R.C.C. No. 89

RAILWAY CONVENTION COMMITTEE (1973)

NINTH REPORT

SOCIAL BURDENS ON INDIAN RAILWAYS

LOK SABHA SECRETARIAT
NEW DELHI

Ocober, 1975/Kartika, 1897 (S)
Price : Rs. 4.10

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Sl. No.	Name of Agent

ANDHRA PRADESH

1. Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).

2. G. R. Lakshmipaty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.

ASSAM

3. Western Book Depot, Pan Bazar, Gauhati.

BIHAR

4. Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.

5. M/s. Crown Book Depot, Upper Bazar, Ranchi.

GUJARAT

6. Vijay Stores, Station Road, Anand.

7. The New Order Book Company, Ellis Bridge, Ahmedabad-6.

HARYANA

8. M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.

MADHYA PRADESH

9. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

10. M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.

11. The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.

12. The International Book Service, Deccan Gymkhana, Poona-4.

13. Charles Lambert & Company 10, Mahatma Gandhi Road, Opposite Clock Tower Fort, Bombay.

14. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.

15. Deccan Book Stall, Fergusson College Road, Poona-4.

16. M.& J. Services, Publishers Representatives, Accounts & Law Book Sellers, Bahri Road, Bombay-15.

MYSORE

17. People Book House, Opp. Jaganmohan Palace, Mysore.

RAJASTHAN

18. Information Centre, Government of Rajasthan, Tripolia, Jaipur City.

19. M/s. Usha Book Depot, 585/A, Chitra Bazar, Tripolia, Jaipur.

UTTAR PRADESH

20. Law Book Company, Sardar Patel Marg, Allahabad-1.

CORRIGENDA

(9TH REPORT OF THE RAILWAY CONVENTION COMMITTEE, 1973

Page	Para No.	Line	Read	For
Contents	Appendix (I)	1	Statement	Statements
(iii)	-	-	Insert (*) on No. 9	
9	1.29	7	again	agrain
28	1.85	last	upgraded	upgarded
35	1.107	2	compensation	compensations
35	1.108	6	Eastern	Eastren
40	1.116	15	mutually	mutualy
50	1.142	last	vexatious	vexations
51	1.142	8	efficient	effcient
56	2.15	2	side	sime
58	2.22	6	per	yer
59	2.27	9	Mail	Mails
70	2.65	4	Ministry	Municipal
74	3.1	4	was	is
74	3.1	8	of	or
89	3.40	last	basis	bass
92	3.45	7	reviewed	revieved
105	4.40	2	The	he
110	4.55	2	extant	extent
116	4.77	3	expenses	epenses
120	5.1	1	Railways	Railway
127	5.22	8	as far as	as fr as
129	5.26	4	formulae	formulate
130	5.27(iii)	2	and	to
130	5.28(i)	-	Government	Governmen
130	5.28(iii)	1	Rampur	Ramnagar
131	5.32	2	Insert (.) after Government	
134	5.41	last	response	resopnse
136	5.47	4	some specific'	some of specific
138	5.51	10	Delete "that"	
138	5.51	12	Delete "such" before cases	
141	5.66	6	were	where

P.T.O.

Page	Para No.	Line	Read	For
145	5.79	5	Frontier	Frontior
147	6.4	last	agencies	agnecis
147	6.6(iii)	2	Workshops	Workshop
148	(ix)	1	examination	xamination
149	6.12	last	Japan, Zaire	Japan Zaare
153	Heading	8	construction	constuction
154	Footsnote(ii)	1	spent	spen
156	6.35	7	extant	extent
161	7.1(ii)	4	comprising	Comprising
166	4	29	worked	workes
167	11	13	Insert "staff should be subsequently trained" after "selected"	
167	11	13	Insert (/) after colleges	
168	17	1	has	as
168	17	2	has	thas
169	-	10	Railways	Railway
169	24	4	economies	economics
169	25	1	economies	economics
169	26	3	economies	economics
170	27	12	extant	extent
183	S.No.23	6	fodder	fooder
200	S.No.64	last	may	have

....

CONTENTS

RAILWAY CONVENTION COMMITTEE
(1973)

1. Shri B. S. Murthy—*Chairman*
2. Shri Jagadish Bhattacharya
3. Shri Chandrika Prasad.
4. Shri S. A. Kader
5. Shri M. Kalyanasundaram
6. Shri Tha Kiruttinan
7. Shri Mukhtiar Singh Malik
8. Shri G. S. Mishra
9. Shri Mohd. Shafi Qureshi.
10. Shri Damodar Pandey
11. Shri Chintamani Panigrahi
12. Shri S. B. Patil
13. Shri C. Subramaniam**
14. Shri Virbhadra Singh
15. Shri Lal K. Advani***
16. Dr. K. Nagappa Alva
17. Shri N. C. Buragohain***
18. Shri Yogendra Makwana
19. Shri Kota Punnaiah
20. Shri Nageshwar Prasad Shahi
21. Shri Gunanand Thakur***

SECRETARIAT

Shri Avtar Singh Rikhy—*Additional Secretary.*

Shri Jainti Prasad Goel—*Senior Financial Committee Officer.*

---

*Nominated on 29th March, 1975 in the vacancy caused by the death of Shri L. N. Mishra.

Nominated on 5th December, 1974 *vice* Shri Y.B. Chavan **resigned from the Membership of the Committee.

***Nominated on 9th May, 1974 *vice* Dr. Bhai Mahavir **retired** from Rajya Sabha and Sarvashri Harsh Deo Malaviya and Mohd. Usman Arif **resigned** from the Membership of the Committee.

INTRODUCTION

I, the Chairman, Railway Convention Committee, 1973 having been authorised by the Committee present this Ninth Report on "Social Burdens on Indian Railways".

2. The Railway Convention Committee took the evidence of the representatives of the Ministry of Railways and the Planning Commission on the above subject on the 25th and 26th March and 12th May, 1975.

3. The Committee wish to express their thanks to the Chairman and Members of the Railway Board and the Financial Commissioner for Railways for placing before the Committee the material that they wanted in connection with the examination of the subject.

4. The Committee also wish to thank the Western Railway Employees' Union for furnishing a memorandum to the Committee and their Secretary, Shri Jagdish Ajmera, for appearing before the Committee and making valuable suggestions.

5. The Report was considered by the Committee at their sitting held on the 12th August and 18th October, 1975 and adopted on the 18th October, 1975.

6. The summary of recommendations|conclusions contained in the Report is appended to the Report (Appendix IV).

NEW DELHI;
October 30, 1975.
Kartika 8, 1897 (*S*).

B. S. MURTHY,
Chairman,
Railway Convention Committee.

CHAPTER I

THE CONCEPT OF SOCIAL BURDENS

A. The Problem

1.1. The Financial Commissioner for Railways, in his Memorandum to the Railway Convention Committee, 1973 has submitted for consideration of the Committee, the general question of the 'Social Burdens' imposed on Railways, and particularly the policy to be followed in respect of (a) the existing uneconomic branch-lines, (b) the construction of new lines, restoration of dismantled lines, and conversion of metre gauge and narrow gauge lines to Broad gauge which are not financially justified on the existing criteria, and (c) suburban services run by Railways.

1.2. Explaining the problem, the Financial Commissioner, has stated in his Memorandum that almost everywhere, the Railways are regarded not only as a commercial enterprise with their own system of accounts and management but also as a public utility undertaking catering to the needs of the society. As such, quite often, decisions about existing operations or new investments—closure of lines, restoration of links, construction of new lines, modernisation etc., are governed, apart from considerations of financial viability, by their likely repercussions on the general well-being of the community. Thus, from the point of view of rational allocation of scarce resources, the continuance of particular uneconomic services or investment in unremunerative railway projects is worth-while if the expected social benefits outweigh the costs that they entail, or (what comes to the same thing) if the benefits that do not directly accrue to the Railways exceed the loss that the Railways incur. The social burdens of the Railways, as distinct from their commercial deficit, are the losses occasioned by such uneconomic policies and operations as are considered by Government to be justified on wider social or national grounds.

1.3. Like Railway systems in other countries, the Indian Railways resolve the conflict between social and private profitability by accepting a financial loss. The consequent social burden is tantamount to a transfer of income from the Railways to the general community. Manifestly, there is a definite limit to the extent of such transfers; for, beyond a certain point, the accumulation of social burdens would inevitably upset the financial equilibrium of the Railways. The pursuit of overall social benefits in the choice of railway investments or the continuance of particular services accordingly generates two basic financial problems which need to be satisfactorily resolved.

1.4. Regarding the two basic financial problems referred to above the Financial Commissioner has stated that the first concerns the manner in which the social burden is eventually shared between the Railways, on the one hand and the general tax-payer, on the other. The second relates to the nature of the financial arrangement whereby the Railways are compensated for the social burdens. The choice here is largely confined to the following three types of subventions, such as concessional rates of dividend payable on capital and debt liabilities, grants for financing of capital outlays, and periodical financial contributions from the Government for meeting the social losses already incurred in the shape of reimbursement of specific types of expenditure or the restructuring of outstanding debt liabilities.

B. Enumeration of Social Burdens on Indian Railways

1.5. Enumerating the various social burdens borne by the Railways and explaining why they should be so treated, the Ministry of Railways have stated that the Indian Railways are a public utility service in addition to being a commercial undertaking. As such, the Railways have a number of obligations of public service character. This imposes on the Railways the obligation to meet, in conformity with national economic and social policy objectives, the needs of the community, and restricts their commercial freedom in the matter of pricing and elimination of uneconomic operations and services. In addition, the Railways have to bear certain costs which by their nature should normally be borne by the State. As a consequence, the Railways have to bear certain types of losses and costs which would not have been incurred had they been run on a purely commercial lines. These losses and costs borne by the Railways in public interest constitute social burdens on them.

1.6. The losses arising from the continued running of unprofitable services needed by the public, or charging uneconomic fares/rates on certain traffic, in the interest of the community, are prime examples of social burdens. The expenditure incurred on police and medi-care of the staff and their families and education of their children are other major instances.

Coaching Services:

1.7. Earnings from passenger and other coaching (luggage, parcels, etc.) traffic have been steadily rising but, even so, they are inadequate to cover the full share of the cost of such services.

1.8. The railways suffer considerable loss on passenger services as a result of having to charge uneconomic fares and continuing to run unremunerative services, in the public interest. The loss on running passenger services is, therefore, a social burden.

1.9. In keeping with the Government's policy of price restraint, the fares have been only partially re-aligned, and often after a considerable time lag, to the steep rise in wages and prices. This has resulted in the increase in the unit earnings per passenger km trailing far behind the rates of increase in the major components of railway costs. The table below compares the indices of average revenue per passenger km with the average cost per employee and the price level of fuel. It may be explained here that the staff cost accounts for 60 per cent of the Railways' working expenses (excluding Appropriation to Depreciation Reserve Fund and Pension Fund) and another 20 per cent of the working expenses is spent on fuel:

	1973-74 (1961-62=100)
Average revenue per passenger km.	146·5
Average cost per regular employee	218·6
Price of fuel	
Coal	190·2
Mineral oils	236·2
Electricity	161·7

1.10. It will be seen that while unit costs have gone up by about 62 per cent to 136 per cent over the period 1961-62 to 1973-74, the unit earnings have increased by only 47 per cent during the same period.

1.11. In spite of the wide gap between the increase in the prices charged and paid by the Railways, the Railways have had to continue to charge, in the public interest, concessional fares on certain categories of passengers. Suburban passengers in and around the metropolitan cities of Bombay, Calcutta and Madras are the principal beneficiaries of this policy; the average fare paid by a suburban passenger in 1973-74 was only 1.38 paise per passenger km. against 3.05 paise paid by non-suburban passengers, taking all classes together. Other beneficiaries of this policy are season ticket holders in non-suburban areas, military personnel going on leave, students, sportsmen, artists, cadets and officers of N.C.C., Kisans and industrial labourers in parties, trained nurses and midwives, school teachers on educational tours, hill station travellers during summer months etc.

1.12. Suburban and non-suburban passenger operations could no doubt be made less unprofitable, if not financially viable, through suitable adjustments in the level and structure of rail fares. However, over half the total number of passengers are suburban passengers and about 97 per cent of both the suburban and non-suburban passengers travel in third class (now second class). While the fares for these classes have also been raised from time to time, substantially in 1974-75, there is a limit to which the fares for low-income passengers can be adjusted.

1.13. Another cause of loss in passenger services is the continued running of services which are unremunerative but are needed by the public. The public service character of the Railways requires that they provide adequate passenger services on all routes at all times irrespective of whether a particular service is paying or not. The Railways are, therefore, obliged to run a number of services in public interest, though they are not fully justfied by the volume of traffic.

Freight services:

1.14. The railways bear some social burdens in respect of freight traffic also. The public service obligations of the railways in respect of freight traffic have been outlined in the Indian Railways Act, 1890. According to Section 27 of the Act, the Railways have the obligation to provide reasonable facilities for receiving and forwarding the traffic offered to them without any undue preference as defined in Section 28 of the Act. Thus the Railways cannot normally refuse to carry any goods offered to them or discriminate between what to carry and what not to carry. Such obligations are not shared by other modes of transport. Further, under Section 27-A of the Act, the Central Government may direct the Railway Administration in the public interest to give preference to the transport of such goods or class of goods as may be specified. Such directions are generally given in respect of low rated commodities like coal, foodgrains, mineral ore for export, manure etc.

1.15. Combined, these public service obligations of the railways have resulted in the Railways becoming increasingly bulk carriers of heavy goods over longer distances, the general goods being carried more and more by the road-ways. The share of eight bulk commodities in the tonnage of railways revenue earning traffic has increased from 58 per cent in 1950-51 to 81 per cent in 1973-74 and there has been corresponding reduction in the share of general goods in the Railways' traffic. Unfortunately, some of these bulk commodities particularly coal and foodgrains which together constitute greater part of this class of traffic, are low rated. In 1973-74, the bulk commodities contributed only 68 per cent of the revenue though they accounted for 72 per cent of net tonne km and 81 per cent of the total tonnage lifted.

1.16. As in the case of passenger fares, railways have exercised continued restraint, in the public interest, on increases in freight rates also. The freight rates have not been adjusted adequately, and in time, to the steep increase in working expenses of the Railways and this has resulted in the unit earnings per net tonne km. lagging far behind the rates of increase in the staff cost and fuel cost, which together account for 80 per cent of the Railways' working expenses (excluding appropriation to Depreciation Reserve Fund and Pension Fund). In the period 1961-62 to 1973-74, the revenue per tonne km. increased only by 48 per cent in marked contrast to the rise of 118 per cent in the average cost of an employee and 62 per cent to 136 per cent in the price of different types of fuel. These figures give a quantitative idea of the wide gap between the increase in the price charged and paid by the Railways which has resulted from the policy of price restraint in a period of rising prices.

1.17. Continued inflation, with annual rise in prices reaching double digit figures during the last two years, has resulted in a further steep increase in the working expenses of the railways in 1974-75. Accordingly, the freight charges on all commodities except those which have a direct bearing on the cost of living of the common man, were revised substantially in 1974-75.

Commodities carried at below cost:

1.18. The freight structure has been made progressively cost oriented so as to bring the freight charge on each commodity nearer to its real cost of carriage. The Railways have, however, for long been carrying certain essential commodities at below cost in keeping with the general policy of the Government of subsidising traffic which is essential to the economy or related to the needs of the poorer sections of the population. These commodities include coal and foodgrains, the two most important commodities in the Railways' freight business. It needs to be emphasised here, that because of their public service obligations, the Railways have had to carry such commodities even though at below cost in preference to profitable commodities. The losses incurred on the carriage of such commodities, in particular, have therefore, been regarded as a social burden.

1.19. The rates for coal and all other commodities except those which affect the cost of living of the common man were revised upwards in 1974-75 and the rates for foodgrains have been raised in 1975-76. However, even after these revisions, the freight charges on certain low rated commodities which affect the general cost of living may not be adequate to meet the cost of their transportation irrespective of the distance carried, or (because of tapering rates) beyond certain distances, on one or all the gauges. The principal commodities, the freight on which is not likely to be adequate to meet the cost of haulage even after these revisions are: fodder, fruits and vegetables, fire-wood & charcoal, gur, shakkar and jaggery, salt and certain mineral ores other than iron ore. It may, however, be added that the "loss" on these items is not very heavy.

Freight concessions on export:

1.20. For some years now, the Railways have been granting freight concessions on a number of export commodities and coverage of such concessions had gradually increased. Low freight rates in this case are necessitated by the national policy objective of maximising foreign exchange earnings and not commercial interests of the Railways and the subsidy has, therefore, added to the Railways' social burdens. Some 25 per cent to 40 per cent of normal freight charges was being rebated in the case of certain traditional and non-traditional export products. However, export rebates on other commodities were withdrawn in November, 1974, and freight concessions on iron ore and manganese ore exports have been withdrawn from April, 1975.

Freight concessions as relief measure:

1.21. In addition, the Railways give some freight concessions on relief supplies for drought affected areas, victims of floods, etc. These concessions are intended to subsidise relief operations which is not the function of a commercial organisation and are, therefore, treated as a social burden.

Operation of unremunerative branch lines:

1.22. There are, at present, a number of branch lines on the Railway system in India which, in varying degree, are utilised below their capacity and the services on these lines are not commercially viable. With the change in the industrial structure, urbanisation and on rush of motorisation, most of the branch lines have lost their social and economic *raison d'etre*. It may be more advantageous from the standpoint of national economy to replace most of them by motor transport. Yet there is strong public resistance to any proposal for the closure of these unremunerative branch lines which is indicative of their usefulness to the community. The Committee appointed in 1969 to review the procedure and policy concerning unremunerative branch lines as well as the State Governments have also opposed their closure. As the Railways continue to operate these unremunerative lines in the public interest, the losses incurred on their running are to be regarded as social burden. The losses arising from the operation of these lines are, however, included in the losses on coaching services and on commodities carried below cost mentioned above. These observations apply *mutatis mutandis* to the restoration of dismantled lines or construction of new lines in backward or under developed areas.

Other social burdens:

1.23. The Railways provide a number of non-wage benefits to their employees such as health and medical services for staff and their families and educational assistance and facilities for their children. Such facilities are normally expected to be provided by the State and the cost of these benefits, therefore, adds to the social burden of the Railways. Railways have also to maintain the Railway Protection Force for the protection of Railway assets and property and meet a part of the expenditure on Police deployed by the State Government on 'order' duties, crime prevention, maintenance of law and order etc. The protection of property against criminal and lawless acts is a function of the State and Railways' expenditure thereon, therefore, classifies as social costs incurred by the Railways.

1.24. In the context of the statement of the Financial Commissioner that "social burdens of the Railways as distinct from their commercial deficit are the losses occasioned by such uneconomic policies and operations as are considered by Government to be justified in wider social or national grounds," the Committee desired to know the operations of the Railways which could be strictly termed as commercial operations and the operations which fell purely under the category of non-commercial operations and were undertaken not from the commercial angle but on social or national grounds. The Ministry of Railways have in a written reply stated that the Railways are expected to draw up a balance sheet of their receipts and expenditure every year and they are apt to be judged on the basis of surplus or deficit in their working results. All operations of the Railways should normally be commercial operations.

1.25. Services which are unprofitable due to inadequacy of traffic (as for example unremunerative branch lines) but nevertheless continue to be run as they are needed by the public, or carriage of certain traffic at uneconomic fares and rates (as for example passenger traffic and carriage of coal and foodgrains) in the interest of public service cannot strictly be regarded as commercial operations and are undertaken on public service considerations.

1.26. When asked to indicate the criteria for determining whether a particular railway operation was a commercial operation or a public service obligation, the Financial Commissioner for Railways stated during evidence that a commercial organisation was motivated by the idea of maximising profits. So far as Railways were concerned, he stated that "when we talk in terms of investments, we come across proposals which do not yield even the minimum return which we are supposed to generate on an investment. If it is required in the larger interests of the community, then it may be called non-commercial investment." When asked to illustrate, the Financial Commissioner stated that the new lines in backward areas, carriage of bulk commodities at low rates such as coal, foodgrains and stones etc., non-stepping up of fares and freights, despite the increase in cost of inputs over the years, were some of the examples. He concluded: "We have not got the commercial freedom to do what we like in the field of investment or working or pricing in our own interest."

1.27. Asked to elaborate the statement in the Indian Railways' Year Book, 1973-74 that "subject to the obligation to contribute a fixed rate of dividend to the general exchequer which provides all the capital invested in the Railways, the Railways are free to pursue their own financial policies to their best advantage", the Financial Commissioner stated that while it was true that historically the Railways were given a certain amount of freedom, that freedom had to be exercised, subject to the general policy of the Government and recommendations of the various Parliamentary Committees and overall supervision of Parliament. Explaining the position further, the Financial Commissioner referred to the following passage in the Report of the Committee on Transport Policy and Coordination, 1966:—

"Besides their role in fulfilling plan objectives, the Railways have a number of obligations of a public service character. These have devolved on them partly because they are a Central Government undertaking with sole responsibility for providing rail communications and partly because of the emphasis which has been placed over several decades on the public utility character of the railways."

1.28. The Financial Commissioner stated that when the Railways talked of social burdens, they had in mind those social obligations which stood in the way of profitability.

1.29. The Financial Commissioner further stated during evidence that in 1974-75, the Railways had made a large increase in fares and freights. In his Budget speech, the Minister had pointed out that his proposal would have the least effect on certain vulnerable sections of society especially with reference to the passenger traffic. The result was 75 per cent to 80 per cent of the passenger traffic was left unaffected. Agrain, in the latest Budget speech the Railway Minister stated that he did not propose to make any changes, whatsoever, for passenger traffic in any class. According to the Financial Commissioner, there was a socio-political obligation to keep the price low for the common man and not to impose fresh burdens on him. "Therefore, a deliberate policy decision is taken which is not entirely in accord with the financial interest of the Railways—that is what we call social burdens."

