee, not persued the matter so vigorously with the Cabinet Secretary, Finance Secretary, Chairman, Railway Board and Financial Commissioner (Railways), the Report of the Secretaries' Committee would not have seen the light of day. The Committee are of the considered view that such cases should be dealt with expeditiously in future.

64. Pending finalisation of the Railways' Ninth Five Year Plan and submission of detailed memorandum in consultation with the Ministry of Finance on the rate of dividend and other ancillary matters, the Committee have considered the present proposals given by the Ministry of Railways and recommend, purely as an interim measure, that for the year 1997-98, dividend to General Revenues may be paid at 7% on the entire Capital

invested on Railways from the General Revenues, irrespective of year of investment, inclusive of the amount that was payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1996-97.

65. All other concessions now available on residential buildings, new lines, subsidies from General Revenues, etc. may provisionally be allowed to continue on the existing basis for the year 1997-98.

66. Although the Committee in their Twelfth Report had recommended for an appropriation of Rs. 2000 crore to the Depreciation Reserve Fund (DRF) subject to suitable need based adjustment, yet the final appropriation to DRF was kept at Rs. 2200 crore as warranted by the Plan needs for 1996-97. However, the Committee find that at the end of the current financial year the balance in the DRF is expected to be Rs. 1561 crore. The Committee agree with the proposal of the Ministry of Railways that the contribution to the DRF for the Budget Estimates of 1997-98 may be kept at Rs. 2000 crore, subject to minor adjustments as warranted by the Annual Plan for 1997-98 and the capacity of the system to generate internal resources.

67. The Committee note that the balance in the Pension Fund is expected to be around Rs. 875 crore which will partly take care of the impact of the Fifth Pay Commission recommendations on pensionary charges. The Committee agree with the proposal of Ministry of Railways that the contribution to the Pension Fund be kept at Rs. 2200 crore in the Budget Estimates for 1997-98 subject to minor adjustment keeping in view the likely withdrawals anticipated for the year and the financial position of the Railways.

68. With regard to Development Fund the Committee note that keeping in view the Plan needs, Rs. 314 crore has finally been appropriated in 1996-97 and an amount of Rs. 350 crore has been projected in the Budget Estimate 1997-98. The Committee desire that the Ministry of Railways should, in their action taken notes, apprise them about the actual amount that will be credited to this Fund at the end of the current financial year.

69. The Committee note that in 1996-97, Capital Fund has been credited with Rs. 1803 crore and it has been estimated by the Ministry of Railways that this Fund will be credited with 1024 crore in the Budget Estimates 1997-98. The Committee desire the Ministry of Railways to apprise them in their action taken notes about the actual amount that has been credited at the end of the current financial year.

70. The Committee do not see any logic in modifying the principles governing interest on various Railway Funds and, therefore, recommend that the balances in the various Railway Reserve Funds (other than Development Fund) may carry the same rate of interest as the rate of dividend. The rate of interest on the balance in Development fund may be the same as the rate of interest on loan from General Revenues for Development Fund Works for the purpose of Budget Estimates for 1997-98.

NEW DELHI;
November 10, 1997
Kartika 19, 1919(*S*)

MANORANJAN BHAKTA,
Chairman,
Railway Convention Committee.

APPENDIX I
(Vide para 39)

(Rs. in crore)

Year	Capital at Charge	Investment from Capital Fund	Gross Traffic Receipts	Total Working Expenses	Net Revenue	Dividend Paid*	Excess(+) Shortfall(−)	Operating Ratio
1	2	3	4	5	6	7	8	9
1950	827.00	0.00	263.01	210.23	47.56	32.51	15.05	81.0
1951-52	850.11	0.00	290.82	224.35	61.75	33.41	28.34	77.0
1952-53	857.38	0.00	270.56	218.17	47.18	33.99	13.19	80.6
1953-54	869.30	0.00	274.29	231.75	86.92	84.36	2.56	84.4
1954-55	901.58	0.00	286.78	236.09	44.06	84.96	9.10	82.3
1955-56	968.98	0.00	316.29	258.22	50.34	36.12	14.22	81.6
1956-57	1071.71	0.00	347.57	279.27	58.38	38.16	20.22	80.3
1957-58	1222.44	0.00	379.78	309.44	57.78	44.40	13.38	81.5
1958-59	1856.69	0.00	390.21	321.44	59.32	50.89	8.93	82.4
1959-60	1432.28	0.00	422.33	334.62	74.55	54.43	20.12	79.2
1960-61	1520.87	0.00	456.80	358.24	87.87	55.86	32.01	78.4
1961-62	1682.98	0.00	500.50	390.51	99.75	75.85	24.40	78.0
1962-63	1896.81	0.00	566.79	429.52	123.32	81.26	42.06	75.8
1963-64	2159.63	0.00	632.21	472.27	145.19	95.95	49.24	74.7
1964-65	2135.12	0.00	660.85	528.11	118.11	101.93	13.18	79.9
1965-66	2680.82	0.00	733.57	583.04	134.84	116.20	18.56	79.5
1966-67	2841.57	0.00	768.78	689.25	114.12	182.39	318.27	83.2
1967-68	2978.03	0.00	818.14	693.80	110.00	141.53	−31.53	84.7
1968-69	3101.27	0.00	898.84	741.93	142.81	150.67	−7.86	82.5
1969-70	3195.51	0.00	951.28	790.02	146.56	156.39	−9.83	83.0
1970-71	3330.78	0.00	1006.69	847.34	144.73	164.58	−19.84	84.2
1971-72	3520.99	0.00	1096.59	911.85	169.08	151.24	17.84	83.1
1972-73	3725.81	0.00	1162.42	982.62	164.43	161.51	2.92	84.5
1973-74	3893.38	0.00	1137.89	1066.88	55.41	170.91	−115.51	93.7
1974-75	4105.56	0.00	1408.19	1317.29	73.64	187.47	−113.83	93.5
1975-76	4354.78	0.00	1767.01	1609.62	137.03	198.14	−61.11	91.1
1976-77	4533.70	0.00	2036.11	1718.56	296.29	209.05	87.24	84.4
1977-78	4797.12	0.00	2123.42	1750.12	352.79	226.56	126.23	83.0
1978-79	5023.92	0.00	2151.04	1867.55	260.82	224.16	86.66	87.5
1979-80	5484.64	0.00	2337.84	2142.38	227.29	293.53	−66.24	91.5
1980-81	6096.35	0.00	2624.02	2536.46	127.49	325.36	−197.87	96.1
1981-82	6698.05	0.00	3538.24	3182.05	408.06	356.47	46.59	89.4
1982-83	7251.09	0.00	4376.21	3883.35	554.29	485.98	118.31	88.3
1983-84	7567.80	0.00	4986.24	4661.46	378.95	423.70	−44.75	93.9
1984-85	8285.65	0.00	5358.77	5142.17	270.10	465.69	−195.59	96.3
1985-86	9078.07	0.00	2084.16	5823.14	685.87	507.04	178.83	90.6