1.30. In response to a question, the Financial Commissioner stated:

> "Take for example suburban traffic. Why year in and year out, we have left it out? In September 1974 we increased our passenger fares, but we have left out nearly 71 per cent of the traffic unaffected. The suburban traffic is 48 per cent in terms of number of passengers. Upto 25 Kms. it is 23 per cent of our traffic. That has also been left out. That means; 71 per cent of our traffic has been left unaffected."

1.31. When it was pointed out that these things were inherent in the situation; the Chairman; Railway Board stated:

> "Suppose, for argument's sake, we do not run the short-distance trains where we are losing heavily and we put that capacity to use for goods traffic, it will meet our cost fully with very little of investment. Any private enterprise would have done that. They would not have gone on increasing the passenger traffic, they would have reduced or contained this.
>
> Now in future, the incremental cost of passenger traffic is going to be very high for the very simple reason that most of our passenger terminals are getting more and more congested and whenever you think of a new terminal to improve the capacity, the investments that are involved in it are very tremendous."

1.32. The Committee also desired to know whether there has been any change in the pattern of social burdens carried. The Ministry of Railways have in a written note stated that there has been no basic change in tthe pattern of social burdens all these years, and that it was only in respect of the quantum of losses that there has been a phenomenal increase in recent years.

C. Estimates of Social Burden in Monetary Terms:—

1.33. The following table shows the incidence of losses to the Railways on account of various social burdens during the last five years:

TABLE I

(Rs. in crores)

	1970-71	1971-72	1972-73	1973-74	1974-75 estimated
A. Low rated freight traffic .	52·00	54·00	55·00	115·40	45·61
B. Passenger traffic					
(a) Suburban . . .	12·00	12·00	13·00	14·00	18·80
(b) Non-suburban .	47·00	49·00	50·00	81·06	134·70
C. Unremunerative Branch Lines* . . .	9·53	9·88	11·58	10·98	14·29
D. Freight concessions on export trade, relief measures etc.	1·00	1·25	1·56	4·00	4·80
TOTAL .	112·00	116·25	119·56	214·46	203·91

*(Excluding dividend liability. The figures of losses are included in A& B),

1.34. The Financial Commissioner for Railways has stated in his Memorandum submitted to the Committee that apart from the social burden losses that can be attributed to certain types of goods and passenger traffic, the finances of the Railways are burdened further by substantial expenditure on medical facilities, subsidised housing for railwaymen and educational benefits provided to the employees or their dependents. Besides the Railways incur the cost of maintenance of Railway Protection Force as well as bear a part of the expenditure on police deployed by State Governments on "order" duties. Expenses under all these heads amounted to Rs. 47.42 crores in 1970-71; by 1974-75 they have risen to nearly Rs. 77.68 crores.

1.35. Expenditure incurred by the Railways under these miscellaneous heads has been as follows:

Table 2

(Rs. in crores)

	1970-71	1971-72	1972-73	1973-74	1974-75
1. Health, Medical and Welfare Services	18·87	20·35	21·22	26·77	33·53
2. Railway Protection Force, Order Police etc. .	15·55	17·07	18·44	21·42	27·62
3. Subsidised housing of employees. . . .	10·00	10·60	11·00	11·00	11·30
4. Educatjnal assistance to railway employees' children	3·00	3·00	3·28	3·43	5·23
TOTAL .	47·42	51·02	53·94	62·62	77·68

1.36. The aggregate loss representing the social burden sustained by the Railways on account of uneconomic operations preferential fares and rates and other social costs in the four comparative years works out as shown in the table below:

Table 3

(Rs. in crores)

	1970-71	1971-72	1972-73	1973-74	1974-75
	1	2	3	4	5
1. Direct losses incurred by Railways as a result of subsidised rates (as per Table—1) . . .	121·53	116·25	119·56	214·46	203·91

1167 LS—2.

	1	2	3	4	5
2. Social overheads met by Railways by way of health, medical facilities, subsidised housing, educational assistance to staff etc. . . . . . (As per table 2)	47·42	51·02	53·94	62·62	77·68
Total	168.95	167.27	173.50	277.08	281.59

1.37. A major hidden element of social burden is directly related to the continuing disparity between the rate of increase of fares and freight rates on the one hand, and that of wages and prices of inputs paid by the Railways, on the other. As the data tabulated below reveal, over the last two decades, the rise in fare and freight rates has fallen far short of the increase in wage rates of employees as well as the increase in prices of major inputs used by the Railways.

Table 4

Index of Railway charges vis-a-vis *prices and wages*

	1950—51	1955—56	1960—61	1965—66	1970—71	1971—72	1972—73	1973—74	1974—75
I. Rate charged per tonne-km . . .	100	111	122	145	172	178	182	186	228
II. Rate realised per passenger—Km .	100	117	116	154	169	172	174	183	222
III. *Wages	100	117	142	185	269	285	294	319	426
IV. Cost of—**									
(a) Coal	100	101	141	173	238	242	250	269	346
(b) Mineral oils .	100	110	126	160	202	220	230	303	501
(c) Electricity . .	100	100	121	156	188	193	199	202	255
(d) Iron & Steel manufactures .	100	142	177	219	297	317	359	413	505
(e) Cement .	100	114	151	203	251	264	275	282	371

*Including overtime, D.A., CCA, TA, pension benefits, provident fund and gratuity contributions but *excluding* health and medical services, educational assistance, housing subsidy, sports facilities, relief assistance, canteen services and other staff amenities.

**Index of whole-sale prices issued by the Office of Economic Adviser, Ministry of Industrial Development.

1.38. The Railways have no commercial freedom in the matter of setting prices; and, for reasons of national interest, fares and freight rates have not been permitted to rise in proportion to wages and input prices. Moderation in the upward adjustment of fares and freight rates in response to rising prices is dictated by the need to protect industrial costs and living standards of the masses. But the social burden rises progressively as a direct consequence of differential rates of inflation of prices charged and paid by the Railways. Restraint on fares and freight rates despite continued rise in wages and prices, reduces the surplus from remunerative operations below what it would otherwise have been, or else, adds to the losses arising from uneconomic services and other social expenditures. Thus, the estimates of losses presented above, which exclude the adverse impact of price restraint on profitable services, do not fully record the actual extent of the financial burden of social obligations assumed by the Railways.

1.39. The Committee desired to know the reasons for the rising trend of losses from year to year on account of social burdens. In reply, the Ministry of Railways have stated in a written note that the estimated loss (Rs. 167.88 crores) on account of social burdens for 1973-74 furnished to the Railway Convention Committee 1973 in Memorandum VIII was provisional. This figure was revised in February 1974 after taking into account later estimates of expenses and earnings. Further, in 1974-75 there has been a change in the mode of presentation of the losses. Taking all these factors into account, the losses for the 4 years will be as follows:

	(Rs. in crores)
1971—72	167·27
1972—73	173·50
1973—74	277·08
1974—75 (estimated)	281·59

1.40. The main reasons for the rise in trend of losses from year to year are:

(i) Rapid cost escalation resulting from persistent rise in prices and wages has caused steep increase in the working expenses. In keeping with the policy of price restraint, however, freight rates and fares have been only partially re-aligned, often after considerable time lag. to the steep rise in the wages and prices.

(ii) The possibility of absorbing cost increases through higher traffic throughput has been severely restricted as there was hardly any increase in the volume of freight traffic consequent on slow-down in the rate of industrial expansion.

1.41. The inadequate and often delayed adjustments in fares and freight rates *vis-a-vis* rising costs have resulted in the rate of increase in the unit earnings per passenger Km. and per tonne Km. trailing far behind rates of increase in the average wages of staff and price level of fuel and other stores. This is brought out in the table below:

	1971—72 — 100	
	1972-73	1973-74
Average cost per regular employee	109·5	118·3
Price of fuel :		
Coal	103·5	111·3
Mineral oils	104·8	137·7
Electricity	103·2	105·0
Average revenue per passenger km.	100·8	106·3
Average revenue per NTKM	102·3	105·0

1.42. A quantitative idea of the wide gap between the increase in the price charged and paid by the Railways is evident from the above. The relatively higher increase in losses in 1973-74 was due to such higher increase in wage levels and prices of materials on the one hand and reduction in volume of freight traffic on the other hand consequent on continued staff unrest during the year and the slow-down of industrial growth.

1.43. When asked to indicate the latest estimates in regard to the losses on account of social burdens, the Financial Commissioner, during the course of evidence in May, 1975 stated:

"We started working it out since 1968-69 and over the years we have been trying to refine our methodology and it is a continuous process. Therefore, in some cases, the figures are not entirely comparable. With this reservation, I shall give the figures. In 1970-71, the loss due to social burdens was Rs. 112 crores, excluding the other overheads we have been mentioning time and again like health services, educational systems, police service, etc. This is purely on operating work and commercial work.

It went up to Rs. 116.25 crores in 1971-72; Rs. 119.56 crores in 1972-73, Rs. 214.46 crores in 1973-74 and Rs. 203.91 crores in 1974-75. For 1975-76 our estimate is Rs. 137.93 crores, of which nearly Rs. 130 crores is on account of passenger traffic. Others we have covered up except two major items—fodder and salt which we carry at a loss, due to sentimental reasons. So far as 1975-76 is concerned, we said we will have a better picture by February '76 when the revised estimates will be available. The figure I have given is the estimate as I see it at this point of time."

1.44. When asked whether the losses would continue to come down, the Financial Commissioner for Railways stated that it was, a continuous process and could be assessed only with reference to a point of time. He pointed out that if in the course of the year, the price of coal was increased by Rs. 25|- per tonne, the Railways would have to incur an additional expenditure of Rs. 40 crores. "If the fuel price is again revised as per the current talk, we will be affected. If DA instalments are to be given, we will be affected."

1.45. The Committee enquired from the representative of the Ministry of Railways about the control exercised by the Railways over their expenditure. The Financial Commissioner for Railways stated:

"Our expenditure can be put in three main classes. (1) Establishment—Railway is a labour intensive industry. (2) Fuel and (3) Miscellaneous. On labour our expenditure is 60 to 65 per cent of the total. On fuel it is from 20 to 25 per cent. In these our control is limited in the sense that while we have no say and no freedom in trying to decide what should be the scale of remuneration of the employees; what should be the rate of fuel. Our control is only in trying to make the maximum use of the resources at our disposal in a most economical manner, that we should have saving, that we should have efficiency and that we should have economy."

1.46. When asked to state the effect of the rationalisation of freight rates and fares during 1973-74 and 1974-75 on the losses due to social burdens, the Financial Commissioner for Railways stated during evidence:

"Take the figure immediately before 1973-74. During that period the social burden was of the order of Rs. 119.50

crores of which goods was Rs. 55 crores and coaching traffic was Rs. 63 crores and freight concession was of the order of Rs. 1.50 crores. In 1974-75 we have taken steps to take away social burden which fell on the Railway in respect of commodities and freight concession on exports. We have also tried to reduce the mounting effect of losses on passenger traffic. While we have succeeded in the case of commodities, in the case of passenger traffic, we possibly could not. That would require an increase which would be intolerable at that stage. In 1973-74 before we increased sharply the fare and freight, the loss on goods had been of the order of Rs. 104.5 crores and it was going up and it will go up still further because of the effect of Pay Commission's recommendations. We have neutralised the effect of that extra expenditure which was there because of escalation of emoluments and also wiped out the other operating losses."

1.47. The Committee enquired whether the employees of various organisations living in different suburbs of the cities were not entitled to concessional rail travel in the same manner as the railway employees who had free travel facility, the Chairman, Railway Board stated:

"But as an employer, we are bearing the cost. The point you have raised is an interesting one because it arises in many of the townships which are coming up. What is socially more desirable or economical? Is it the point that we should provide housing where people live; or should, we transfer the burden on to the Railways or expect the latter to carry people at a cheaper rate. It may have an effect in the long run on the kind of investments that we are making. The investments to be made on the Railways for this purpose would have to be more, if this is done."

1.48. When asked to indicate the percentage of Railways' social burden to their total revenue, the Financial Commissioner for Railways stated:

"About 10 per cent, and that is quite a bit considering that we pay only 6 per cent maximum to the Ministry of Finance by way of return. To carry an additional 10 per cent on our earnings is back-breaking.

About raising the freight rates of foodgrains, coal etc., I can only assure you that we did our very best. I would not like to dilate on the effort that we had to put in to get these concessions removed. In the original budget of 1974-75 we took away the concessional rates of coal. In the last Budget of 1975 we have taken away the concession on food-grains."

1.49. The Committee wanted to know what new factors have come into play for seeking compensation for the losses occasioned by the social burdens, when the Railways had been viable for many years inspite of carrying social burdens. The Ministry of Railways have stated in a written note that the finances of the Railways in recent years had been seriously upset by two main factors,

(i) slow industrial growth, and

(ii) high rate of price inflation.

After 1965-66 the growth of goods traffic was hit by poor growth of mineral and basic industrial sectors.

1.50. A few rail transport oriented bulk commodities like coal, steel, mineral ores, cement, fertilizers, petroleum products and food-grains now account for most of the tonnage of rail borne goods traffic. More important still, almost the entire growth of goods traffic from one year to another now depends on the production of these commodities. In recent years, however, the output of such bulk commodities has been increasing at a very slow pace; and, often, even this modest growth has tended to taper off. For instance, between 1969-70 and 1973-74 coal production increased marginally by 1.2 million tonnes to 81.2 million tonnes. Finished steel output continued to fluctuate around the 1965-66 level. Cement production which had been rising steadily actually fell in 1973-74. The rate of growth of fertilizers production too slackened considerably. Iron ore production outside Goa, which constitutes almost all the rail borne movement of this commodity also fell during 1973-74 in which year it was just about 1.5 million tonnes higher than in 1969-70.

1.51. Over this period, however, slow industrial growth was accompanied by continued price inflation which reached double digit levels during the last two years. The steep and continued rise in prices and cost of living sharply raised wage costs and other elements of working expenses. The adjustments in fares and freight rates were, on the other hand, mostly delayed and inadequate. All this has led to a rapid deterioration in the overall financial position of the railways. To make matters worse, Railway operations during 1973-74 and 1974-75 suffered a great deal of dislocation owing to disturbed industrial relations.

1.52. The Committee enquired whether it was possible to evolve a methodology to work out precisely the quantum of losses on the Railways as commercial losses and the quantum of losses arising out of social burdens. The Financial Commissioner for Railways stated that there were two kinds of losses in the Railways *viz.* the social loss and the commercial loss, and these losses constituted such an integrated loss that in financial and accounting terms, sometimes it became difficult to segregate the two. According to him during the last two years they were trying to work out and had now got the picture a little clearer than what it was two years ago. He stated, for example, that just before the nationalisation of all the Railways, each Railway was treated as a separate unit and the fares and the freight were treated as sum total of the fares chargeable on each zone. But with the nationalisation of the Railways, the Railways felt that it was essential to have a unified fare in the national interest. If on the other hand, they had the earlier system of charges based on cost of operation, then, perhaps, the metre gauge Railways which were showing losses at present would have declared profit as they used to do earlier. He added that even on the so-called losing lines there were certain social obligations for the Railways did not have the liberty to curtail the service in those areas. He elaborated "Even some of the lines are not covering the cost. Some of them do not cover the direct cost. Therefore, if certain financial loss falls as a result of a non-commercial policy, then that is a commercial loss. But if, on the other hand, we have been asked to adopt certain rates, then that will be a social burden."

1.53. To a question whether this matter relating to social burdens was discussed with the Government, the Financial Commissioner stated that when the budget proposals were discussed, they were discussed on merits and the Railways were able to put their point of view. The Committee enquired whether a limit was fixed even notionally for the social burdens. The Financial Commissioner stated that there was no such limit. Stating the constitutional position regarding the fares and freights, the Financial Commissioner stated that it was a fee for service rendered and that it was not a tax proposal which they were required to put for the vote of Parliament.

1.54. Explaining why certain investments have become non-commercial and unremunerative, the Financial Commissioner stated during evidence thus:

"It is true that certain railways which were paying before partition, before Independence, have now become unremunerative, and, therefore, we have to see what are the reasons for it; and whether these are not the reasons which would come in the way of nationalisation, because after nationalisation, we keep on paying more to our staff than they were paid earlier. So far as earnings are concerned our point is that they have not kept pace with the increasing working expenditure. Our expenditure has gone up on staff and fuel which comes to about 80 per cent of the working expenditure. We have not been able to keep pace with that. If at all we have been able to do it, we have been trying to match these increases without having resort to increase in fares and freights which might give us a cushion for the future. Whenever we have done it, we have almost always remained behind the starting line itself".

1.55. Referring to the hidden element of social burden, the Financial Commissioner for Railways stated:—

"The prices over the period 1961-62 to 1973-74 have gone up tremendously. The unit cost has gone up from 62 per cent to 136 per cent over this period. Electricity has gone up by 62 per cent, mineral oils by 136 per cent and coal prices by 90 per cent. The cost of employees has gone up by 118 per cent. Our earnings have gone up only by 46 per cent. So long as we lag behind, in earnings as compared to the value of inputs, a certain amount of loss is built into our system."

D. Brief Review of Railway Finances

1.56. The Committee find from the Annual Report and accounts of the Ministry of Railways that the financial results of working of the

Railways since 1950-51 have been as follows:—

(In crores of rupees)

Year	Net Revenue receipts	Dividend paid to general Revenues	Payment to States in lieu of passenger fare tax	Surplus/ Deficit
1	2	3	4	5
1950-51 . . .	47·56	32·51	..	15·05
1951-52 . . .	61·75	33·41	..	28·34
1952-53 . . .	47·18	33·49	..	13·19
1953-54 . . .	36·92	34·36	..	2·56
1954-55 . . .	44·06	34·96		9·10
1955-56 . . .	50·34	36·12	..	14·22
1956-57 . . .	58·38	38·16		20·22
1957-58 . . .	57·78	44·40		13·38
1958-59 . . .	59·32	50·39	..	8·93
1959-60 . . .	74·56	54·43		20·13
1960-61 . . .	87·87	55·86	..	32·01
1961-62 . . .	99·75	62·85	12·50	24·40
1962-63 . . .	23·32	68·76	12·50	42.06
1963-64 . . .	145·19	83.45	12·50	49.24
1964-65 . .	118·11	92·43	12·50	13·18
1965-66 . . .	134·84	103·78	12·50	18.56
1966-67 . . .	114·12	132.39		(—)18.27
1967-68 . .	110·00	141·53		(—)31.53
1968-99 . . .	142.81	150·67		(—)7.86
1969-70 . . .	146·56	156·39		(—)9·83
1970-71 . .	144·7?	164·57		(—)19.84
1971-72 . . .	169·08	151·24		17.84
1972-73 . . .	164.43	161.51		2.92
1973-74 . . .	55.41	170.92		(—)115.51

1.57. So far as 1974-75 is concerned, it has been stated that the mid-year appraisal had shown that the deficit of Rs. 52.79 crores projected in the budget estimate would rise to Rs. 128.19 crores. As regards 1975-76, the budget estimates anticipate a surplus of Rs. 23.03 crores.

1.58. It has been stated that the outlay on railways' plans, including expenditure from their Depreciation Reserve Fund, amounted to 21.6 per cent of the total outlay in the public sector in the First Plan, 22.7 per cent in the Second Plan and 19.6 per cent in the Third Plan. The percentage fell to 11.1 per cent in the inter-plan period and 9 per cent in the Fourth Plan.

1.59. Following is the plan-wise expenditure on the Railways:—

	Crores of rupees
First Plan (1951—55)	424
Second Plan (1956—60)	1044
Third Plan (1961—65)	1686
Inter Plan (1966—69)	763
Fourth Plan (1969—74)	1420
TOTAL	5337

Financing of the Plans:

1.60. The Railways financed 41 per cent of the cost of their development during the three Plans. In the inter-plan and the Fourth Plan Periods, however, only 36 per cent of the plan expenditure could be financed from the Railways' internal reserves due to unsatisfactory financial position of railways. According to the Railways, they suffered a loss of Rs. 182 crores in the aggregate due chiefly to increase in rates and fares lagging behind the increase in the average wage rate of staff and the prices of materials and supplies and stagnation of the freight traffic.

Financial outlay for Fifth Plan:

1.61. An outlay of Rs. 2,350 crores has been tentatively agreed to with a foreign exchange content of Rs. 330 crores, for a target of 300 million tonnes of originating traffic. A provision of Rs. 200 crores is being separately made for the metropolitan schemes, outside Railway's Plan.

Capital-at-Charge:

1.62. The Capital-at-charge on Railways rose from Rs. 827.00 crores in 1950-51 to Rs. 969 crores at the end of First Plan. At the end of the Second Plan period it was Rs. 1,520 crores and went up to Rs. 2,680 crores at the end of the Third Plan. The Capital-at-charge at the end of Fourth Plan period is Rs. 3,893 crores.

1.63. The total investment on Railways at the end of Fourth Plan *i.e.*, at the end of 1973-74 is Rs. 4,791 crores. According to the financial forecast of the Railways the Capital-at-charge at the end of Fifth Plan period *i.e.*, at the end of the year 1978-79 will be Rs. 5,432 crores. The Railways expect a net shortfall of Rs. 319 crores at the end of the Fifth Plan, after meeting their liabilities including dividend.

1.64. The Committee desired to know the main factors responsible for the deterioration of the railway finances since 1966-67. The Ministry of Railways have, in a written note, stated that the railway finances started showing a downward trend from 1964-65 when they could not raise adequate resources for Development Fund expenditure. From 1966-67 onwards, the Railways could not meet fully even their dividend liability to the General Exchequer, with the result that they had to draw upon the reserve funds for dividend equalisation besides financing development works. The accumulations in the Revenue Reserve Fund and the Development Fund which stood around Rs. 100 crores at the end of 1963-64 were exhausted and by 1973-74 the Railways were indebted to the General Exchequer to the extent of Rs. 208 crores. The indebtedness is further anticipated to rise to Rs. 379.75 crores by the close of 1974-75 and to Rs. 396.33 crores by 1975-76. Small surpluses in the year 1971-72 and 1972-73 were mainly due to concessions and exemptions in dividend liability granted on the basis of the recommendations of the Railway Convention Committee, 1971.

1.65. The basic reasons for the deterioration of railway finance from 1966-67 onwards are:—

(i) The volume of traffic did not grow to the extent that it could match the increasing expenditure, with the result that the technological improvements and other measures designed to increase the efficiency of railway operations could not offset, beyond a certain point, the combined effects of slow growth of traffic and price inflation.

(ii) the increase in freight rates and passenger fares did not keep pace with the sharp increases in personnel and material costs.

1.66. The fortunes of the Railway finances are closely linked with the state of economy of the country. The growth of traffic is affected chiefly by the expansion of aggregate production, especially of industrial and mining production. The near stagnation in the economy adversely affected the traffic anticipations of the Railways over the last decade. For example, for the past decade Railways' originating freight traffic has been hovering around the figure of 200 million tonnes. From 1965-66 onwards, the growth in freight traffic has been marginal. In certain years the traffic even declined over the previous year's level as is evident from the following table:

Year	Tonnes originating (millions)
1965—66	203·0
1966—67	201·6
1967—68	196·6
1968—69	204·0
1969—70	207·9
1970—71	196·5
1971—72	197·8
1972—73	201·3
1973—74	184·9

1.67. The Railways are the bulk transporters of goods and have incurred considerable investment on rolling stock and traffic facilities to generate transport capacity in specified sectors in readiness to meet the demand. When traffic anticipations fail to fructify, these assests are inadequately utilised and the earnings are not sufficient to adequately cover the depreciation, maintenance and other costs. The Railways can prosper only if the growth of traffic is regular from year to year whereby their assets can be utilised intensively.

1.68. On the other hand, passenger traffic which is not remunerative, has shown a consistently upward trend. Even in passenger traffic the preponderance of suburban traffic has been fast increasing over the period.

1.69. Railways are a labour intensive industry and over 60 per cent of their operating expenses are on wage bill. Staff costs have been increasing sharply due to enhancement in the rates of running allowances, night duty allowances, interim reliefs recommended by Pay Commission, implementation of Labour Awards etc. Progressive rise in consumer prices and in costs of living has necessitated successive increase in the rates of dearness allowance. The total wage bill which stood at Rs. 310 crores in 1965-66 rose to Rs. 570 crores in 1973-74. The wage bill has recently gone up by

Rs. 220 crores alone on account of the implementation of recommendations of the Pay Commission (Rs. 58 crores) and 9 increases in the rates of dearness allowance (Rs. 162 crores) sanctioned in 1973-74 and 1974-75. This is over and above the other burdens imposed on the wage bill like implementation of Miabhoy Award, removal of anomalies, implementation of 10-hour duty schedule, cadre reviews and other concessions to staff.

1.70. Like staff costs the prices of stores and materials—including fuel which accounts for nearly 20 per cent of working expenses—have been rising steeply. For example, compared to base year 1961-62 as 100, the price index in 1973-74 was 190.2 for coal, 236.2 for mineral oils, 161.7 for electric power, 227.4 for iron and steel manufactures and 170.9 for cement. As against these, the index of average revenue per tonne Km. was only 148.0. In ther words, while the unit costs of inputs have gone up by about 60 per cent to 136 per cent over the period 1961-62 to 1973-74 unit earnings have gone up only by about 48 per cent. Even with the increase in freights and passenger fares effected in 1974-75 the index of earnings will be only 181.2.

1.71. Despite the progressive alignment of rate structure to bring it closer to cost of operation several commodities continue to be carried at rates which do not pay for their cost of carriage. Principal low rated commodities carried by the Railways below the cost of operations are foodgrains, fodder, fruits and vegetables, firewood, charcoal, gur, shakkar, jaggery, salt and certain mineral ores. It has been roughly estimated that the loss on carriage of these commodities would be about Rs. 45.6 crores in 1974-75.

1.72. In an effort to cover the cost of operations on foodgrain traffic, the Budget for 1975-76 has brought in line this category of traffic in the lowest classification of regular freight structure.

1.73. The Railways are also losing substantially in passenger and other coaching services. A broad analysis indicates that in 1974-75 the coaching services are estimated to cost Rs. 153.5 crores more than the earnings therefrom; of this suburban passenger traffic around the metropolitan cities of Bombay, Madras and Calcutta alone account for about Rs. 19 crores.

1.74. In reply to a question about the steps taken by the Railways to compete with road traffic, the representative of the Ministry stated in evidence:—

> "Before Independence with a few exceptions, the capacity of the Railways was nowhere near the saturation point.

It was used to the extent of 40 per cent to 50 per cent in many areas and many routes which are now saturated. The lines constructed during the Company's days *viz.*, in the BB&CI etc., before Independence had a lot of reserve capacity available to absorb the increases in traffic arising after Independence. Upto 1950-51, we had carried about 100 million tonnes of traffic which went upto more than 200 million tonnes by 1965-66. At the same time, there was a shift in the pattern of traffic. There was greater development of roads, greater production of trucks and more roads running parallel to the Railways. Industrial development made it necessary for us to carry more raw material and comparatively lower grade traffic like lime-stone, ore, coal etc. The road has a certain edge over the Railways in the matter of general goods, bagged and packaged traffic. They give door-to-door service. We cannot forget that the bulk traffic, which now constitutes the largest percentage of Railways' share has to be carried. The high rated traffic constitutes only about 8 per cent of the total traffic carried by the Railways presently excluding POL, whereas earnings therefrom form only 16 per cent to 17 per cent of Railway's total earnings. Even though we offer container services, quick transit service etc., and are trying to keep as much of high-rated traffic with us as possible, the edge enjoyed by the roads cannot be got over. The road distances in some cases are less not only in terms of mileage but also of time but wherever possible, we are trying in addition to our container services, freight forwarder services, point-to-point trains, quick transit service etc."

1.75. When asked to state whether the Railways have taken a long term view and planned for innovations so as to enable them to give adequate return to the national exchequer, the Chairman, Railway Board stated during evidence:—

"I think that the financial position of the Indian Railways is basically better than that even of the Railways of the affluent countries. There are two kinds of innovations, technological and marketing. In most of the countries of the world the two are comparable. We find that inspite of the very high degree of automation achieved by some of the Railways, the basic character of the Railway system viz., that it is both capital and labour-intensive—still remains intact. Although they may automate and reduce the working force, the wage bill forms 50 per cent to 60 per cent of the total expenses, with the difference that since the employment skills have improved, the remuneration for that skill has become higher. You may take the case of the Japanese Railway which has been one of the most innovative railways that exist. In regard to the marketing aspect, the Railways are still committed, all over the world, basically to the carriage of what we may call bulk traffic. The utility of the Railways lies in mass transportation and not in fragmented transportation that the trucks give."

Augmentation of earnings and economy measures:

1.76. The Committee desired to have a detailed note on the steps taken by the Railways during the Third and Fourth Plan periods to augment their earnings and the extent to which these had resulted in getting higher earnings. The Ministry of Railways have stated in a written note that besides increases in fares and freight rates from time to time during the Third and Fourth Plan periods including the period between the two plans, the Railways took the following steps to generate additional traffic and earnings.

1.77. The rapid development of the road net work and trucking industry which brought forth competition from roadways affecting the Railways' finances led to the setting up of a Marketing and Sales Organisation on all zonal railways in 1967. The functions of this Organisation were to maintain close liaison with trade and industry, to ascertain their needs and problems and take necessary steps to provide services and meet the needs of the customers and generate additional traffic and earnings. Among the measures introduced in this connection mention may be made of the following:—

1.78. Container services providing door to door damage free and fast transport were introduced in 1966 between Bombay and Ahmedabad. These were gradually expanded to cover more routes and they are now available on 12 routes connecting principal cities in the country.

1.79. The earnings from the container services have been as under:—

Year	No. of containers loaded	Freight earned Rs. (lakhs)	
1966—67	1864	3·68	
1967—68	3540	9·34	
1968—69	9306	34·94	
1969—70	20484	73·14	4th Plan
1970—71	25585	97·98	4th Plan
1971—72	31934	143·72	4th Plan
1972—73	28759	140·60	4th Plan
1973—74	29205	157·64	4th Plan

1.80. It will be seen from the above that upto 1971-72 the service progressed satisfactorily but thereafter there was a set-back in the following two years. 1972-73 and 1973-74 have been bad years for Indian Railways on account of the general set-back to Railway operations caused by a variety of reasons, mainly, disturbed law and order situation in various parts of the country, strikes and agitations by railwaymen, difficult economic conditions which affected production etc.

1.81. Freight forwarder service for goods was first started in July 1969 between Bombay and Calcutta and Calcutta and Madras. At the end of 1973-74, it was available between 56 pairs of stations and is now available between 63 pairs of stations. The year-wise loading has been as under:—

Year	No. of 4 wheeled wagons loaded	Freight earned Rs. (Lakhs)	
1969—70	496	12·32	
1970—71	2315	60·28	4th Plan
1971—72	4539	123·55	4th Plan
1972—73	8964	243·40	4th Plan
1973—74	15416	397·38	4th Plan

But for the set-back to the railway operations in general during 1972-73 and 1973-74 the loading and earnings would have been better.

1.82. A similar scheme for parcels traffic was introduced in April, '72 between Howrah and Madras/Vijayawada. At the end of 1973-74 it was available between 7 pairs of stations and is now available between 8 pairs of stations. The earnings under this service have been as under:—

Year	No. of VPs Loaded	Freight earned Rs. (Lakhs)	
1972—73	141	3·35	4th Plan
1973—74	995	28·58	

1.83. Super Express Goods trains connecting the principal cities of India have been introduced to enable expeditious transport of goods. These trains first introduced in February 1965 run to fixed schedules which are advertised in the Time Tables. In addition, Q.T.S. service has also been introduced between principal cities of India under which scheme goods are carried within a specified transit time on levy of a nominal surcharge of 5 per cent of the freight charges which is refunded when the consignments do not reach the destination within the target time.

1.84. General Managers have been delegated powers to quote special station-to-station rates at less than normal tariff rates to attract traffic.

1.85. High-rated traffic which is vulnerable to diversion is encouraged by exempting it from normal operating restrictions to the extent possible. The Railways watch the loading of 47 selected commodities. This was a sequel to the setting up of the Marketing & Sales Organisation. Recently, recommendations were called from Railways regarding the commodities which they felt were profitable and the loading of which could be increased. Based on their recommendations, instructions have been issued to the Railways in December, 1974 to load 77 high-yielding commodities on a programmed basis also specifying the minimum number of wagons to be loaded per day and that these commodities should not be subject to normal operating restrictions. The priority of of some of the commodities has also been upgarded.

1.86. Freight operation has been streamlined by increased movement of bulk traffic in block rakes from originating to destination stations eliminating intermediate marshalling, thereby helping quicker transit, which benefits both the customer and the Railways.

1.87. A statement showing the quantum and earnings from revenue earning traffic since the first year of the Third Plan is at Appendix I. It will be seen that the earnings have been steadily increasing till 1972-73. The set-back in 1973-74 was due to reasons well-known such as disturbed law and order situation, strikes and agitations by railwaymen which dislocated railway operations, besides drop in traffic due to drop in production as a result of general stagnation in economy, power cuts, etc.

1.88. Regarding high rated traffic, though as a rough guide commodities classified at class 60 and above are treated as high-rated, it is not classification alone which determines profitability which depends on load-ability, lead etc. As mentioned earlier, the Railways have been watching only 47 selected high-rated commodities. A statement showing the quantum of traffic in these commodities and their earnings from 1969-70 is at Appendix II. Since there was change in the list of such commodities in Oct., 1970 the figures of 1969-70 and 1970-71 are not comparable with the figures of subsequent years. Therefore, starting from 1971-72, it will be seen that there was an improvement in the earnings in 1972-73. The deterioration in 1973-74 was due to the general set-back to Railway operations during this year, due to adverse law and order conditions, agitations by railwaymen culminating in the May, 1974 strike and drop in production due to general stagnation in economy, power cuts etc.

Utilisation of Assets:

1.89. To a question whether the Railways have carried out any critical assessment of the investments made and assets created to find out whether the assets have been put to optimum use, the Ministry of Railways have stated in a written note that while no specific overall exercise of the type contemplated in the question has been undertaken, broadly it can be accepted that some of the assets created have not been fully utilized due to non-materialisation of traffic to the extent anticipated. This has been due to several unforeseen factors which have already been brought to the notice of the Committee earlier. For instance, during the inter-Plan years there was a downward trend in the materialisation of traffic due to general recession in the country which was beyond Railways' control. The traffic did pick up in the first year of the Fourth Plan

(1969-70) but in the succeeding two years it again went down on account of general stagnation in the economy of the country and conditions of unrest within and without the Railways. The traffic again picked up in 1972-73, the fourth year of the Fourth Plan despite various agitations like Andhra agitation, strike of UP Power Staff, Sholapur Division agitation etc. which continued to cause serious disruption in the Railway traffic. The last year of the Fourth Plan (1973-74) proved to be the worst year for railway operation due to a spate of strikes by railway staff virtually throughout the period.

1.90. Nevertheless despite the overall shortfall in traffic there are several sections on the Indian Railways where the traffic materialisation continued to increase necessitating additional investments during the period for instance, GT route, Bina-Katni section, of the Central Railway, etc.

1.91. Even during the current year (1974-75) traffic has suffered considerably on account of the general strike in May, 1974 and its after-effects. Despite this, during the latter half of the year there has been considerable increase in the traffic handled. The level of coal loading currently being achieved is higher than even the corresponding figures of 1969-70 which has so far been the best year from the point of view of materialisation of traffic. It is expected that with the stabilisation of economy and labour relations the traffic will increase further.

1.92. In accordance with the rules on the subject, productivity tests are to be carried out in respect of all new lines and in respect of other works costing Rs. 20 lakhs or more which were sanctioned with the definite object of increasing earnings or reducing expenditure and to which such tests can be applied. These tests are to be carried out within a period of 3—5 years on the completion of the projects. In addition, works costing above Rs. 10 lakhs are also subjected to such tests/reviews on a selected basis. These productivity tests|reviews are generally being carried out as prescribed.

Economy Measures:

1.93. The Committee desired to know the concrete steps taken by the Railways to bring about economy in expenditure during the last five years. The Ministry of Railways in a written note have stated that the Railway Administration have instituted variety of measures designed to achieve the maximum economy in working expenses. These measures have been modified/intensified from time to time in consonance with the developments during a particular period. Amongst the various economy measures particular mention may be made of the following:—

(i) Introduction of diesel and electric traction;

(ii) Doubling of track on routes with high density of traffic.

(iii) Introduction of high capacity wagons to carry bulk commodities like coal, iron ore, manganese ore and lime stone;

(iv) Fitment of central buffer-couplers on wagons to permit running of heavier trains;

(v) Mechanisation and expansion of important yards to maximise throughput;

(vi) Conversion of Metre Gauge into Broad Gauge to do away with the inherent disadvantages in multiplicity of gauges;

(vii) Substitution of imported items by indigenous items;

(viii) Mechanisation and simplification of accounting procedures without large scale reduction in staff and by absorbing surplus staff in alternative posts;

(ix) Application of method study and operation research techniques;

(x) Undertaking of crash work studies by the Railways with a view to identify the areas where maximum economy is possible and take necessary steps accordingly to plan and achieve the same.

1.94. Besides, concrete steps have been taken to speed up the throughput of wagons in yards and repairs of damaged rolling stock so as to secure faster movement of traffic throughout the railway net work. Apart from these, the railway assets are being put to a more intensive and profitable use. The new approach to railways' rating policy is expected to achieve more meaningful rail-road coordination.

1.95. Recently, in response to Prime Minister's appeal to all the Ministries to adopt austerity measures and achieve economy in expenditure, the various aspects involved have been examined afresh and the following conclusions arrived at:—

(i) A ten percent cut in the existing Budget provision for travelling and daily allowances;

(ii) A sharp reduction in the holding of conferences and seminars; and

(iii) A ten percent cut in the existing provision for contingencies and maximum economy in the use of paper, stationery, furniture, and office equipment and the use of staff cars etc.,

1.96. A climate of all round austerity has been sought to be created and permeated to the lowest formations and all unnecessary expenditure avoided. In addition to the steps taken for effecting economy, a system of 'Exchequer Control' has been introduced for ensuring that the cash content of the Budgetary allocations is not exceeded by the spending officers. To restrict the growth of revenue expenditure certain urgent economy measures were taken in 1974-75 yielding a saving of about Rs. 50 crores.

1.97. Periodical economy reports are obtained from all the Zonal Railways/Production Units and their performance is kept under constant watch. Instructions are also issued from time to time to restrict the growth of staff by exercising tighter and greater managerial control.

Loss of Revenue

1.98. The Committee desired a detailed note on the leakage of revenue and the steps taken by the Railways to prevent it. The Ministry of Railways have stated that the losses sustained by the Railways on account of ticketless travel, incorrect levy of freight charges, thefts and pilferages and compensation claims and measures adopted for prevention of such leakage are given below:

Ticketless Travel

1.99. Estimates of the loss of revenue on account of ticketless travel on the Indian Railways are not made from year to year and, as such, separate figures for the last three years are not available. On the basis of sample checks conducted on all Indian Railways during 1967-68, the loss was estimated to be of the order of Rs. 20 to 25 crores and the extent of ticketless travel about 10 per cent. Subsequent checks have revealed that the incidence of ticketless travel has come down. A fresh assessment was made recently from June, 1973 to September, 1974 by the respective railways which indicated that the extent of ticketless travel has come down to 0.93 per cent only. It is considered that the assessment made by the railways was not complete one on account of a number of factors such as cancellation of trains, staff agitations and the generally difficult law and order situation in many States during the assessment period. A further assessment is being arranged. However, the number of cases of ticketless travel detected and the railway dues realised from them during the years 1968-69 to 1974-75 (up to end of January, 1975) are indicated below:—

Year	Cases of irregular travel detected	Railway dues realised (Rupees)
1968-69	84,66,870	3,40,25,898
1969-70	33,25,351	2,36,93,636
1970-71	15,25,559	1,85,77,948
1971-72	16,65,083	2,01,31,661
1972-73	17,49,008	2,17,39,384
1973-74	16,17,222	2,09,12,731
1974-75 (up to Jan. '75)	13,80,023	1,93,45,503

1.100. To plug this leakage of revenue, the minimum penalty for ticketless travel was raised from 50 paise to Rs. 10/- with effect from 10th June, 1969 so as to serve as an effective deterrent to ticketless travellers. As a result of this measure, the number of ticketless travellers apprehended, which was 84.67 lakhs in 1968-69, came down to 33.25 lakhs in 1969-70.

1.101. Special massive checks against ticketless travel are conducted regularly by mobilising a large force of ticket checking staff, Railway Protection Force and Government Railway Police and ticketless travellers are prosecuted before the Magistrates. Joint massive drives on an extensive scale are also organised in close co-operation with the State Governments. Such joint drives have recently been conducted in the State of Madhya Pradesh, Orissa, West Bengal, Bihar and Maharashtra. The results of these drives are briefly indicated below:—

State	Case of irregular travel detected	Railway dues realised	No. of persons prosecuted
Madhya Pradesh (16·9—30-9-74)	5,492	Rs. 78,457	911
Orissa (16·11—16-12-74)	17,188	Rs. 1,89,495	1,158
West Bengal (1.12—31-12-75)	24,273	Rs. 2,69,356	4,691
Bihar (10·12—19-12-74)	3,282	Rs. 44,468	1,026
Maharashtra (15·1—25-1-75 & 3·2—12-2-75)	16,933	Rs. 1,47,141	1,648

Joint drives in other States are also being undertaken.

1.102. Since ticketless travel is a social evil that cannot be eradicated by deterrent measures alone, publicity campaigns and educative propaganda are also being undertaken by the Railways. The educative propaganda, particularly amongst the student community, is conducted by means of lectures to students in educational institutions, utilising the services of students in Railways' ticket checking campaigns, bringing out posters highlighting the evils of ticketless travel etc.

1.103. The non-official Standing Voluntary Help Committee functioning in the Ministry of Railways has also been directing its efforts against the evil of ticketless travel. The Committee is also conducting educative campaigns at important centres through the Press and delivering lectures in educational institutions.

Incorrect Levy of Freight Charges

1.104. The amounts of losses sustained by Railways on account of undercharges written off during each of the last three years on all Indian Railways are as follows:—

Year	Amount of losses
1971-72	Rs. 2,81,000
1972-73	Rs. 2,18,000
1973-74	Rs. 2,15,000

1.105. Cases of incorrect levy of freight by station staff resulting in short recovery of freight charges sometimes occur. Such undercharging is usually detected at the time of delivery and the correct charges are collected before delivery of consignments. In some cases the undercharging is detected during the checking of invoices by the Accounts Branch when error advices are issued and the amounts are usually collected either from the parties concerned or from staff responsible. In some cases where the undercharges become irrecoverable they have to be written off.

1.106. Regular checks are already being exercised by the Commercial, Accounts and Audit Officials to detect undercharges and to correct and educate the defaulting staff.

Compensation Claims and Thefts and Pilferage

1.107. The bulk of compensation claims paid on Indian Railways is on account of loss, thefts and pilferage of consignments in transit.

In fact, these factors account for over 70 per cent of the total amount of claims for compensations paid. The incidence of claims on the Indian Railways for the last three years is indicated below, separately for all causes and due to "loss, thefts and pilferage":

Year	Total No. of claims received	Total No. of claims settled by payment	Amount paid (Rs. in lakhs)	No. of claims paid on account of loss thefts, & pilferage.	Amount paid (Rs. in lakhs)
1971-72 . .	7,17,584	3,51,131	1,268·41	2,71,554	953·84
1972-73 . .	6,76,917	3,10,778	1,229·18	2,48,583	912·85
1973-74 . .	6,27,113	2,90,065	1,362.05	2,24,621	984·16

1.108. The registration of new claims showed declining trend in 1972-73 and 1973-74 during which the incidence dropped by about 41,000 and 50,000 respectively. But in the current financial year, the number of new claims has again started showing an upward trend. The increase in the number of claims during the current year is on the Eastren, Northern, North Eastern, Southern, South Eastern and Western Railways.