*Dividend paid inclusive of payment of deferred dividend also.

1	2	3	4	5	6	7	8	9
1986-87	10373.10	0.00	7505.66	6900.56	680.84	578.85	101.99	92.2
1987-88	11622.22	0.00	8435.25	7802.95	723.15	638.86	84.29	92.5
1988-89	12987.51	0.00	9259.29	8632.99	737.33	715.66	21.67	93.0
1989-90	14629.45	0.00	10739.41	9887.73	982.07	808.81	173.26	91.5
1990-91	16125.80	0.00	12096.49	11153.86	1113.78	938.11	175.67	92.0
1991-92	17620.02	0.00	13729.74	12389.19	1540.95	1105.95	435.00	89.5
1992-93	20123.20	0.00	15688.44	13980.08	1955.43	1514.38	441.05	87.4
1993-94	20373.58	1746.99	17946.02	15134.54	3102.13	1296.05	1806.08	82.9
1994-95	21762.92	3161.88	20100.99	16590.12	3808.11	1361.71	2446.40	82.6
1995-96	22249.82	5020.52	22417.85	18524.90	4136.07	1264.44	2871.63	82.45
1996-97	23474.67	7437.11	24319.41	21000.80	3624.52	1507.46	2117.06	86.2

APPENDIX II

(*Vide* para 39)

The position in regard to Capital invested on Railways prior to 1950-51 is as under:

(Rs. in Cr.)

1946-47	. . . .	807.76
1947-48	Add Capital invested from 1.4.1947 to 14.8.1947	6.21
	Less Capital transferred to Pakistan & Bangla Desh Rlys..	238.40
	Add Capital transferred from Ex-Bengal Assam Rly.	88.74
	Capital as on 15.8.1947.	664.31
	Add Capital invested from 15.8.1947 to 31.3.1948	3.19
	Capital as on 31.3.1948.	667.50
1948-49	. . . .	775.87
1949-50	. . . .	813.07

Indian Railways are not paying any dividend on Capital which was spent on such projects those are now in Pakistan and Bangladesh Railways.

APPENDIX III

(*Vide* para 40)

The rate of dividend on the Capital-at-charge of the Railways and reliefs in dividend and by way of subsidy, based on the recommendations of the Railway Convention Committee (1991) applicable for 1996-97 are as under:—

I. Dividend

The rate of dividend is 7 per cent on the entire Capital invested on the Railways irrespective of the year of investment and inclusive of the amount that is payable by the Railways to the General Revenues for payment to States as grant in lieu of passenger fare tax and contribution for assisting the States for financing safety works during the financial year 1995-96. The amount payable on this account to the General Revenues was Rs. 23.12 crores in 1995-96.

Similarly, no dividend is payable on capital expenditure on Metropolitan Transport Projects and unremunerative strategic lines. The annual loss in the working of such lines is to be borne by General Revenues and if the working of these lines leves a surplus it should be tranferred to General Revenues (upto the level of normal dividend).

II. Subsidy from General Revenues

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

(a) Strategic lines.

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

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

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

(e) The Or Lines between Bimalgarh-Kiriburu and Sambalpur-Titlagar.

(f) Ferries and Welfare buildings.

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

PART II

MINUTES OF THE 10TH SITTING OF THE RAILWAY CONVENTION COMMITTEE (1996) HELD ON 13 NOVEMBER, 1997

Tenth sitting of the Railway Convention Committee was held on Thursday, the 13th November, 1997 in Committee Room No. 53, Parliament House from 1100 hrs. to 1200 hrs.

The following were present:

Shri Manoranjan Bhakta—*Chairman*

Lok Sabha

2. Shri Jayanta Bhattacharya
3. Shri S. S. Palanimanikkam
4. Shri Sartaj Singh
5. Shri Surendra Singh

Rajya Sabha

6. Prof. Vijay Kumar Malhotra
7. Shri S. S. Surjewala
8. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri John Joseph—*Joint Secretary*
2. Shri S. S. Kalra—*Assistant Director*

2. The Committee took up for consideration the Draft Report on 'Rate of Dividend for 1997-98 and other ancillary matters' and adopted the same without any amendment/modification.

3. The Committee also authorised the Chairman to present the Report to both the Houses of Parliament after making consequential changes arising out of factual verification by the Ministry of Railways or otherwise.

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The Committee then adjourned.

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