1.109. The gross amount of compensation paid during 1971-72 was Rs. 1268 lakhs. In 1972-73 it came down to Rs. 1229 lakhs. In 1973-74, it went upto Rs. 1362 lakhs despite reduction in the incidence of new claims. This is wholly attributable to the sharp rise in prices of the commodities. Whole-sale price index (with base 1961-62-100) was 254.0 in 1973-74 in comparison to 207.1 in 1972-73. In the current financial year also due to further rise in prices, the amount paid in the first nine months was Rs. 30 lakhs more than the amount paid during the corresponding period of the previous year.

1.110. With a view to preventing loss, thefts and pilferage and damage to consignments in transit, various measures have been taken by the Railways. More important of them are enumerated below:—

(i) Escorting of goods trains by Railway Protection Force armed personnel in vulnerable sections in respect of iron and steel. foodgrains, sugar, oilseeds etc;

(ii) Patrolling by armed Railway Protection Force Personnel in vulnerable and major yards;

(iii) Collection of crime intelligence and conducting of surprise raids by the staff of the Crime Intelligence of the Railways as well as Central Crime Bureau, Railway Board, with a view to tracking down criminals and receivers of stolen goods;

(iv) Maintenance of close coordination between Government Railway Police, Railway Protection Force and Railway staff;

(v) Conducting of special drives against the receivers of stolen property and prosecuting the suspected criminals under the Railway Property (Unlawful Possession) Act, 1964;

(vi) Deploying of plain clothed Railway Protection Force staff to keep watch on the activities of criminals;

(vii) Seeking assistance and cooperation of Railway Trade Unions for prevention and detection of crimes on Railways;

(viii) Detention of criminals and receivers of stolen property under the Maintenance of Internal Security Act where sufficient material is available against them;

(ix) Insistence on provision of dunnage to protect flap doors in case of wagon load consignments of sugar, grains, pulses, oilseeds etc:

(x) Proper marking, addressing and labelling to avoid the consignment going astray;

(xi) Use of nuts and bolts for rivetting wagons loaded with valuable goods;

(xii) Proper maintenance of wagons so that incidence of sickness of wagons resulting in detention and transhipment is minimised, and also damage by wet and pilferage through doors and body-holes is reduced;

(xiii) Patching of panel-cuts of wagons in sick-lines, yards and goods sheds to reduce the circulation of defective wagons;

(xiv) Observance of monsoon precautions such as loading of goods liable to be damaged by rain water in water-tight wagons, ensuring that all damageable goods awaiting loading or delivery and those lying in transhipment shed are kept under cover or protected with tarpaulins, plugging of leaks or holes, if any, found in a wagon before loading, plugging of door crevices of wagons with bitumenised gunny strips, cleaning of floors of wagons before loading etc;

(xv) Intensified supervision at break-of-gauge transhipment points and repacking points; and

(xvii) Prompt fixation of staff responsibility.

1.111. Sustained efforts continue to be made by the Railways to bring about further improvement in the position.

E. Social Burdens on Railways in Foreign Countries

1.112. The Committee desired the Ministry of Railways to furnish detailed information in respect of Railways in Burma, Japan, USSR, China, Great Britain, West Germany, France, Canada, Australia, the USA and Pakistan under the following heads:—

(i) the nature of railway undertaking—whether private, public or departmentally managed;

(ii) the sources of capital, and if capital is provided by Government, the return Government get on the capital and the mode of return;

(iii) the social burdens carried;

(iv) the nature of losses compensated by Government and the manner in which compensated, and the rationale behind it;

(v) since when Government started compensating the losses and whether the Railway undertaking was State-owned or privately managed at that time;

(vi) the concessions the Railways enjoy such as tax relief, preferential rate of interest on loans etc.

1.113. In a note furnished to the Committee, the Ministry of Railways have stated that attempts to obtain detailed information sought in respect of foreign railways mentioned were not uniformly successful. The reply has accordingly been framed on the basis of such information as could be furnished by Indian Missions abroad or was available from published sources.

1.114. As the information below reveals, Railways abroad receive substantial subsidies specifically to meet the under-mentioned social burdens:

(i) Losses from unremunerative passenger services continued to be operated in public interest (Britain, France, Canada) and|or short distances traffic (Germany).

(ii) Losses from charging uneconomic fares and freight rates in line with the Government policy (Britain, Germany, France).

(iii) Cost of operation and maintenance of level crossings (Germany).

1.115. In addition, the Railways receive compensation for social burdens carried by them in a number of other forms. Thus:

(a) Interest payments on loans made by German Federal Railways and Japanese National Railways are subsidised: Besides, Japanese National Railways receive further relief in the form of deferred payment of interest. Capital liability of British Railways has been written down more than once in order to reduce the interest liability.

(b) British and French Railways are exempted from excise duties on diesel oil. Japanese and West Germany Railways pay local taxes at reduced rates. The property tax paid by Japanese Railways is also assessed at half the standard rate.

(c) On the Japanese, German & British Railways, subsidies are provided to cover revenue deficit.

Nature of Railway undertaking

Burma: Burma Railways are nationalised and managed by the Burma Railway Board.

Japan: Japanese National Railways are a public corporation.

USSR and China: Railways are State-owned and managed.

Great Britain: British Railways (BR) are a public undertaking managed by the British Railways Board, which functions under the Ministry of Environments.

West Germany: The German Federal Railways (DB) are a departmentally managed, State-owned undertaking with its own administration and budget.

France: The French National Railways (SNCF) is a public corporation.

Canada: There are two main railway systems in Canada: the Canadian National Railways (CNR), a public undertaking and the Canadian Pacific Railway (CPR), a private joint stock corporation.

Australia: Railways are owned by the Government and are managed departmentally.

USA: Railways are mainly owned and managed by private companies and are subject to the broad control exercised by the Inter-State Commerce Commission.

Pakistan: Railways are owned by the Government and managed departmentally.

Sources of Capital:

Japan: Capital is raised by the JNR through long term borrowings from the Government and issue of Railway Bonds with the approval of the Minister of Transport. Redemption of principal and payment of interest on Bonds are guaranteed by the Government under legislation. The average rate of interest on outstanding debt, which was 6.2 per cent in 1969-70, declined to 5.9 per cent in 1970-71 and further to 5.3 per cent in 1971-72. The financial rehabilitation plan for the JNR, which covers the period 1973—82 envisages, *inter alia* (a) a subsidized 3 per cent interest rate on Government loans, (b) re-lending of the interest on Government and Government guaranteed debt outstanding at the end of 1972 to JNR without interest, and (c) subsidization of the interest cost of construction investment financed through loans from sources other than the Government.

Great Britain: Interest bearing loans from the Government, repayable by instalments, are the main external source of long term capital for BR. However, loans falling due for repayment can be refinanced through further borrowing from the Government. Also, substantial portions of outstanding debt to the Government are written off from time to time in order to reduce interest liability. For instance, £705 million worth of outstanding debt, which had earlier been converted into non-interest bearing debt without a fixed repayment schedule, was written off altogether in 1969. The average rate of interest on Government loans was 6.76 per cent in December 1972, being slightly higher than the average of 6.66 per cent in December 1971.

West Germany: The capital of the German Federal Railways (DB) consists of its own capital and borrowings from the market. No return is paid on own capital although according to the German Federal Railways Act, the Railways are required to attempt paying a return on it. As regards borrowings, the Railways are required to pay the interest in accordance with the terms and conditions of the loans.

Canada: The CNR raises long term capital through bond issues, Government loans and debentures as well as through Government participation in equity. Equity capital, which slightly exceeds the total long term debt, is owned almost entirely by the Government. The rates of interest on bonds of varying maturity range from 2.75 to 5.5 per cent. All debenture issues of the C-N-R have been guaranteed by the Canadian Federal Government. The bonds as they mature are paid off largely by new guaranteed bond issues.

Australia: Capital funds are obtained by the Railways from the Government in the form of interest-bearing loans and non-repayable grants. In 1972, the interest rate on Government loans was 5.5 per cent per annum.

Social Burdens carried:

1.116. Most foreign railways assume social burdens resulting from the operation of certain types of services, fare and freight policies and provision of staff amenities. Thus, social burdens include losses arising from maintenance of unremunerative, though socially desirable, operations, concessional fares and freight rates for specified categories of users and commodities, restraint in the matter of raising freight rates and fares and provision of special benefits to staff. The JNR, for instance, issue subsidized commuter season tickets in the metropolitan cities, students' concessions, etc., pay compensation to natural disaster victims and disabled persons, carry freights at low rates according to the 'Policy Freight Classification and quote special subsidized rates for food-grains, newspapers magazines, mails, etc. The Railway extends the facility of free travel to its employees and families and contributes to the various welfare facilities as may be mutualy agreed between the Staff Unions and the JNR as a Corporation. Welfare facilities include payment of bi-yearly bonus, subsidized housing, subsidized medical facilities, uniforms, etc. JNR does not own and run its own medical institutions but the expenditure incurred by the staff for covering themselves under medical insurance is reimbursed to the employees.

Tax Exemptions:

1.117. British and French Railways are exempted from the payment of excise duty on diesel oil. Japanese and West German Railwas pay local taxes at reduced rates. In Japan, the property tax of JNR is also assessed at half of the standard rate.

Nature of Losses compensated by Government:

1.118. The Committee enquired during evidence the subventions by which the Railways were compensated for the social burdens carried by them in foreign countries. In reply, the Financial Commissioner stated as follows:—

> "The practice differs from country to country. But, generally speaking, they have three different kinds of ways of coming to the aid of the Railways. They give a soft loan which is a loan at preferential rate. For example, in Japan, they charge, only 3 per cent interest on the investments made in the Railways. Then again it is also known that the interest charge on the loans outstanding as at the end of 1972 will be loaned by the Government to the JNR interest free. That is one way of giving a relief. The second way is that in certain countries direct grants-in-aid are given by the Government or the local administration which is interested in the upkeep of certain services like the suburban services. In West Germany, for example, the losses on suburban services are not required to be borne by them. Thirdly, there are also occasions when the accumulated debts have been written off knowing fully well the financial position of the railways that they should not carry the unnecessary burden. This has happened in U.K."

1.119. The position obtaining in foreign countries such as U.K., West Germany, France, E.E.C. countries, Canada and Japan is described in greater detail in the following paragraphs.

Great Britain: In his Memorandum to the Railway Convention Committee, 1971, the Financial Commissioner for Railways had stated that "In the recent years the Government of the Union Kingdom had ben re-shaping their transport planning and the evolution of a new policy for the Railways has received much attention in this context. In a 'White Paper' issued in November, 1967, it has been recognised that there are many Railway passenger services which have little or no prospect of paying their way, in a commercial sense, yet whose value to the community outweighs their accounting cost. These include many Commuter services whose closure would add intolerably to road congestion costs, important cross country services and some services in remote areas where reasonable alternatives cannot be provided or only at excessive cost. The While Paper also states that the Railways Board can never be expected to break even as long as their accounts are burdened with the losses on socially necessary lines which they have been refused permission to close.

1.120. In the Memorandum of the Financial Commissioner for Railways it has been further stated that, in 1969, the British Railways received £148 million as grants-in-aid under the provisions of the British Transport Act of 1968. In 1969, the book value of operational fixed assets was written down by as much as £709 million by attributting values to each group reflecting the expected usefulness. After this reduction and other adjustments the capital liabilities have been reduced from £1557 million on December, 31, 1968 to £839 million on January, 1, 1969. This is in addition to the amount of about £500 million written off in 1963 as part of the Reshaping Plan of the British Railways.

1.121. It has been further stated in a written note furnished by the Ministry of Railways that under the Transport Act of 1968 specific grants are provided by the Government for unremunerative passenger services which meet a social need. Initially given for periods of one to three years in individual cases, these grants are renewable on termination at the discretion of the Government. Grants are also received by the British Railways for maintenance, pending removal of excess track and signalling capacity. Besides, British Railways are entitled to claim grants in respect of capital outlay on public passenger transport facilities.

1.122. It has also been stated that during the years 1970, 1971, 1972 and 1973, British Railways received £ 62, £ 63, £ 68 and £ 91 millions, respectively, as compensation for operation of unremunerative passenger services. Grants for maintenance of excess track during the same years amounted to £12, £7.5, £8 and £2.8 millions. The Government has also been compensating British Railways separately for losses resulting from moderation in raising freight rates and fares. A special grant of £27 million was given in 1971 as an offset for "price restraint". In 1972, the British Railways received, apart from a grant of £27 million (under the 1972 Grants Act) a special grant of £32 millions for covering the cash-flow shortfall. This special grant is interest free but Government reserves the right, in certain circumstances, to require the Railways to refund some or whole of it.

E.E.C. Countries:

1.123. The Financial Commissioner for Railways in his Memorandum to the Committee has stated that the Railways of the member countries of European Economic Community (EEC) are entitled to claim State aid as compensation for social burdens under the Common Market Ordinances which came into force at the beginning of 1971 Article 77 of the Treaty of Rome provides, *inter alia* that

State aid for "reimbursements of the cost of carrying out certain obligations inherent in the concept of public service" are compatible with the Treaty. The EEC has adopted three regulations on State aid. The first of these (No. 1191/69) defines the obligations inherent in the concept of public service and the rules for calculating compensation when such obligations are imposed. The second (No. 1192/69) is concerned with specific burdens or benefits placed upon or granted by railway undertakings which entitle them to compensation provided they can show that, on balance, these entail additional costs. For example, certain benefits given to employees or the retention of employees in excess of requirements ("featherbedding") are two of the fifteen different varieties of obligation which entitle a railway undertaking to compensation. The third (No. 1107/70) defines other circumstances, regarded as falling under the broad heading of transport coordination or obligations inherent in the concept of public service, which justify State aid.

France:

1.124. It has been stated in the Memorandum submitted by the Financial Commissioner for Railways to the Railway Convention Committee, 1971 that "French Railway is govenred by all laws and rules applicable to public limited undertakings (except where it is specifically exempted on the basis of its being a public utility) and as such it pays all taxes directly or indirectly applicable to normal commercial undertakings. Compensation is paid to the Railway for maintaining its public transport obligations:—

(i) when it proposes closure of all or part of its public service obligations, on providing proof that it is uneconomical to run the same, and recommends an alternative mode of cheaper transport. the compensation paid is equal to the loss incurred in running that service;

(ii) when tariff lower than the economic tariff is imposed by the State, the difference in the tariff rates, multiplied by number of traffic units carried at such concessional rates is paid as compensation;

(iii) when special conditions and tariffs are made applicable for transportation of one of several social categories of passengers (such as office and factory workers, students, invalid military personnel, government servants, pensioners, large families and annual vacation tickets for workers etc) the compensation paid to the Railways is the difference between the tariff actually charged and the most advantageous tariffs applicable, multiplied by the number of traffic units carried under each category.

1.125. Thus, SNCF (French National Railway) is compensated by the Government for the public service obligation to maintain unremunerative lines as well as for uneconomic freight rates and fare concessions. In the case of unremunerative services deemed necessary for urban and rural development, SNCF receives aid from the Government as well as local authorities.

Temporary loans from State Treasury bear an interest rate of plus one per cent. For national development schemes approved under different national plans, loans are sanctioned from economic and social development funds, which bear a low interest rate. But these loans are amortised and refundable over a certain period. The French Railways do not pay any excise duty on diesel oil used for traction; rate applicable for the French Railways is French Franc 0.123 per litre against French Franc 0.500 paid by truck owners.

1.126. The SNCF received Franc 2091 million (£157 million) in 1968 as grants-in-aid from the Government. This worked out to about 13 per cent of the total working expenses including depreciation and financial charges. By 1972, these subsidies have risen to as much as 6641 million Francs (£500 million). The French Railways have formally been given Government approval to conduct their business on strictly commercial lines in an attempt to cover completely expenditure by receipts in 1974. By granting commercial freedom, the Government intends to gradually reduce subsidy to the Railways from the 1970 figure of Franc 756 million (£57 million) to Franc 190 million (£14 million) in 1974. After 1974, the State financial support will still continue to meet specific expenditure on track maintenance, pensions and deficits arising from concessionary fares laid down by the Government.

West Germany:

1.127 It has been stated in the Memorandum of the Financial Commissioner for Railways submitted to the Railway Convention Committee, 1971 that the German Federal Railways (DB) are required to work as an autonomous business organisation and have to pay interest charges on the capital invested in Railways by the State. The funds on capital account are made available to the Railways by the State on rates not exceeding 5 per cent although the prevailing rates of interest are about 6 or 7 per cent on an average.

1.128. It has been further stated in a written note furnished by the Ministry of Railways that DB is entitled to claim Federal Government aid as compensation for losses attributable to uneconomic operations that cannot be terminated for social reasons and for certain other types of social costs. The Railway is treated as Commercial Undertaking for the purpose of management and accountability and the Government compensates them for all the services which a normal Commercial Undertaking would not have continued to render when these services resulted in a loss. Subsidies given by the Federal Government to the Railway during 1971, 1972 and 1973 as compensation for different types of social burdens undertaken by them, are detailed in the table below:

Statement showing details of payments to the German Railway by the Federal Government

(In million DM)

	1971	1972	1973
(1)	(2)	(3)	(4)
Payment for losses on short-distance passenger traffic (Since 1961)	860	1,692	1,542
Contribution towards increased pension to Railway personnel. (Since 1961)	930	1,063	1,184
Contribution for operation and maintenance of rail/road crossings. (Since 1961)	180	275	335
Contribution according to para 28A of the Railway Act.* (Since 1969)	25·02	24·2	27·8
Contribution towards children's allowances to be paid to the employees. (Since 1966)	63	113	107
Contribution towards Railways burden of social security insurance scheme for workers and employees other than officers. (Since 1972)		61	164
Contribution towards cost of treatment of TB patients (Since 1971)	4	3·4	2·6

NOTE : (i) Figures in bracket are the years since when such compensatory payments to the Railway were started.

*Under this Act, the Federal Government is required to pay compensation to the German Federal Railway when the Federal Minister for Railways over rules any increase in fares and freights suggested by the Railways.

	1971	1972	1973
1	2	3	4
Contribution towards payment of interest . . .			837
Contribution towards pension being paid by other agencies. (Since 1957)	470	484·5	491·4
Contribution towards investments	500	500	525
Current payments to cover the deficit . . .	1362·84	2720·9	2300·1
	4394·84	6937·0	7515·9

Canada:

1.129. The Financial Commissioner for Railways, in his Memorandum to the Railway Convention Committee, 1971, has stated that in Canada uneconomic services are financed by the Government under the National Transportation Act, 1967. Over the years, blanket subsidies had been paid to both the Canadian Railways namely, Canadian National Railways and Canadian Pacific Railways to compensate for tariff freezes on freight and to alleviate the losses on passenger services. By 1967 these subsidies had built up to 110 million dollars (£ 41 million) a year. Canada is now attempting to identify losses on line-by-line basis and relate these to specific public benefits. The Canadian Government would like to reduce the general subsidies progressively by replacing the same in terms of specific subsidies, and blanket subsidies are planned to be discontinued after the end of 1974. It is a peculiarity of the 1967 Act that commuter services cannot be grant-aided like the rest by the Central Government. This is because commuter services are seen by the Canadian Transport Commission as a problem for the province or the city concerned. Ontario, for instance, is already subsidising TORONTOCO-Transit Commuter Service which is operated by the Canadian National Railways.

Japanese National Railways

1.130. The Financial Commissioner for Railways, in his Memorandum to the Committee, has stated, "The Japanese National Railways (JNR), a Public corporation, are required to assume substantial financial burdens resulting directly from national, social and industrial policies. As a matter of policy, sizeable discounts on fares and freight rates are accorded to specific categories of users and merchandise. Dictated largely by the need to discourage road transportation for environmental reasons, this policy has imposed a considerable financial loss on the JNR. The JNR incurred a total loss of 234.2 billion yen in 1971-72; of this, about a fifth could be directly attributed to policy determined social obligations. As the data tabulated below show, the annual social burden represented by preferential fares and freight rates varied between 44.7 and 51.5 billion yen over the four year period ending in 1971-72."

JNR's Social Burden

(Losses under various heads)

(000 million yen)

Year	Worker & student season tickets	Passenger Service			News Paper & magazines	Freight service. Total of various discounts imposed	Grand Total
		Discount on student tickets	Others	Total			
1968-69	28·1	2·2	0·9	31·2	3·9	9·6	44·7
1969-70	32·5	2·6	1·0	36·1	4·6	9·2	49·9
1970-71	33·8	2·8	1·0	37·6	4·6	9·3	51·5
1971-72	33·8	2·7	1·1	37·6	3·9	7·9	49·4

1.131. In a written note furnished to the Committee, the Ministry of Railways have stated that the "JNR have been asking the Government that it should be completely compensated for the losses incurred on (a) burden in respect of concessional fares and freights (b) property tax paid to the local Governments (c) Cost of maintaining the level crossing gates; (d) burden arsing from the obligation to continue operating the unremunerative services, (e) burden in mutual aid association Fund; and (f) burden related to the capital and construction accounts.

1.132. The Government propose to adopt the following measures for making up the social losses incurred by the JNR:

(i) Subsidies and grants for rehabilitating the finances and rationalisation of operations of JNR:

(ii) Deferred payment of interest on government debts.

(iii) Tax relief and subsidisation of interest rates on loans to finance fixed investment above 3 per cent."

1.133. It has been stated in the Memorandum of the Financial Commissioner that "In view of the deteriorating finances of the JNR, the Japanese Government have been providing rehabilitation subsidies under a special enactment since 1968-69 as well as taking steps to reduce JNR's tax liabilities to local governments. More recently, a ten-year plan was drawn up to bring JNR back into the black by 1985-86. During 1971-72, rehabilitation subsidies accorded within this plan amounted to 30.2 billion yan. This included a special grant of one billion yen for financing rationalisation measures.

1.134. The grants made by the Japanese Government to the J.N.R. under different heads from 1968-69 onwards are shown in the table below:—

(Billion yen)

Year	Amount of		Total
	Financial rehabilitation subsidies	Special grants to promote rehabilitation	
1968-69	5·40	..	5·40
1969-70	8·30	..	8·30
1970-71	12·20	..	12·20
1971-72	29·20	1·00	30·20

1.135. This ten-year plan envisages the eventual rehabilitation of JNR's finances through three main types of policy measures *viz.* an upward revision of fares and freight rates, a reduction in the labour force and personnel through rationalisation and technological change and a rise in the level of financial assistance accorded by the Japanese Government.

1.136. The Committee observe that the financial position of the Railways was quite solvent till the end of the Third Plan; the net surplus shown by them during the quiquennium 1961-62 to 1965-66 was of the order of Rs. 147 crores after paying dividend

etc. amounting to Rs. 474 crores. Thereafter, the position took a turn for the worse and the cumulative deficit to the end of 1973-74 was Rs. 182 crores of which a sum of about Rs. 124 crores was accounted for during the Fourth Plan period. This is inspite of the substantial relief of about Rs. 102 crores afforded by the Railway Convention Committee, 1971. The Capital-at-charge of the Railways has increased from Rs. 1521 crores at the end of the Second Plan to Rs. 3983 crores at the end of the Fourth Plan with consequent increase in the dividend liability from Rs. 56 crores to Rs. 171 crores (approx.) during the above period.

1.137. The Committee are greatly concerned to find that the financial forecast for the Fifth Five Year Plan indicates a net shortfall of Rs. 319 crores at the end of the Plan period.

1.138. The Committee also note that the losses on social burdens borne by the Indian Railways have risen from Rs. 169 crores in 1970-71 to Rs. 282 crores in 1974-75 (estimated). The Railways anticipate the loss in the year 1975-76 to be of the order of Rs. 138 crores.

1.139. The Committee observe that the Indian Railways, like any other railway system else-where in the world, are as much a commercial enterprise as a public utility service. This dual character of the Railways naturally limits their commercial freedom and gives rise to certain obligations which, but for their public service character, they would not have been called upon to bear. As an inevitable consequence, the Railways have to bear certain losses arising out of such obligations. Such losses alone which are distinct from commercial deficit would constitute a social burden on the Railways. Losses arising from the continued running of unprofitable services needed by the public or charging uneconomic fares/rates on certain traffic in the interest of the community at large are some illustrative instances of social burdens.

1.140. The Committee need hardly point out that the social burdens on the Indian Railways are not a new phenomenon and the Railways since their inception have been bearing such obligations and that till 1965-66 the Railways, inspite of carrying social obligations, were showing surplus. It is only since then that the finances of the Railways have shown a steady decline and today they are not even in a position to pay the reasonable dividend on their capital-at-charge without borrowing from the General Revenues. The Committee are of the view that as a commercial organisation, the Railways, which have a separate budget of their own with an inherent freedom to formulate their policies, should try to put their finances in proper shape at an early date by finding solutions to the various problems that they face without seeking external assistance.

1.141. The Committee consider that there is still a vast scope for improvement in the Railway Planning and operations. The Committee have dealt with this matter in detail in their 8th Report on "Railways Fourth and Fifth Five Year Plans and other Ancillary Matters." The Committee need hardly point out that the Railway planning has been unrealistic over the last two Plan periods inasmuch as while heavy investments in augmenting capacities were made according to the forecasts of freight traffic, there was a wide gap between the traffic forecasts and their actual materialisation. This is evident from the fact that while a heavy investment of Rs. 3,868 crores was made by the Railways in the Third and Fourth Plans and in the three inter-plan years, the traffic materialisation has belied all expectations. While it was only somewhat higher in the first year of the Fourth Plan as compared to the traffic carried at the end of the Third Plan (208 million tonnes as against 203 million tonnes), there was a considerable slide-back in the subsequent years so much so that at the end of the Fourth Plan it was as low as 185 million tonnes against a target of 264.5 million tonnes set initially. (This was 18 million tonnes less than the freight traffic carried at the end of the Third Plan). Thus the huge deficits incurred by the Railways are in the main attributable to the steep increase in their dividend liability arising out of heavy investments made without corresponding increase in traffic. This under-writes the need for observing utmost circumspection in the matter of making further investment in the Railways.

1.142. The Committee consider that the Railways will have to look within and find out what more they can do for the trade and industry and the public at large to earn their goodwill rather than what the public revenues can do for them. It is high time the Railways realised that it is only the customer satisfaction that will bring more business to them and augment their earnings. The Committee need hardly emphasise that the Railways should take vigorous and effective steps to plug all loopholes and prevent the colossal loss of revenue through pilferages, thefts and ticketless travelling. Further, while the Railways claim that there is no shortage of wagons there is a general complaint by the trading and business community that wagons are not made available in time and in adequate number. The Committee cannot, therefore, over-emphasise the need for making wagons readily available to meet the genuine requirements of the trade. Likewise in the matter of provision of passenger services, the Railways are still a long way off in making travel reasonably comfortable and free from overcrowding and vexations reservation problems. It is imperative that the Railways streamline their functioning and manage the operations in such a way that they are looked upon as the most economic, competitive, efficient and reliable mode of transportation in the country. This should not, however, be interpreted to mean that the Railways should be precluded from getting any compensation for the losses on services rendered by them in the larger public interest such as continued operation of uneconomic branch lines and sub-urban services etc.

1.143. The Committee find that most of the foreign Railways are bearing social burdens resulting from the operation of certain types of services, fare and freight policies and provision of staff amenities. The social burdens generally carried by these Railways include losses arising from (i) unremunerative though socially desirable operations (ii) concessional fares and freight rates for specified categories of users and commodities (iii) restraint in the matter of raising freight rates and fares etc. to match the cost of inputs. The Committee also note that Railways abroad receive financial assistance from the concerned Governments to meet broadly the following social burdens:—

(i) losses from unremunerative passenger services continued to be operated in public interest (Britain, France, Canada) and|or short distance traffic (Germany).

(ii) losses from charging uneconomic fares and freight rates in line with Government's policy (Britain, Germany, France).

(iii) Cost of operation and maintenance of crossings (Germany).

1.144. In addition, some of these foreign Railways receive compensation in a number of other forms like subsidy for payment of interest (as in the case of German and Japanese Railways), writing down of capital liability (as in case of British Railways), payment of local taxes at reduced rates (as in the case of Japanese and West German Railways), and subsidies to cover revenue deficits (as in the case of Japanese, German and British Railways).

1.145. The Committee consider that before any compensation to meet the losses incurred by the Railways on uneconomic services is contemplated, it is necessary that a proper costing methodology is evolved to estimate as correctly as possible the losses incurred by them on account of the various social burdens. The Railways in their own interest should urgently evolve a methodology of costing their services which will receive an all-round acceptance and will enable them to determine with maximum accuracy the losses relatable strictly to the social burdens carried by them.

CHAPTER II

LOSSES ON COACHING SERVICES

A. Non-Suburban Passenger Traffic

2.1. As the Committee have already observed, one of the social burdens enumerated by the Railways relates to the losses on coaching services, both non-suburban and suburban.

Lossess on Non-Suburban Passenger Traffic

2.2. The Committee desired to know the losses incurred by the Railways since 1950 on non-suburban passenger traffic. In a written note furnished to the Committee, the Ministry of Railways have stated that the study of profitability of coaching services was commenced only a few years ago. The estimated figures of loss relating to coaching services, other than suburban passenger traffic, for the last few years are furnished below:

1970-71	Rs. 47 crores
1971-72	Rs. 49 crores
1972-73	Rs. 50 crores
1973-74	Rs. 81 crores
1974-75 (estimated)	Rs. 134·7 crores

2.3. In the course of evidence, the Financial Commissioner for Railways stated that for the year 1975-76, the loss on account of passenger traffic would amount to Rs. 130 crores out of the aggregate loss of Rs. 137.83 crores estimated on account of social burdens.

Methodology to determine the profit|loss

2.4. The Committee enquired about the factors taken into account in computing the revenue from the passenger traffic and the expenditure incurred. The Ministry of Railways informed the Committee that the earnings from coaching services, including passenger services, are recorded separately in accounts. Sundry other earnings, which are not attributable to either coaching and goods services, are apportioned between them on a suitable basis. Earnings from steam boat and ferry services and suspense transactions are, however, excluded for the purpose of evaluation of the results of coaching operations.

2.5. The expenditure on coaching services, leave alone passenger services, is not wholly identifiable in accounts. The portion of expenses attributable to coaching services is arrived at by allocating the total expenses to coaching and goods services. Whatever expenses are directly identifiable with either of those services are segregated first and allocated in full to the respective cost group. Joint or common expenses are then apportioned on suitable basis which have been evolved over a period based on the knowledge of the nature of operations and the results of sample studies made for the purpose.

2.6. The estimated expenses thus arrived at are then compared with the earnings from coaching services to arrive at the loss or profit on coaching services.

2.7. The Committee referred to the statement of the Railways that the expenditure on coaching services, leave alone passenger services, was not wholly identifiable in accounts and enquired whether any methodology or technique has been worked out by them to ensure that the expenses are scientifically apportioned between the coaching and goods services. The Ministry of Railways have stated in a written note that the railways have developed certain techniques for apportionment of joint or common expenses to various services and these are considered broadly sufficient for managerial purposes. These techniques cannot, however, be a scientific or precision instrument. Because of the complexities inherent in railway operations and the fact that bulk of the expenditure is common to both coaching and goods services, the costing of rail transport is not comparable to the costing of commodities or other services.

2.8. The present methodology of apportionment of expenses between coaching and goods services is briefly as under:—

> Wherever it is so identifiable, the expenditure is debited directly and in full to coaching or goods services as the case may be. The joint and common expenses which form the major portion are apportioned between coaching or goods on suitable bases which have been evolved over the years based on knowledge of the nature of operations and results of sample studies. The methodology is, however, continuously modified and updated to reflect

the changes arising out of operating practices, technological innovations and accounting refinements. The railways are currently engaged in refining the methodology further.

2.9. Regarding the basis for determining the profit/loss on non-suburban passenger traffic, the Ministry of Railways informed the Committee that 'the profit/loss on suburban services (EMU and Non-EMU) run within the notified suburban areas is separately worked out proforma on the basis of methodology evolved for the purpose. The loss on suburban services so computed is then deducted from the total loss on coaching services to arrive at the loss on coaching services other than suburban services. The loss so computed covers all coaching services excluding suburban passenger services and not non-suburban passenger traffic alone.

Reasons for losses:

2.10. The Committee while pointing out that the losses on non-suburban passenger traffic have gone up from Rs. 47 crores in 1970-71 to Rs. 81 crores in 1973-74, enquired about the reasons for the abnormal increase in losses. The Ministry of Railways have stated in a written note that the estimated expenses, earnings and losses for coaching services other than suburban passenger traffic during the years 1970-71 to 1973-74 are as under:—

(Rupees in crores)

Year	Total expenses including DRF & dividend	Increase over the previous year	Share of Coaching expenses excl. suburban traffic	Increase over the previous year	Coaching earnings excl. suburban earnings	Increase over the previous year	Loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1970-71	1026·30	..	389·84	..	342·81	..	47·03
1971-72	1094·50	68·20	412·95	23·11	364·07	21·26	48·88
1972-73	1169·85	75·35	441·55	28·60	391·90	27·83	49·65
1973-74	1305·94	136·09	495·80	54·25	414·86	22·96	81·06
Increase in 1973-74 over 1970-71	279·64		105·96		72.05		34·03

2.11. From the above it will be evident that the increase in expenses has outstripped the increase in earnings. The increase in expenses has been particularly marked during 1973-74 consequent to implementation of the recommendations of the Pay Commission.

2.12. The Committee desired to know the extent to which these losses were attributable to (i) increase in the staff costs and (ii) increase in the cost of materials. The Ministry of Railways have stated that the mode of booking expenditure in accounts does not lend itself to a bifurcation of the coaching expenditure under staff cost, cost of materials etc. An indication of the increase in staff cost and other wholesale prices can be had from the following indices:—

	1970-71 Base	1973-74
Average cost per regular employee	100	125·1
Increase in wholesale prices:		
(*i*) Coal	100	113·3
(*ii*) Mineral oils	100	150·2
(*iii*) Electricity	100	107·7
(*iv*) Manufacturers	100	132·7

2.13. As against the above increases, the average revenue per passenger KM (non-suburban) has gone up only by 9 per cent during 1973-74 as compared to 1970-71.

2.14. When asked to state why the Railways should not try to find out ways and means so that loss on the passenger traffic could be minimised, the Chairman, Railway Board stated during evidence thus:

"There are two solutions for this. One is short-term solution and the other is long term solution. Today we have to see that the modern technology by way of electrification and dieselisation does not affect the traffic, both passenger traffic and the goods traffic. In the case of goods traffic by way modern technology as much as 65 per cent of the total freight service is done by diesel and electric locomotives and by large number of wagons and in the case of passenger service only 31 per cent is done by diesel or electric locomotives. So, when we are able to dieselise or electrify our passenger service more and more, we will carry with the same assets on the same line capacity a large volume of traffic and that would help us. It depends on the position of electrification and dieselisation. But what has happened in the last few years is that, after Independence, in an effort to provide amenities for passengers our seating capacity in the coach has gone down, whereas the wagon capacity has gone up. For example, on broad gauge the seating capacity of the coach was 87.3 per cent passengers in 1950-51 but in 1973-74 it was 77.7 per cent because we were wanting to give more facilities like more space for the passengers, more corridor space, etc. Now, if we have this kind of capacity—if we can have as we are trying to-day in the first class air-conditioned and the so-called sleepers, the volume of traffic will go up in future.

2.15. In the long term target, I can say that we will be able to carry 70 per cent to 80 per cent extra traffic on passenger sime with the help of electrified and dielised locomotives. Now, what will happen is that the terminals will be difficult. We will not be able to reach them at the destination, otherwise we have to provide station facilities. This is going to be a bottleneck in major cities."

Rationalisation of fare structure:

2.15. The Committee desired to know whether rationalisation of passenger fare structure has been attempted so that it may be cost-based. The Ministry of Railways, in a note furnished to the Committee, have stated that because of several *ad hoc* changes in the preceding years upto 31-3-1970, passenger fares had ceased to have a systematic basis. From April, 1970, attempts have been made to rationalise the fare structure taking into account the loss on coaching services and with a view to a gradual reduction of the subsidisation of passenger and other coaching traffic by goods traffic. While the cost factor has received consideration in deciding various measures of rationalisation, a certain amount of flexibility for keeping down the increases in the low class fares had to be adopted on account of the anxiety to do everything possible to ensure that the impact of the increases should have only a minimal effect on the family budget of the common man.

2.16. The upper class passenger fares were rationalised with effect from 1-4-1970. Thereafter the fares have been revised every year at proportionately higher rates as compared to the fares for the lower class, on the consideration that the upper class passengers should contribute more to the railway revenues than the others.

2.18. From April, 1974, fares per ticket for air-conditioned chair car and first class were increased from a minimum of Rs. 2 to a maximum of Rs. 16 according to the distance travelled. In the case of air-conditioned first class fares increases per ticket ranging from Rs. 15 to Rs. 160 depending upon the distance were effected in implementation of the intention to bring these fares to the level of air fares within a period of two years. The fares for travel by Rajdhani Expresses were also revised, the increases being somewhat higher than the corresponding increases by other trains.

2.19. Taking into account the sharp increase in working expenses and substantial shortfall in revenue receipts further revision of fares was effected from 15-9-1974. Air-conditioned first class fares, which were raised to approximate air fares from 1-4-1974, were subjected to a supplementary charge of 25 per cent per ticket. For travel by first class and air-conditioned chair car, the fare per ticket was increased by 33.1/3 per cent.

2.19. In the case of fares for the lower class (now second class), the attempt has all along been to effect very modest increases so as to lighten the load of the common man. Simultaneously with the revision of upper class fares in 1970 proposals were made to rationalise the third class fares, but these were dropped in deference to the wishes of the Parliament. Therefore, third class passenger fares as in force from 1-4-1968 continued. Only marginal adjustments were made in 1971, (the rate of increase being half that of of upper class fares taken as a whole) and again in 1973. During the revision that came into effect from 1-4-1973, it was ensured that in no case would a third class ordinary passenger have to pay more than 25 paise per ticket, or in the case of Mail and Express trains (third class) more than 95 paise.

2.20. At the time of adjustment of third class fares in 1971· no increase was effected at all for travel upto 15 Kms, and during the revision of 1973, no adjustment was made in the fares for travel upto a distance of 20 kms. It may be added that the fares for the first 50 kms in respect of third class tickets for journeys by ordinary trains have been traditionally kept at a low level with the provision and continuance of a special fare table.

2.21. The most important step taken during the revision from April, 1974, was the revision of the very low third class fares existing until then by raising the minimum fare from 25 paise to 50 paise in respect of Mail and Express trains with a view to relieving overcrowding in long distance trains. From a distance of 50 Kms onwards, the increase in fares per ticket gradually increased with the distance travelled, the maximum increase per ticket being Rs. 8/- for distances beyond 3,000 Kms. As regards third class ordinary passengers, a modest increase of only 5 paise per ticket upto a distance of 25 Kms. and 10 paise between 26 and 49 Kms. was levied and thereafter the increases ranged from 25 paise per ticket to a maximum of Rs. 1/- per ticket, depending upon the distance.

2.22. During the revision from 15-9-1974, no change was made in respect of second class travel in ordinary trains upto 25 Kms., and for travel between 26 and 250 Kms. the fares were raised by 25 per cent and for distances beyond 250 Kms. by 20 per cent. As regards Mail and Express trains, the existing fare per ticket was increased by 25 yer cent upto a distance of 250 Kms. and for distances beyond 250 Kms. by 20 per cent. The higher increase in respect of distances upto 250 Kms. was intended to discourage short distance passenger traffic, which can be served by road transport, to help in allotting a larger share of available rail transport facilities to the movement of goods and those commodities which constitute essential raw materials for agriculture and industry in the interest of the national economy.

2.23. The Committee pointed out that during the revision of passenger fares from 15-9-1974, higher increases in respect of distances upto 250 Kms. were intended to discourage short distance traffic and enquired whether any analysis of the position has been made to ascertain as to what extent the short distance traffic declined. The Ministry of Railways in a written note furnished to the Committee have stated that the effect of the higher increase in fares upto 250 kms. could be properly assessed only when figures for the entire half year *i.e.* October 1974 to March 1975 become available after two or three months.

2.24. To a question whether the Railways were of the view that with the existing level of fares the coaching services would invariably show losses, the Ministry of Railways, in a written note furnished to the Committee, have stated that at the present level of fares (and costs) the coaching services will become less unprofitable if more traffic is available on sections where trains are not fully occupied or where it is possible to run more trains within the available section capacity to meet commensurate unsatisfied demand.

2.25. The Committee desired to know whether any study had been made to identify the sections where trains were not fully occupied and whether any survey was made to assess the unsatisfied demand for trains and the steps taken to run more trains within the available capacity to meet the demand. The Ministry of Railways, in a written reply, have stated that occupation in the various classes of accommodation provided on trains is assessed twice a year through a census held, once in April-May and again in October/November. The results indicate that all the trains, particularly long-distance mail and express trains running over trunk routes, are fully occupied. In some sections, especially in the branch lines, there is no adequate traffic offering.

2.26. These results also show where overcrowding takes place on the trains and the demands for reservation and issue of tickets also indicate the sections on which unsatisfied demands for passenger trains exist. It is found that such surveys indicate that the unsatisfied demands are always in the trunk routes where there are very serious limitations of line and terminal capacity. There are also limitations with regard to availability of coaches and locomotives. Steps are continuously taken to overcome these difficulties and these measures involve time and considerable expenditure. Within the constraints, all efforts are made to introduce more trains and also to extend the runs of trains to meet the requirements of unsatisfied demands. Thus, during the year 1974-75, six new trains were introduced and the runs of eleven existing trains were extended. In this connection, it is also relevant to point out that the requirements of essential freight traffic have got to be met and the requirements for this purpose by way of locomotives have particularly to be fully taken care of.

2.27. However, the following special measures have been/are being taken in order to increase the carrying capacity of the coaches in trains so as to enable more number of passengers being cleared by the same number of trains:

(a) Day type second class coaches with a carrying capacity of 90 passengers as against 80 passengers in the conventional II Class coach have been provided on short distance inter-city trains like 301/302 Bombay-Pune Deccan Queen, 27/28 New Delhi-Amritsar Flying Mails and 39/40 Madras-Bangalore Brindavan Express. It is proposed to provide such coaches on 14 pairs of additional inter-city trains in near future.

(b) 60 seater day type first class coaches are being provided on fast inter-city trains with a journey time of about 6-7 hours.

(c) Ten (48 seater) 2-tier Air-conditioned sleeper coaches have been manufactured and provided on the A.C. Express trains in March, 1975.

(d) Future builds of A.C. coaches will be of 10 sleepers and 34 A.C. II Class Chair Cars.

Subsidy involved in Non-Suburban Passenger Fares

2.28. The Committee desired to know the element of subsidy involved in the fares of each class in non-suburban passenger traffic and the criteria evolved to ensure that the cost of operation of passenger services was the absolute minimum in order to arrive correctly at the element of subsidy involved in the fares. The Ministry of Railways have informed the Committee in a written note that the question of assessing the quantum of shortfall in the fares charged as against the cost of operation, classwise, could be examined only after finalisation of the coaching cost study.

Financial Results of various Train Services

2.29. The Committee enquired whether the Ministry of Railways have collected statistics regarding the financial results of various mail/express and passenger trains. The Ministry of Railways have in a written note informed the Committee that expenses and receipts are not booked trainwise. A detailed study for evolving unit costs of Coaching Services is nearing completion. Once these units costs are finalised, it will be possible to work out the financial results train-wise.

2.30. The trains which are unremunerative, and the reasons therefor, can be identified only after the unit costs are finalised and Railways are in a position to assess the financial results train-wise.

Steps taken to reduce the cost of operations

2.31. The Committee enquired about the concrete steps taken by the Railways to bring down the working expenses which are specifically relatable to operation of coaching services. The Ministry of Railways, in a written note furnished to the Committee have stated that as the bulk of the expenditure incurred on the Indian Railways is common to coaching and goods services, any steps taken to reduce the total working expenses will have an impact on the cost of operation of coaching services also. An economy drive to reduce revenue expenditure by about Rs. 50 crores during 1973-74 brought fruitful results and the said economy was achieved.

Railway fares vis-a-vis fares of Nationalised Road Transport Undertakings:

2.32. The Committee enquired how the passenger fares on Indian Railways compared with the fares charged by the nationalised road transport undertakings in the country. The Ministry of Railways have stated that over the zone 1—25 kms., second class rail fares are lower than the corresponding road fares in the States of Punjab. U.P., Rajasthan, Bihar, West Bengal, Maharashtra, Karnataka, Kerala and Tamil Nadu.

2.33. Over the distance zone 26—100 kms., rail fares are generally lower than the corresponding road fares in Punjab, Haryana, Rajasthan, U.P., Maharashtra, Karnataka, whereas over Kerala, Tamil Nadu and West Bengal, Railway fares are slightly higher. Over the distance zone 101—250 kms. rail fares are lower in Punjab, Haryana, Rajasthan, U.P., Bihar, Maharashtra, Karnataka, Kerala, whereas over Tamil Nadu and West Bengal the rail fares are slightly higher. Over the distance zones beyond 250 kms. the rail fares are lower than the corresponding fares in all the States.

Railway Fares in other Countries:

2.34. To a question how the passenger fares in India compared with those in other countries in relation to the *per capita* income, the Ministry of Railways have in a written note furnished to the Committee stated that a comparison of the average rates charged per passenger-kilometre on Indian Railways with those obtaining on certain foreign railways, together with the *per capita* income per day, expressed in Indian equivalent, is as under:--

Country	Year	Average rate charged per passenger-kilometre (paise)	*Per capita* income per day (Rupees)
1	2	3	4
India	1969-70	2·46	1·64
	1970-71	2·50	1·73
	1971-72	2·55	1·76
	1972-73	2·57	1·88
U.K.	1972.	18·15	51·2
U.S.A.	1971.	19·24	91·4
Canada	1972.	19·43	82·9

1	2	3	4
(National Railways)			
France . .	1971.	14·18	66·1
Italy . . .	1971.	9·03	38·0
West Germany .	1971.	20·33	68·03
Japan . .	1971-72 .	9·90	42·3
Burma . . .	1969-70 .	2·98	1·20
Sri Lanka .	1969-70 .	2·62	2·90
Thailand .	1969-70[1] .	3·97	2·60
Iran	1971-72 .	5·11	9·77

Travel Concessions:

2.35. It is observed from the Indian Railways Year Book (1973-74) that subject to certain conditions, the Railways also charge concessional fares for travel to and from hill stations and give concessions to students and certain other categories like sportsmen, artistes, blind persnos, etc. It is estimated that these concessions cost the Railways over Rs. 3 crores a year.

2.36. Giving further information on the value of travel concessions allowed by the Railways, the Financial Commissioner for Railways stated during evidence that the value of concessions given to sub-urban traffic was Rs. 30 crores and the value of other concessions for cultural performances, students, conferences, Defence personnel etc. ranged from Rs. 13 crores to 18 crores a year.

2.37. When asked why the Railways were granting so many concessions while they were not getting anything in return from Government and whether the matter had been taken up with the concerned Ministries so as to collect the value of concessions granted on various accounts, the Financial Commissioner for Railways replied during evidence:—

> "We will go to the Ministry concerned for reimbursement. This is a very good suggestion."

2.38. The Committee note that the estimated losses on non-suburban passenger traffic which stood at Rs. 47 crores during 1970-71 have risen to Rs. 135 crores (approx.) in 1974-75 and the

estimated loss on all the passenger services for the year 1975-76 would be Rs. 130 crores out of the aggregate loss of Rs. 138 crores estimated on account of social burdens. The Committee, however, find that the Railways have not yet been able to complete their coaching cost study with the result that they have no means of assessing the quantum of shortfall in the fares charged as against the cost of operations, train-wise/class-wise. In the absence of such a study, the Railways are not in a position to identify the coaching services or the sections which are unremunerative from the passenger traffic point of view. The Committee are at a loss to understand why the Railways, which have now been in the red for several years, have taken such a long time to finalise the coaching cost study. The Committee urge that the coaching cost study should be finalised without further delay so that the Railways are able to identify accurately the losses that they incur on the train services or sections or classes of travel.

2.39. In this connection, the Committee would like to reiterate the observations made by the Railway Convention Committee, 1971, in paragraph 2.16 of their Fourth Report to the effect that "they are averse to any losses on operation of higher classes being met by the Railways. They are of the firm view that travel in higher classes must pay its way."

2.40. The Committee would, therefore, emphatically urge the Ministry of Railways to ensure that the fare structure for air-conditioned and first classes is fixed on economic basis and there should be no question of claiming any subvention or compensation for providing travel facilities for the relatively affluent sections of the society.

2.41. The Committee observe that the Railways charge concessional fares for travel to and from hill stations and also give concessions to students, sportsmen, artists, Defence personnel, blind persons, etc. The value of such concessions is estimated to be of the order of Rs. 13 to 18 crores per year. The Committee recommend that while such travel concessions may continue, the Railways should be reimbursed the cost thereof. With this end in view, the necessary financial arrangements may be worked out by Government.

2.42. The Committee note that with progressive dieselisation and electrification of passenger services it is possible to carry, with the same assets on the same line capacity, a larger volume of traffic and thus earn more revenue. It has also been claimed that coaching services would become less unprofitable if more traffic is available on sections where trains are not fully occupied or where it is possible to run more trains within the available section capacity to meet the commensurate unsatisfied demand. The Committee desire that Railways should take concerted measures for augmenting their passenger earnings.

2.43. The Committee would in this connection like to lay stress on the imperative need for augmenting the seating capacity of passenger coaches on which aspect the Railways have lately started bestowing their attention. The Committee are constrained to observe that although the Railways have been incurring losses on coaching services for a long time, they did not pay serious attention till recently to improve the carrying capacity of the coaches. Had the Railways been vigilant in the matter, it should have been possible for them to design suitable coaches or modify the existing coaches with the help of the RDSO. The Committee urge that all out efforts should be made to improve the carrying capacity of coaches and to make them quite comfortable and safe in order to attract more passenger traffic, particularly long distance traffic, within a time-bound programme. The Committee recommend that the perspective plan as well as the progress made in implementation thereof, should be mentioned in the Annual Reports of the Ministry of Railways.

2.44. The Committee note that the passenger fares are charged at telescopic rates. They feel that in the larger interest of unity and integrity of the country, the fares may continue to be charged on telescopic basis.

2.45. It has been claimed that there is an element of subsidy involved in the fares of 3rd class (now 2nd class) passengers who constitute the bulk of travelling public. The Railways have urged that the losses that they incur as a result of charging fares which are not economic vis-a-vis the cost of operations should be made good to them. The Committee however, observe that according to the Ministry of Railways the question of assessing the quantum of shortfall in the fares charged as against the cost of operation, class-wise, could be examined only after finalisation of the coaching cost study. The Committee find that the Railways in Britain, West Germany and France have been receiving some kind of assistance for unremune-

rative passenger services. The Committee recommend that Government should evolve a financial arrangement in the light of findings of the costing study and the economics of operation of various classes of travel in consultation with the Ministry of Finance and Comptroller & Auditor General, whereby the Railways are compensated in some equitable manner for the unavoidable losses that they incur on second class passenger traffic only.

B. Suburban Services

Losses on Suburban Services:

2.46. As has already been observed in Chapter I, investment for the introduction or improvement of rail passenger services in large urban agglomerations is universally unprofitable for the railway systems undertaking them. India is no exception to this general rule. Concessional monthly and quarterly season ticket fares are, by far, the most important factor responsible for the losses on suburban services. Fares are usually set at levels which reflect primarily the requirements and incomes of users for whom it is the most convenient mode of travel to the place of work and back from it.

2.47. According to the information furnished by the Ministry of Railways the losses suffered by them on account of suburban services during the last five years* were estimated as under:

Year	Approximate Estimates
	(Rupees in crores)
1970-71	12
1971-72	12
1972-73	13
1973-74	14
1974-75	19

*The Committee desired to be furnished with a statement showing the losses incurred on suburban services, since 1965-66, year-wise. They have been informed in a note dated 3-7-75 that the amount of loss suffered by the Railways is being worked out and will be furnished as early as possible.

2.48. The Committee enquired the extent to which these losses were attributable to (i) low season ticket fares; (ii) rise in cost of materials; and (iii) increase in wages. The Ministry of Railways have stated in a written note that the system of accounting in vogue does not lend itself to such identification. It may, however, be stated that a rough computation suggests that if concessional season tickets are withdrawn (and this does not cause serious reduction in volume of traffic), the losses indicated above will be more than covered.

2.49. The Committee enquired from the representatives of the Ministry of Railways whether the Railways had assessed the difference between the railway fares (including concessional season ticket fares) on suburban services and the fares charged by the State Transport systems of the three Metropolitan Cities and if the suburban railway fares (including concessional season ticket fares) were brought up approximately to the level of city transport fares, what would be its impact on the financial results of suburban services. The representative of the Ministry of Railways stated during evidence that:

> "In these three metropolitan cities, we have to get much more details about the number of passengers carried by the suburban trains within the various sections. After that we will work out the financial assessment as to the difference between the bus rates and our rates. But looking at our rate and the bus-fare, we feel, if we were to hike our fares more or less to the level of the bus fare, the loss we incur in the suburban services will more or less be eliminated. But a detailed assessment has yet to be made."

Rationale for concessional season tickets

2.50. The Committee enquired about the rationale for giving concessional season tickets on suburban services and the increases, if any, effected in the charges from time to time. The Ministry of Railways have stated in a written note that there are no concessional fares for travel over suburban areas except the season tickets. The term "suburban fares" refers to the lower scale of season ticket fares applicable in Bombay, Calcutta and Madras areas. These specially low season ticket fares were introduced by the Company Railways originally operating in these areas, obviously as a measure of concession to the commuters who have to inevitably travel by suburban trains daily for attending offices, factories, schools, colleges, etc.

2.51. When the Company Railways were taken over by the Government, these special scales of fares were allowed to continue considering that any attempt to bring them on par with the season ticket fares for other sections would involve a steep increase in the suburban fares to which the local population had long been accustomed. Hence, without touching the basis of charge, these suburban fares were increased from time to time by specified percentages or amounts per ticket.

2.52. Revenue receipts on account of suburban services are nearly Rs. 38.73 crores during 1973-74. The loss during the same year has been estimated to be about Rs. 14 crores. Therefore the adjustment required to make these services pay their way is an increase on an average fares by about 36 per cent. However, it might be stated that during 1974-75, the expenses are bound to be much higher due to increasing trends in the costs of operation, thereby increasing the amount of loss beyond Rs. 14 crores during 1974-75.

Revision of Fares:

2.53. From 1950 onwards, the passenger fares have been revised on 14 occasions upto 15-9-1974. The season ticket fares have been revised on ten occasions during the same period.

2.54. It is not possible to indicate the percentage increase in the fares from 1950 onwards because the increases effected from time to time were not always in terms of percentages; on some occasions the increases were by specified amounts per ticket and these were also not uniform for all distances. In the circumstances, the exact percentage of the increases in the fares during this period would vary at different distances. In practice, therefore, the percentage increase in the fares is worked out on the basis of statistical average of the fare realised per passenger kilometre for the different classes. Such statistical figures are available upto 1973-74 beyond which only an estimate can be made.

2.55. It is also to be mentioned in this connection that it would be more appropriate to make a comparison of the percentage increase in the average fare from 1955-56 onwards rather than from 1950 onwards. The year 1955-56 represents a landmark when classes of accommodation in the trains had undergone a significant change. In that year the old first class was abolished and the old second class was renamed as first class. The old inter class was also abolished and it was renamed as second class. In the circumstances, a comparison of the present fares should appropriately be made with the level of fares obtaining in 1955-56.

2.56. The average fare per passenger Kilometre has increased as follows over the level in 1955-56:—

	Average rate per passenger kilometre—Suburban services (paise)		
	First class	Third* class	All classes
1955-56	1·77	1·02	1·04
1973-74	2·87	1·31	1·39
Percentage increase in 1973-74 over 1955-56. . .	62·1	28·4	33·7

*Redesignated as Second class from 1-4-1974.

Reasons for not raising the fares to economic levels:

2.57. The main consideration for not raising the fares to economic levels has been that, in line with the socialistic concept, weaker and vulnerable sections of society should be protected. From time to time, season ticket fares have been exempted from increases in fares and for third class ordinary passengers, particularly over shorter distances, there have been no increases or increases, if any, were only marginal. Suburban passengers comprise mostly of petty vendors, office goers and industrial workers who belong to the inelastic income group and who, as a part of their daily life, commute regularly to and from their place of work and the objective is not to burden unduly their costs of living by raising fares adequately to economic levels to meet solely the railways own costs of operating the services for them.

Costing of Suburban Services:

2.58. The Ministry of Railways have informed the Committee that the review of the methodology of costing suburban services is nearing completion. It is hoped to introduce refinements found necessary and possible as a result of this review with effect from the costing of suburban services for the current year onwards.

Delinking of Suburban Services from Main Line Services:

2.59. The Committee enquired whether the question of delinking suburban services from the responsibility of the main line railways and entrusting their operations to the Metropolitan Transport Authorities to be constituted has been examined and whether it would be desirable that ultimately the entire metropolitan transport services including the existing suburban services could be under the control of a single authority to facilitate proper management, time table planning, development of the network plan and uniform tariffs of all affiliated public local traffic enterprises. The Ministry of Railways have stated in a written reply that the question of delinking suburban services from the responsibility of the main line railways has to be viewed from two aspects: (i) financial responsibility and (ii) operational responsibility.

2.60. As regards (i), this has been examined and it is felt that as suburban travel is not a legitimate function of the main line railways the latter should not bear any responsibility for the financial losses arising from suburban services. The main line railways can maintain separate accounts for suburban services on the basis of which the losses should be made good from the General Revenues, State Governments or the Metropolitan Transport Authorities as and when set up.

2.61. As regards (ii), i.e., operational responsibility it is important to keep in view that the existing suburban services in Bombay, Calcutta and Madras not only share the tracks with the long-distance passenger and goods traffic but at several important points also share the station facilities. Therefore, while placing the entire Metropolitan Transport Services, including the existing suburban services, under a single authority may facilitate pooling of facilities and time tabling etc., it is likely to generate problems of co-ordination between the operation and planning for main line services *vis-a-vis* suburban services. Further, the use of existing suburban corridors for main line passenger trains and goods traffic outside the peak hours leads to the optimum use of available line capacity resulting in a more economic operation. Delinking of the suburban services from the main line railways may make it necessary to provide for separate lines for the two categories of traffic, and would, therefore, entail heavier investment.

2.62. To sum up, therefore, while operation of suburban services on the existing surface system should remain with the Railways, the financial losses suffered thereon (for which separate accounts can be maintained) should be reimbursed from the General Revenues or by the Metropolitan Transport Authorities (as and when they are set up) or the State Governments.

2.63. The Committee specifically enquired about the suggestions of the Railways in regard to compensation for the losses on suburban services. The Ministry of Railways in a written reply have informed the Committee:

> "It is suggested that the Railways' liability to bear the losses on suburban traffic may be pegged at the amount of the loss in 1965-66, the last year in which the Railways earned a surplus. The Railways have been incurring deficits almost continuously from 1966-67 onwards and, in view of this, are not in a position to bear these losses or at least any increase in these losses."

2.64. Explaining the suggestion further, the Financial Commissioner for Railways stated during evidence that "if there is to be a ceiling on social burdens in a category like this, we should have to go back to the year 1965-66. Our financial position was not in the red and so we could take that figure. Actually, we have not worked out what that figure is. We can work it out and give it to you. That is the year by which we had just started working out in detail the social burdens for each item separately."

2.65. The Committee enquired whether the question of the concerned State Governments/Municipal Corporations sharing the losses on suburban services with the railways was ever examined. The Municipal of Railways have stated that no specific approach has so far been made by the Railway Board to any State Government/ Municipal Corporation asking them to share the losses on the suburban railway services serving their territories. However, it may be stated that in the context of the impending construction of the underground railway system at Calcutta, an approach was made to the Government of West Bengal by the Planning Commission with the suggestion that they should share the revenue losses in the operation of the underground system. It is understood that no positive response from the Government of West Bengal has yet been forthcoming.

Position regarding compensation for losses on suburban services in foreign countries

2.66. The Committee enquired from the Ministry of Railways the position obtaining in foreign countries such as UK, France, Japan and West Germany in regard to compensation for the losses on suburban services. The Ministry of Railways have stated that information available regarding compensation for losses incurred by the national railways on suburban services in the four countries mentioned above is somewhat fragmentary. It is, however, learnt that there is some provision or other for compensating these railways for losses on suburban services although the exact amounts of compensation are not known.

U.K.—The British Railways received £62, £63, £68 and £91 millions, respectively as government grants during 1970, 1971, 1972 and 1973 for unremunerative passenger services which meet a social need. The suburban services run by the British Railways in and around large cities would come under the socially necessary unremunerative passenger services.

West Germany—The German Railway received Federal Government grants to cover losses on short distance passenger traffic, which presumably also includes suburban services, to the tune of DM860 millions, DM1692 millions and DM1542 millions respectively in 1971, 1972 and 1973.

France—SNCF received government subsidy of 2091 million francs in 1968, 2980 million francs in 1970 and 6641 million francs in 1972, to cover the losses for manitaining unremunerative lines and operating unremunerative services necessary for urban and rural development. It is presumed that the losses on account of suburban services were also covered in the aforesaid grants.

Japan—The total subsidies and grants made by Government towards social losses of the JNR amounted to 8.3 billion yen in 1969-70, 12.20 billion yen in 1970-71 and 31.20 billion yen in 1971-72. Such social losses include losses on suburban services.

JNR have been pressing the government to fully compensate them for losses incurred on unremunerative services including suburban services and a number of other accounts. The outcome of JNR's efforts in this direction is not known.

2.67. The Committee note that the Railways have been losing heavily on suburban services they operate in the metropolitan cities of India and the loss on such services which was Rs. 12 crores in 1970-71 had gone up to Rs. 19 crores in 1974-75. The primary reason for such loss is the specially low rates of the monthly and quarterly season ticket fares which were introduced by the Company Railways originally operating in these areas as a measure of concession to the commuters who have to travel by suburban trains daily for attending offices, factories, schools, colleges etc. The Committee also note that season ticket fares have been exempted from periodic increases in fares and that such increases, if any, were only marginal. A rough

computation made in this regard by the Railways indicates that if the concessional season tickets are withdrawn, the losses on suburban services would be more than covered without entailing any reduction in the volume of traffic. Alternatively, if the suburban fares (including concessional season ticket fares) are increased more or less to the level of bus fares, the losses would be eliminated. The Committee understand that a detailed assessment in this regard is, however, yet to be made. The Committee further note that the British and French Railways receive grants from their Governments for unremunerative passenger services which meet a social need. Likewise, the West German Railways receive federal grants to cover losses on short distance passenger traffic.

2.68. The Committee are of the opinion that it is the responsibility of the State Governments, local authorities, public and private sector undertakings and other major industrial and business concerns to provide residential accommodation to their employees (who form the bulk of commuters) near their place of work or in the alternative to provide them suitable transport facilities. It is obvious that if the offices, industries etc. and residential colonies are rationally located, the burden on transport would be minimum. The phenomenal increase in suburban traffic is a pointer to the fact that no integral planning has taken place in this vital sphere. It is only as a legacy of the olden company days that the Indian Railways continue to carry this ever-increasing burden. The Committee agree with the contention of the Ministry of Railways that the continuous deterioration in their financial position since 1966-67 has now brought them to a stage when it is no longer possible for them to bear the losses on suburban services. The Committee consider that it would be only equitable if the losses on this account are pegged to 1965-66 level—the last year in which the Railways earned a surplus and whatever losses are incurred over and above that level should be borne by the State Governments, local authorities etc. on an agreed basis. At the same time, the Committee realise that a proposal like this bristles with difficulties in the present situation when the finances of the State Governments and local authorities are none too happy. The Committee therefore, recommend that the entire question of subsidising the Railways so as to cover unavoidable losses on passenger traffic, suburban as well as non-suburban, should be remitted to a high powered Committee comprising the representatives of the Ministries of Railways, Transport and Finance, the C. & A. G., the State Governments and local authorities concerned. This committee may be entrusted with the task of working out a practicable financial arrangement to subsidise the Railways keeping in view the practice obtaining in Britain, France, West Germany etc. in this behalf.

2.69. The Committee would once again emphasise that whatever subsidy or grant is ultimately decided upon, should only be given to make good unavoidable losses after ensuring that the Railways also improve their performance and efficiency and effect all possible economies in their operation. The subsidy should in no case dilute the financial discipline imposed on the Railways nor place a premium on inefficient service and make the Railways complacent about their responsibility as the sole rail carriers to provide more efficient and economic service to the public at large. The Committee consider that it would be but appropriate that both the detailed basis and the quantum of such subsidy are brought before Parliament and Parliament's specific approval taken before any such payments are made.

CHAPTER III

LOSSES ON LOW RATED FREIGHT TRAFFIC

A. Bulk Commodities

3.1. The Financial Commissioner for Railways in a memorandum submitted to the Committee on Social Burdens on Indian Railways had stated that a substantial portion of the social burden of the Railways is accounted for by certain essential commodities—food-grains, coal, ores and other minerals, important industiral raw materials, fodder, oil cakes, sugarcane etc., which are accorded preferential treatment in the matter of movement. He had added that in spite or rising rail transportation cost the rates applicable to those commodities continued to be fixed at comparatively low level with the intention of restricting the rise in prices of industrial products and the cost of living. Thus the loss occasioned by low rated goods traffic increased from Rs. 52 crores in 1970-71 to Rs. 73 crores in 1973-74.

3.2. The following table gives the break-up of the loss incurred by the Railways in carrying low rated traffic year-wise and commodity-wise:

(Rs. in crores)

	1970-71	1971-72	1972-73	1973-74	1974-75
Low rated freight traffic . .	52·00	54·00	55·00	115·40	45·61
Food grains	17·55	20·99	26·19	49·67	4·50
Coal	11·55@	11·35	11·87	33·25	..
Fodder including Oil-cakes	5·75	5·98	5·07	5·40	4·31
Ores	3·91	5·35	4·24	13·29	0·62
Gypsum, Limestone, Dolomite & Other stones .	2·50	2·53	1·26	1·18	..
Firewood and Charcoal	2·31	1·97	1·38	2·74	1·45
Sugarcane	2·04	1·20	1·76	2·41	0·10
Fruits and vegetables	1·28	1·70	1·12	2·07	1·50
Misc	5·11	2·93	2·11	5·39	3·13

(@The figures are approximate)

Share of Bulk Commodities in Total Traffic:

3.3. According to the Indian Railways Year Book (1973-74) the share of eight bulk commodities—coal, foodgrains, iron and steel, ores, stones including limestone, cement, fertiliser and mineral oils—in the tonnage of revenue earning traffic has increased progressively from 58.2 per cent in 1950-51 to 80.6 per cent in 1973-74. It has been further stated that as some of these commodities including the two most important items, coal and foodgrains, which account for about half the total tonnage of the bulk commodities, are low-rated, the earnings from these commodities have not increased proportionately; in 1973-74 the eight commodities contributed 68.2 per cent of the freight earnings.

3.4. Coal is now the single most important commodity in the Railways' freight business accounting for 29 per cent of the tonnage lifted and 24 per cent of the tonne kilometres, followed by foodgrains which contributed 9 per cent of the tonnage lifted and 15 per cent tonne kilometres. The revenue per tonne kilometre realised from carriage of coal (4.19 paise) and foodgrains (3.63 paise) is, however, much less than the average for all commodities (5.89 paise).

3.5. It has also been stated that Railways cannot refuse to carry the low rated bulk commodities even if high rated traffic is waiting to move. Under Section 27-A of the Indian Railways Act, the Central Government may direct the Railways in public interest to transport all such goods as may be specified and such directions are generally given in respect of low-rated commodities like coal, foodgrains, mineral ore for exports, raw materials for iron and steel industries, manure etc.

3.6. The Committee enquired whether any analysis of the reasons for fall in non-bulk commodity traffic was made and the steps taken by the Railways to attract non-bulk commodity traffic. The Committee also desired to know whether any estimate was made of the total freight traffic moved by various modes of transport during each year of the Fourth Plan period. The Ministry of Railways have stated that an analysis made of the reasons for fall in non-bulk commodity traffic between the period from 1965-66 to 1972-73 has revealed the following:

> "The bulk commodities to which reference has been made are public coal, iron and steel, ores including iron ore, stones including limestone, cement, fertilisers, foodgrains and mineral oils including crude oil. These are either essential commodities like foodgrains and coal or primary commo-

dities which are vital to the economic development of the country. The Railways, being the country's largest public sector undertaking, have to give preference in the overall national interest to the movement of these commodities notwithstanding the comparatively high-rated non-bulk traffic waiting to be moved. As a consequence, the proportion of bulk commodities is gradually tending to become more pronounced and is expected to increase further during the Fifth Plan period as the pace of industrial activity grows. The non-bulk commodities stood to suffer more during adverse conditions of railway operations created by civil disturbances, bandhs, agitations by railway workers, breaches, cyclones, unfavourable law and order situation, anti-social activities, language agitations, labour unrest in industrial sectors, Indo-Pak war, drought etc., which have plagued the Railways directly and indirectly in various degrees during these years. During such adverse periods, the wagon availability had to be diverted to more important tasks of transportation *i.e.*, to lift essential commodities like foodgrains to scarcity areas, cement, coal, POL, ores etc."

3.7. The following steps have been taken to attract non-bulk commodities to rail:

(i) Containerisation of high rated commodities;

(ii) Introduction of Freight Forwarder Schemes in goods and parcels to attract small traffic otherwise moving by road;

(iii) Keeping a special watch on movement of selected high-rated commodities;

(iv) Opening of more and more Out Agencies, City Booking Offices, Street Collection and Delivery Services and Mobile Booking Offices;

(v) Introduction of Super Express Goods trains on trunk routes;

(vi) Introduction of Quick Transit Services;

(vii) Quoting special station-to-station rates where justified to attract traffic.

3.8. Information regarding freight traffic moved by road and sea is not available in the Ministry of Railways and hence, their percentage to the total traffic moved by all modes cannot be given. However, the quantum of revenue freight traffic moved by rail was as under:—

Year	Revenue Tonnes originating in millions
1969-70	173·8
1970-71	167·9
1971-72	170·1
1972-73	175·3
1973-74	162·0 (Provisional)

Commodities carried at below cost:

3.9. It has been stated that the freight structure has been made progressively more cost-oriented to bring it closer to the real cost of railway operations. Even so, concessional freight rates have been set for certain essential commodities and mass-consumption goods which affect the general cost of living such as foodgrains and certain industrial inputs which have low unit value, as for example, coal. The freight rates have been revised substantially upwards in 1974-75 except in the case of commodities which have a direct bearing on the cost of living of the common man. *Ad hoc* studies of all the important commodities comprising more than 90 per cent of the total originating revenue earning traffic show that, after these revisions, the freight charged on most of the commodities will pay for the cost of the transportation. Certain low-rated commodities will, however, still not pay for the cost of carriage irrespective of the distance carried (because of tapering rates) beyond certain distances on one or all the gauges. The principal low-rated commodities the freight of which will not be adequate to meet the cost of the carriage even after this revision are foodgrains, fodder, fruits and vegetables, firewood, charcoal, gur, shakkar, jaggery, salt and certain mineral ores other than iron ore. It has been roughly estimated that the loss on carriage of these commodities, principally foodgrains and fodder, would amount to Rs. 45.61 crores in 1974-75.

3.10. The Committee desired to know:

(a) The commodities that are carried below the cost of transport, their percentage to the total tonnage lifted by the Railways and to what extent in percentage terms, their freight rate is below the cost of transport;

(b) the percentage of traffic which pays just the cost of transportation and the main commodities which are so carried; and

(c) the percentage of traffic which pays more than the cost of transportation and the important commodities so carried.

3.11. The Ministry of Railways, in a written reply furnished to the Committee have stated that the cost studies for ascertaining profitability of movement do not cover the entire volume of traffic carried by the Railways. The commodities on which cost studies were undertaken for 1974-75 comprised about 90 per cent of the estimated revenue earning originating traffic. This is broken up below in the three groups referred to above.

(a) The Commodities that are carried below the cost of transport are mostly low-rated commodities. Particulars of these commodities and the percentage of shortfall of earnings to the estimated cost are as below:—

Sl. No.	Commodity	Percentage
1.	Foodgrains	37·3
2.	Fodder	30·9
3.	Fruits & Vegetables	29·5
4.	Firewood & Charcoal	23·0
5.	Gur, Shakkar & jaggery	16·0
6.	Salt	5·5
7.	Oilseeds other than groundnut	9·7
8.	Ores other than iron ore	7·7
9.	Sugarcane	5·2
10.	Organic manures	5·3

Together they constitute about 16.2 per cent of the estimated tonnage during 1974-75. In addition, some commodities such as cotton raw unpressed, jute raw unpressed, bidi leaves and bamboos chargeable at higher rates are also carried below cost mainly on account of their poor loadability. These commodities form an estimated 0.5 per cent of the total during the same year.

(b) About 35.7 per cent of the traffic just paid the cost of transportation during 1974-75. Some of the main commodities are:—

1. Coal
2. Limestone & dolomite
3. Oilseeds including groundnuts
4. Cotton manufactured

(c) The freight charged on the remaining 37.6 per cent of the traffic was more than the cost of carriage during 1974-75. Some of the important commodities are given below:

1. Iron ore
2. Cement
3. Mineral oils
4. Iron and steel
5. Chemical manures
6. Marble and stones
7. Other wood
8. Sugar
9. Gypsum
10. Sand
11. Jute raw—half or full pressed
12. Bricks and tiles
13. Cotton raw full pressed and half pressed
14. Jute manufactured
15. Soda ash
16. Electrical goods
17. Tea
18. Caustic Soda
19. Rubber
20. Molasses

Industrial Raw Materials and Finished Products carried at Low Rates:

3.12. The Committee desired to know the low rated commodities which could be termed as industrial raw materials and finished products and whether the Ministry had considered the question of adjustment of rates to meet at least the cost of operations. In a written note furnished to the Committee, the Ministry of Railways have stated that the following are the low-rated commodities which may be termed as industrial raw-materials:—

Sl. No.	Commodities	Wagon-load classification
1.	Coal	37·5
2.	Lime & Lime-stone	42·5
3.	Dolomite	42·5
4.	Manganese Ore	47·5
5.	Iron Ore	42·5
6.	Other Ores (i.e. Alunite, Barytes, Bauxite & Ilmenite)	42·5
7.	Gypsum	42·5
8.	Sand	42·5
9.	Salt for Chemical Industries	45·0
10.	Pig Iron	50·0
11.	Sugar Cane	40·0
12.	Bamboos	60·0
13.	Molasses Sugar Mill	50·0
14.	Oil Seeds	52·5
15.	China Clay	37·5
16.	Timber	62·5
17.	Petroleum Coke	47·5

3.13. The following are the items which may be termed as finished products and are low rated:—

Sl. No.	Commodity	Wagon-load Classification
1.	Tiles	73·5
2.	Bricks	42·5
3.	Cement	47·5
4.	Caustic Soda	52·5
5.	Soda Ash	52·5
6.	Bitumen in containers	57·5
7.	Coal Tar	57·5
8.	Paper	60·0
9.	Chemical Manures Div. 'A'	52·5
10.	Chemical Manures Div. 'B'	45·0
11.	Sugar	60·0

3.14. Explaining the rationale for treating these commodities as low-rated, the Ministry of Railways have stated that commodities classified at Class 55 and below are treated as low rated. The commodities referred to have been classified at a low level in view of their low value or in view of their social importance either as industrial raw-materials or as finished products that are vital for the economy of the country.

In the list of low rated commodities which are termed as industrial raw-materials, the railways incurred loss during 1974-75 on manganese ore and other ores (Barytes, Bauxite etc.) sugarcane and salt.

3.15. While presenting the Railway Budget for 1975-76, the Minister for Railways in his speech made the following observation:—

"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. 35.0 crores on the movement of 15.5 million of 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."

3.16. The Committee enquired what would be the estimated loss on carriage of the remaining low rated commodities during 1975-76, having regard to the freight increase proposed on foodgrains and pulses estimated to yield a revenue of Rs. 35 crores during that year. In a written reply the Ministry of Railways have stated that comparable figures of estimated losses on carriage of low rated commodities would be available only in about February 1976.

3.17. To a question whether by undertaking further rationalisation of freight structure the losses incurred on the carriage of low rated commodities could be completely offset, the Ministry of Railways, in a written reply, have stated that they had taken action to adjust the freight rates on some of these commodities. Freight rates for foodgrains have been revised with effect from 1st April 1975 to adjust and cover the loss estimated to be incurred in its transport. As regards fodder, salt, charcoal, fruits, vegetables and oil seeds, their rates have been increased with effect from 15th September, 1974. Any further increase was not possible now.

3.18. It was further stated that a number of items like coal, iron ore, lime stone, dolomite, bamboos and molasses, which were being carried at a loss previously were now expected to pay for their cost of transport on account of the adjustments in the freight rates. The remaining items like fodder, salt, sugar-cane, charcoal, fruits and vegetables, gur, jaggery, etc. constituted about only 6.8 per cent in tonnage of the total originating traffic.

3.19. In reply to a further question the Ministry have informed the Committee that with the substantial increase in freight rates which has taken place in 1974-75 and the rationalisation of freight rates for foodgrains and export ores in 1975-76, it can reasonably be expected that if the traffic picks up and this is accompanied by more intensive use of the railway assets and provided prices are held under control, freight services would become economically more viable. However, it may not always be possible to ensure that each individual commodity pays for its cost of transportation.

3.20. While pointing out that there has been a sharp increase in fares and freights since 1973-74 and that during the years 1973-74 and 1974-75 certain concessions were withdrawn, the Committee enquired how far this withdrawal of concessions had contributed to the decrease in the incidence of social burdens. The Financial Commissioner for Railways stated in the course of evidence as follows:

> "Take the figure immediately before 1973-74. During that period the social burden was of the order of Rs. 119.56 crores of which goods was Rs. 55 crores and coaching traffic was Rs. 63 crores and freight concession was of the order of Rs. 1.56 crores. In 1974-75 we have taken steps to take away social burden which falls on the Railway in respect of commodities and freight concession on exports. We have also tried to reduce the mounting effect of losses on passenger traffic. While we have succeded in the case of commodities, in the case of passenger traffic, we possibly could not. That would have required an increase which would have been intolerable at that stage. In 1973-74 before we increased sharply the fare and freight rate, the loss on goods had been of the order of Rs. 115 crores and it was going up and it was to go up still further because of the effect of Pay Commission's recommendations. We have neutralised the effect of that extra expenditure which was there because of escalation in emoluments and also wiped out the other operating losses."

The Financial Commissioner further stated during evidence:

> "About raising the freight rates of foodgrains, coal etc., I can only assure you that we did our very best. I would not like to dilate on the effort that we had to put in to get these concessions removed. In the original budget of

1974-75 we took away the concession rates of coal. In the last Budget of 1975 we have taken away the concession of foodgrains."

3.22. When asked specifically to state how much the Railways were losing in the transportation of coal, the Financial Commissioner stated that after removal of concession on coal, the Railways were not losing now. He stated that it might be that in certain areas and at certain distances there might be a little loss but it was made good elsewhere. On the whole, the Railways were not losing.

3.23. The Committee enquired whether the Ministry of Railways had examined the question of constituting a standing expert body to determine the appropriate freight rates for different commodities. The Financial Commissioner stated during evidence as follows:

"Your question is whether we are thinking of a standing expert body to determine the appropriate freight structure. Here I want to mention that the Public Accounts Committee has also made a recommendation in this regard. They have recommended that there might be a high level Committee to go into the entire structure of freight charges on the Railways. This was last done in 1958. They feel that if there is an attempt again to review that, this will be dealt with by us. Government will certainly apply their mind at that time to them and whatever be the decision on it that we may communicate to the P.A.C. on their recommendation, will also be communicated to the Railway Convention Committee, if you like."

3.24. The Financial Commissioner further stated that the Public Accounts Committee's recommendation had come to them only a few days ago and that they would apply their mind to this problem. When asked to state when the report of the Committee would be available, the Financial Commissioner stated that that Committee might take some time if they were going to review the entire structure of the freight rates on the Railways. The Financial Commissioner further stated that "anything from six months to a year will be taken. We shall have to have the personnel and we shall have to give the terms of reference. We shall certainly like to do it as quickly as possible. " In the meantime, we would like this Committee to note that altogether we are not losing in the freight traffic in 1975-76 because we have felt that there is no social burden on the freight traffic. Here the question is about the rationalisation of freight structure. So far as the burden is concerned, we have taken care of it."

B. Concessional Freight Rates

3.26. The Committee were informed that the concessional freight rates were grouped under the following heads:

(i) Concessional rates for export traffic;

(ii) Concessional rates grouped under orders of the Railway Rates Tribunal; and

(iii) Lower rates for transport of gift consignments and fodder to drought-affected areas on an *ad hoc* basis.

(a) *Export traffic*:

It has been stated that freight rebates accorded to export commodities, in essence, fell in the same category as freight concessions extended to low rated essential commodities. Low freight rates in this case were necessitated by the policy objective of maximising foreign exchange earnings. Some 25 per cent to 40 per cent of normal freight charge was being rebated in the case of certain traditional and non-traditional export products. Although export rebates on other commodities were withdrawn in November, 1974, freight concessions continued to be accorded to iron ore and manganese ore exports. These concessions would cost the railways an estimated Rs. 4.20 crores during 1974-75.

3.27. The Committee desired to know (i) the reasons for withdrawal of freight concessions on exports, and (ii) the reasons for continuing, even after November 1974 the concessions on manganese and iron ores and (iii) the impact of 1975-76 budget proposals, on concessional export traffic.

3.28. The Ministry of Railways have stated that the concessions granted for export traffic were reviewed in 1974 and it was proposed to withdraw all export concessions for the following reasons:—

(i) The export concession was introduced at a time when the Railways were in a happy financial position. Now the position has changed. It was, therefore, considered imperative to take all possible measures to augment railway earnings.

(ii) The commodities had enjoyed freight concession for more than a decade and exports of these commodities should have stabilised during this period.

(iii) International prices of commodities have substantially gone up during the recent months.

(iv) The concessional rates charged on some traffic did not even cover the cost of transportation.

(v) The Ministry of Commerce gives different kinds of subsidies and assistance to the exporters such as cash assistance, draw back of customs and excise duties etc. It was felt that instead of different agencies giving different kinds of assistance, the Ministry of Commerce which is directly concerned with export could give on behalf of the Government whatever assistance that is required to boost exports.

3.29. The matter was considered and it was decided that the export concessions may be withdrawn in two stages. Accordingly, export concessions on all export traffic excepting iron ore and manganese ore, were withdrawn with effect from 1-11-1974. Subsequently it was decided that the concessions allowed on export iron ore and manganese ore should be withdrawn with effect from 1-4-1975 as part of Budget proposals.

3.30. Since no concession will be allowed on any item of export traffic during 1975-76, there will be no loss on account of concessional freight to the Railways.

(b) *Concessional rates quoted under orders of the Railway Rates Tribunal:*

3.31. The Ministry of Railways have stated that the concessional rate for salt booked from Atirampattinam to Mettur Dam was originally introduced from 1-12-1954 on the orders of the Railway Rates Tribunal on a complaint filed by the firm. An application was filed by the Southern Railway under section 41-A of the Indian Railways Act, for cancellation of this special rate. The Tribunal, however, did not agree to the cancellation of this special rate but only agreed to an enhancement in the special rate. Accordingly, the special rate was revised upwards with effect from 1-4-1972, the special rate being 10 per cent less than the tariff rate. When a general increase was made in the freight rates with effect from 1-4-1974, the special rate for salt also came in for enhancement.

3.32. There are concessional rates for jute traffic booked from certain stations on the South Eastern Railway to Guntur and Elluru introduced from 10-9-54 and 24-2-56 respectively on the orders of the Railway Rates Tribunal on complaints filed by the industries concerned. On applications filed by South Eastern and South Central Railways, the Tribunal ordered a progressive reduction in the quantum of concession and the total withdrawal of the concessional rates with effect from 1st April, 1975.

3.33. There are also special rates for jute traffic booked from certain stations on the North Eastern and Northeast Frontier Railways to Kanpur introduced from 1-7-55 under the orders of the Railway Rates Tribunal on a complaint filed by M|s. J. K. Jute Mills Ltd., Kanpur. On a representation filed by M|s. Mahabir Jute Mills Ltd., Sehjanwa, special rates on similar basis were quoted by the North Eastern and Northeast Frontier Railways from certain stations on their Railways to Sehjanwa to avoid a charge of undue preference and discrimination. These special rates, which were based on certain percentage reduction in the tariff rates, are revised from time to time whenever the normal tariff rates are varied and the special rates were last revised with effect from 1-4-1974. The question of filing an application before the Railway Rates Tribunal under section 41-A of the Indian Railways Act, for revoking their earlier orders to quote special rates, is actively under consideration of the concerned Railways.

Other station to station rates:

3.34. There are also a number of station to station rates (which are less than normal tariff rates) for specified commodities between specific pairs of stations. These rates are quoted in competition with road transport with a view to retain/attract traffic to rail. As these rates are intended to earn additional revenue, these cannot be termed as concessional rates.

(c) *Concessions for transport of gift consignments and fodder to drought-affected areas*:

3.35. At the instance of the State Govts. concessional rates are quoted from time to time for the transport of fodder to scarcity-affected areas. During the current financial year, concessional rates have been quoted equal to class 47.5, as against the normal tariff classification of class 52.5, for transport of fodder to scarcity affected areas in Gujarat State. Grant of similar concession for transport of fodder to scarcity-affected areas of Bihar is under consideration of the Board, at the request of the State Government.

3.36. The Railway Board also occasionally permit free transport by rail of relief goods like foodgrains, clothing, medicines, etc., when requests for such help are received from the State Governments concerned. This concession is given only for relief goods donated by the public (not for goods belonging to or financed by Government or Government agencies) for free distribution among the affected population.

C. Methodology to determine unit cost of transportation of commodities

3.37. The Committee enquired from the Ministry of Railways whether they have evolved any scientific method to determine the unit cost of transportation of various commodities and whether they have made any study of the low rated commodities which could bear a higher element of freight without unduly disturbing the price and traffic offering. In their written reply, the Ministry of Railways have stated that the railways have developed costing techniques to work out the unit cost of transportation of freight traffic. The techniques developed so far are considered broadly sufficient for managerial purposes. Traffic costing technique cannot, however, be a scientific or precision instrument. Costing of rail transport is not comparable to the costing of commodities or other services elsewhere because of the complexities inherent in the operations of Railways and the fact that several items of expenditure are common to both coaching and goods services. While all efforts are being made to do traffic costing as accurately as possible, it has to be realised that there is no single rigid or master formula for costing. The methodology has to be continuously modified and up-dated to reflect changes arising out of operating practices, technological innovations and accounting refinements.

3.38. It might be added that realising the need for adjusting the freight rates so that they approximate, as far as possible, to costs, advantage has been taken of such data and information on costs as became available from time to time. Changes in the freight and classifications of commodities were being made from time to time, right from 1964 onwards. The main objective of such adjustments was to ensure that low rated commodities are made to yield more, and further long distance bulk traffic earned substantially more. Thus, from 1-4-1965 the classifications of commodities such as ores, bricks, ballast, stones, gypsum, mollasses, lime and lime stone, sand, etc. which were charged at a low level (32.5A) were raised to class level at 35A. Again from 1-4-1970 the lowest class level was raised from 22.5 to 25. With effect from the same date, the rates for chemical manures, cement, charcoal, firewood, timber, sugar cane; etc. were revised upwards by one or two classes. Not only the rates for low rated commodities were enhanced so as to make them contribute substantially to the revenues of the Railways but the rates for high-rated non-bulk commodities vulnerable to competition were also reduced significantly from time to time.

3.39. The rationalised freight structure which came into force from 1-4-1970 was also evolved against the background of bringing generally the rates somewhat more in alignment with costs. Having evolved in 1970 a base scale (for deriving therefrom the various classes) with the degree of taper so adjusted in the telescope of the rate basis so as to bring in somewhat high percentage of enhancement in the rates for longer hauls, it became easy during the subsequent years, *i.e.* 1971 to 1973 to bring about further adjustments in the classifications of low-rated commodities with a view to reducing the widening gap between income and expenditure. Accordingly, freight rates in respect of low rated commodities (with some exceptions) were increased during the three years from 1971-72 to 1973-74 as part of Budgetary Revenue actions. This has been done by raising the lower rate levels gradually, with the result that the lowest class level of 25 in 1970 has been adjusted gradually over a period of three years to class level at 32.5 on and from 1-4-1973. There is, however, no change in the freight rates of foodgrains and pulses which even today continue to remain at the pre-1970 level.

3.40 Advantage was also taken of the results of cost studies to bring railway charges somewhat more and more closely related to costs during the revision in the basis of the freight structure that came into effect on and from 1-4-1974. Further correction of the taper in the telescopic basis has been effected on and from 15-9-1974 with the levy of supplementary charge at a higher level for hauls beyond distances of 500 kms. Further, on a selective basis classifications of commodities like raw materials for the manufacture of paper and paper products, for caustic soda and for molasses have also been revised recently. It will thus be seen that significant adjustments have been taking place in the freight rates for low rated commodities so as to be in tune, as far as possible, with the relevant costs of haulage. Further adjustments to bring about greater correspondence between rates and costs will also be made in future. It might, however, be clearly borne in mind that despite the changes and adjustments indicated already, or those which might be proposed in future, there are certain limits to the Railways' ability to adjust rates solely on the bass of costs fully and in all cases. These limits stem from the wide variations in the costs on Railways resulting in differing conditions of operation over different parts of the system and also the need to ensure that the increases effected do not affect the growth of demand for rail transport or unduly affect the price structure of certain essential commodities like foodgrains.

(d) *Compensation for losses on low-rated traffic*

3.41. The Committee desired to know the specific suggestions of the Railways for compensating the losses incurred by them on carrying low-rated traffic with reference to the position obtaining in other countries. The Ministry of Railways have stated that as far as is known, railways in a number of other countries are compensated for uneconomic freight rates, resulting from uneconomic pricing policies, either specifically or as a part of the overall financial relief measures granted to them by the Government. In West Germany, railways are treated as a commercial undertaking for the purpose of management and accountability, but Government compensates the railways for all the losing services which a normal commercial undertaking would have discontinued. Also, under Article 28(a) of the German Federal Railways' Act the Government is required to pay compensation if increases in freight rates suggested by the railways are over-ruled. In the U.K. apart from providing grants for unremunerative passenger services and capital outlay on passenger transport facilities, the Government separately compensates the British Railways for losses resulting from moderation in raising freight rates and fares. In France, SNCF (the national railway system) is compensated for uneconomic freight rates by the Government. In Canada, blanket subsidies are paid as compensation for tariff freezes and relief to uneconomic passenger services. These blanket subsidies (to Canadian National, and Canadian Pacific Railways) are scheduled to be replaced this year by specific subventions on a line-by-line basis. In Japan, the Railways have been seeking full compensation for a number of social losses, including those resulting from concessional fares and freight rates. The Government, however, does not directly subsidise the social losses incurred by the Japanese National Railways; instead it extends assistance in the form of rehabilitation subsidies and grants, deferred payment of interest on Government debt, tax relief and subsidization of interest rates on loans to finance fixed investment. The ten-year financial rehabilitation plan for the Japanese National Railways, covering the period of 1973—82, envisages that such financial measures along with increase in freight rates and fares, improvement in efficiency and technological progress will eventually enable the Railways to achieve financial equilibrium.

3.42. General financial assistance is extended to Railways in some countries in other forms as well. In the U.K. for example, sizeable portions of outstanding debt are written off from time to time with a view to reducing interest charges, while in West Germany payments are made by the Government to cover any deficit that may occur even after compensation for social losses.

3.43. In keeping with the practice abroad, the Committee may like to consider compensating the railways for such losses resulting from uneconomic freight rates, either specifically or as a part of some overall financial relief measures.

3.44. The Committee note that a substantial portion of the social burden of the Railways was till recently on account of certain essential commodities like foodgrains, coal, ores and other minerals, important industrial raw materials, fodder, oil cakes, sugar cane etc. which were accorded preferential treatment in the matter of movement and were charged considerably at lower rate. The losses occasioned by the low-rated commodities increased from Rs. 52 crores in 1970-71 to Rs. 73 crores in 1973-74. With the substantial upward revision in freight rates in 1974-75, these losses were estimated to come down to Rs. 45 crores. A further increase in the freight rates of food grains w.e.f. 1st April, 1975 is expected to neutralise the loss of about Rs. 35 crores anticipated on this account in 1975-76. Similar increases in the freight charges of iron ore and manganese ore meant for export, coal, limestone, dolomite, bamboos and molasses are expected to offset the losses on the carriage of these commodities. The Committee observe that at present only a few items like fodder, salt, sugarcane, charcoal, fruit and vegetables, gur, jagree etc. which constitute only about 6.8 per cent of the total originating tonnage, continue to be carried at freight rates below cost. The Ministry of Railways consider that with the substantial increases and rationalisation of freight rates in 1975-76, "it can be reasonably expected that if the traffic picks up and this is accompanied by more intensive use of the Railway assets and provided prices are held under control, freight services would become economically more viable. However, it may not always be possible to ensure that each individual commodity pays for its cost of transportation.'

3.45. The Committee also note that the Railways are required in certain cases to quote concessional rates under orders of the Railway-Rates Tribunal and that the question of filing an application

before the Tribunal under Section 41 A of the Indian Railways Act for revoking their earlier orders to quote special rates, is actively under consideration of the concerned Railways. The Railways, however, continue to quote in respect of certain specified commodities special station-to-station rates which are stated to be in the interest of the Railways. The Committee stress that these rates should be systematically reviewed to make sure that they really subserve the commercial interest of the Railways and do not involve them in any loss.

3.46. The Committee further note that the Railways are developing costing techniques to determine the unit cost of transportation of freight traffic and that they are making efforts to do traffic costing as accurately as possible. The Committee feel that the costing techniques need to be further refined so that the cost of carriage of various commodities is determined on a scientific basis and the freight structure is rationalised accordingly. The Committee would, therefore, like this study to be completed at the earliest.

3.47. The Committee would also stress that the Railways should take concerted measures to bring down the unit cost of transport of goods so as to earn not only a reasonable return on the investments but also to generate adequate surpluses to finance their investment plans and cover in part the losses on coaching services.

3.48. The Committee have already pointed out in their Eighth Report as well as in Chapter-I of this Report that the goods traffic has not increased over the last ten years in spite of heavy investments. There is, therefore, paramount need for attracting more traffic to the Railways and this can be done only by improving the quality of service and inspiring confidence in the public about the safe and quick movement of goods entrusted to the care of the Railways. The Committee are surprised that the Railways do not have any precise idea of the total volume of goods traffic generated in the country and the percentage of traffic of different types which they are able to attract. This is indicative of the fact that the Railways have not paid close and detailed attention to the study of the pattern and requirements of goods traffic as a whole so as to take concrete measures to attract traffic, particularly high-rated traffic. Considering the extent of investments made and the under-utilised resources, the Committee feel that the measures taken for attracting traffic such as use of containers, introduction of quick transit services, freight forwarder scheme etc. are hardly sufficient. The Committee are convinced that if the Railways make a systematic and all-out effort to improve the quality and reliability of goods services, they can attract a larger percentage of even high-rated traffic so as to augment their earnings.

3.49. The Committee would like the Ministry of Railways to concentrate their attention on improving the quality of service. The Committee would in this connection point out that under the ten year financial rehabilitation plan (1973—82), the Japanese National Railways would be able to achieve financial equilibrium by improvement in efficiency and technological progress along with such financial measures as increases in freight rates and fares. As the Indian Railways have already reached the break-even point in respect of practically all commodities by increasing the freights, it is essential that this situation is not only stabilised but improved upon, by tonning up the efficiency of operation and effecting all possible economies.

3.50. The Committee have no doubt that the Railways realise that there are limits upto which the freight rates on various commodities can be raised so as to align them to the cost of inputs, for an excessive increase can result in diverting the traffic to other modes of transport. The Railways have, therefore, to take a pragmatic and realistic view based on costing economics and the long term interests of the Railways and the country.

3.51. In case concessional tariffs become necessary in respect of any commodity for export, industry etc., the Committee feel that it is for the authorities concerned to make good the difference.

3.52. The Committee observe that under the German Federal Railways Act the Government is required to pay compensation if increases in freight rates suggested by the Railways are overruled. In U.K. also, the British Railways are compensated for losses resulting from moderation in raising freight rates and fares. Compensation is also allowed to the French and Canadian Railways for uneconomic freight rates/tariff freezes. The Committee see no objection to reliefs being given to Indian Railways in similar situations.

CHAPTER-IV

UNECONOMIC BRANCH LINES

4.1. The Financial Commissioner for Railways, in his Memorandum to the Committee, has stated that "the rationale for maintaining uneconomic branch lines is somewhat similar to the justification for investment in new lines which are not expected to be financially remunerative. There is a case for the operation of uneconomic branch line services if the net loss of incomes and the inconvenience to users that may be caused by their termination clearly outweigh the financial burden they impose on the Railways. The justification for maintaining uneconomic branch lines is thus considerably weakend if the regions served by them are already well-endowed with comparable alternative means of transport. Nevertheless, there is invariably a strong sentiment against closure of existing lines, and that all over the world. The Uneconomic Branch Lines Committee, appointed in 1969 to review procedures and policies concerning unremunerative branch lines, found that the State Governments, too, were strongly opposed to their closure. The Committee recorded the following arguments put forward by the State Governments in support of the stand taken by them:

(1) Withdrawal of a facility already provided leads to public agitation.

(2) Railway communications add to the economic prosperity of an area.

(3) In some cases, there are prospects of future development in the areas served by the lines and making them viable.

(4) The reasons for paucity of traffic by Railways are, in several cases, the shortcomings of the service offered by the Railways—for example, slow trains, corruption, supply of wagons not being prompt, delays at transhipment points, thefts and pilferages, claims not being settled promptly, etc.

(5) Even in cases where road can take on the traffic moving by rail, there will be some residual traffic, e.g. coal and other low rated commodities which cannot be satisfactorily handled by road except at very high cost.

These reasons imply, in effect that social benefits are large enough to compensate the overall economy for the losses in operating uneconomic branch line services. The essential question for consideration in this matter is the extent to which the Railways are compensated for these losses. It may mentioned in the context that the Administrative Reforms Commission had suggested that the Railways should be fully indemnified for such losses."

Definition of Branch Line:

4.2. According to the Ministry of Railways, for the purpose of examination of financial viability, only the following are treated as branch lines in accordance with the recommendation of the Uneconomic Branch Lines Committee:

(i) A line of any gauge joined to the main system at one end only; and

(ii) All Narrow Gauge Lines.

Main Lines and Branch Lines:

4.3. The number of main lines and branch lines on the Indian Railways is as follows:—

Railways	Main Lines	Branch Lines (as defined above)
Central	13	18
Eastern	20	18
Northern.	13	27
North Eastern	15	20
Northeast Frontier	3	20
Southern.	38	16
South Central	11	16
South Eastern	6	23
Western	14	44

When a line is deemed uneconomic:

4.4. In a written reply furnished by the Ministry of Railways, it has been stated that annual financial results are prepared of the working of each Branch Line. These take into account (a) the total earnings of the branch line proper and the additional earnings to the main line which are considered attributable to the existence of the branch line, and (b) the total cost of operation of the branch line and in addition, the cost of operation on the main line for the traffic for which credit is given to the branch line. If the net earnings thus arrived at do not fully meet the dividend liability on the investment *i.e.* 5.5 per cent on capital invested upto 31-3-1964 and 6 per cent on post—31-3-1964 capital, the branch line is considered uneconomic.

Uneconomic Branch Lines—their number and losses:

4.5. The Ministry of Railways have stated that according to the latest assessment, there are 127 uneconomic branch lines. The number has gone up due to the acceptance of the revised definition of a branch line given by the Uneconomic Branch Lines Committee. The figures of remunerative branch lines are not separately compiled by the Railways and the financial results for those branch lines which have been recently added as a result of the new definition are also not available for the earlier years with the Railways.

4.6. The losses on the uneconomic branch lines year-wise, excluding dividend, from 1969-70 onwards, are given below:—

Year	*Losses excluding dividend*
	(Rs. in crores)
1969-70	7·12
1970-71	9·51
1971-72	9·88
1972-73	11·58
1973-74 (Est.)	10·98
1974-75 (Est.)	14·29

4.7. While pointing out that as many as 127 branch lines out of 202 branch lines came within the scope of the definition of Uneconomic Branch Lines, the Committee enquired the reasons for such a large number of branch lines being uneconomic. The Ministry of Railways, in a note furnished to the Committee, have stated that the reasons for the large number of branch lines being uneconomic have been gone into in detail by the Committee on Uneconomic Branch Lines, 1969, and have been mentioned by them in their Report. At the time when the Committee went into the matter the number of uneconomic branch lines was only 77. On the basis of their recommendation of the definition of a branch line the number of uneconomic branch line has now gone up to 127. Only those lines which are having a high density of paying traffic can be viable. As will be seen from the report of the Committee most of the uneconomic branch lines have got a very low density of traffic.

4.8. When asked to specify the year from which each of the present uneconomic branch lines became uneconomic, the Ministry of Railways, in a written reply furnished to the Committee, have stated that it is not possible to indicate the year as a regular study of all branch lines was taken up only from 1971-72. The Committee were also informed that the general reasons for the lines becoming uneconomic were their limited traffic potential and stiff road competition. Another reason was the rising cost of repairs and maintenance and of operation.

Mode of Determination of Financial Results of Branch Lines:

4.9. The Committee desired to know how the financial results of each line are determined and whether the present system of computing the income/expenditure is scientific enough to reflect the actual results of the branch lines. The Ministry of Railways have stated that the financial results of Branch Lines are worked out broadly on the following basis:

Earnings:

4.10. All earnings from local traffic, *i.e.* traffic originating and terminating on the branch line are credited to the branch line. The earnings from the traffic interchanged between the branch line and any other lines are normally apportioned between them on the basis of their respective kilometrage. However earnings from the traffic interchanged, which is considered solely attributable to the existence of the branch line, is credited fully to the branch line.

4.11. In regard to the division of goods earnings Railways have been advised that in the case of interchanged traffic credit for the terminal and transhipment portions should be given to the line providing these services and only the residual freight earnings should be apportioned on distance basis between the branch line and the main line.

Working Expenses:

4.12. Certain items of expenditure which can be *ad initio* identified with the branch line, *e.g.* station staff, Engineering staff etc., are taken as the direct expenditure allocable to the branch line. Other expenditure being estimated *prorata*, in proportion to the different appropriate units for expenditure under different Abstracts.

4.13. Instructions issued as a result of the recommendations made by the Uneconomic Branch Lines Committee, 1969 envisage that, while arriving at the expenses of the branch line by pro-rata calculations, expenditure not relevant to the branch lines should be excluded and expenditure incurred solely on account of a branch line is wholly debited to its account.

4.14. The financial review for the branch lines takes into account (a) the total earnings of the branch line proper and the additional earnings to the main line which are considered to be due to the existance of the branch line, and (b) the total cost of operation of the branch line and in addition the cost of operation of the main line for the traffic for which full credit is given to the branch line.

4.15. If the net earnings thus arrived at do not meet the prescribed dividend liability payable on the investment, the branch line is considered as uneconomic.

4.16. In the circumstances explained above both earnings and expenses were necessarily to be apportioned between branch line and main line on the basis of formula evolved for the purpose. Such formula for apportionment as also the methodology for computation of the financial results of branch lines are refined, modified and updated from time to time to reflect changes arising out of operating practices, and accounting refinements. Although the methodology and formula made use of are not precision instruments, they are considered adequate for broadly assessing the financial results of branch lines.

Steps taken to improve the working of the Uneconomic Branch Lines

4.17. The Uneconomic Branch Lines Enquiry Committee (1969) made a number of recommendations for improving the working of the uneconomic Branch Lines. Some of them related specifically to certain branch lines while others were of general applicability to all the uneconomic branch lines. The Committee desired the Ministry of Railways to furnish a detailed note on the recommendations made by the Uneconomic Branch Lines Committee, which were of general applicability to all the uneconomic branch lines together with the action taken by Government on their recommendations.

4.18. The recommendations in question and the action taken by Government on them are given in Appendix III.

4.19. Some of the steps taken or proposed to improve the earnings and to reduce the working expenses of the Uneconomic Branch Lines are in brief, as indicated below:—

(i) The question of converting certain narrow gauge lines into broader gauge is being considered.

(ii) Strengthening of the track of certain narrow gauge lines is being considered, with a view to increasing the speed and the load of trains.

(iii) Rolling stock is being replaced on a phased programme basis.

(iv) 'One engine only' system of working has been introduced on certain sections.

(v) On certain narrow gauge lines block stations have been down-graded and a few others have been closed down for goods traffic.

(vi) Over certain narrow gauge lines train services have been curtailed.

(vii) Concesional rates have been quoted with a view to capturing additional traffic.

(viii) Close liaison is maintained with industries located in the areas served by the Uneconomic Branch Lines with a view to induce them to use rail facilities to the maximum extent.

(ix) Intensive checks are conducted to combat ticketless travel.

(x) Split-shift duties have been introduced at certain stations.

(xi) Conversion of passenger trains into mixed trains has been resorted to on certain sections.

(xii) Feasibility of introducing dieselisation on certain sections is under examination.

4.20. The Committee enquired whether as a result of implementation of the recommendations of the Uneconomic Branch Lines Committee there had been any significant improvement in the position. The Ministry of Railways have stated that the Uneconomic Branch Lines Committee themselves appreciated, in their report, that the implementation of the recommendations would require considerable finance and suggested that the execution of such of the projects as may be found financially justified may be undertaken in a phased manner. Most of the recommendations were directed towards improvin the physical assets of these lines with a view to providing better and more speedy service. It has not been possible to fully implement specific recommendations pertaining to individual lines, in view of the heavy investments involved, limited financial resources and grave doubts about their becoming viable even after their conversion/extension, dieselisation, renovation etc. There has been no improvement in the financial results of the uneconomic branch lines. On the other hand the losses went up from Rs. 9.88 crores in 1971-72 to Rs. 11.58 crores in 1972-73.

4.21. The Ministry of Railways have further stated that the uneconomic branch lines, particularly on the narrow gauge do not hold out hopes of paying their way in view of low density of traffic, low speeds, disadvantages in the break-of-gauge transhipment, short leads of haulage, availability of parallel roads leading to severe competition from road, very large sums required to replace the old rolling stock and renew the track and increasing prices and wages. The State Governments are averse to the closure of even those lines which do not serve any useful purpose. The railways have, however, been endeavouring to keep the expenditure to the minimum and improve the working within the frame work of available resources and finance.

4.22. The Committee desired to know whether there were proposals for conversion/closure of such lines by a stipulated date. The Ministry of Railways, in their written reply furnished to the Committee have stated that based on the recommendations in respect of 28 branch lines made by the Uneconomic Branch Lines Committee of 1969, Traffic Surveys for conversion and/or extension for the following 13 lines were ordered:—

(1) Krishnanagar City-Shantipur (Conversion to B.G.)
(2) Restoration of Gohana-Panipat line.
(3) Extension of Barhan-Etah line upto Kasganj.
(4) Kuruduwadi-Pandharpur (Conversion to B.G.)
(5) Raipur-Dhamtari (Conversion to B.G.)
(6) Rupsa—Talband (Conversion to B.G.)
(7) Purulia-Kotshila (Conversion to B.G.)
(8) Chhota Udaipur-Partapnagar (Conversion to B.G.)
(9) Chhuchhapura-Tankhala (Conversion to B.G.)
(10) Extension of Rangapara North-Tezpur line to Bhumraguri.
(11) Extension of Sagar-Talaguppa line to Honavar.

(12) Extension of Chickjajur-Chitradrug line upto Rayadrug.

(13) Conversion of Northern Section of Satpura Railway from Narrow Gauge to Broad Gauge.

4.23. Out of these 13 items only 6 items (1 to 4, 11 and 12) have been finalised by the Railway Board. Except item (2), all these projects have been shelved as they were unremunerative. Item (2) was also unremunerative, but this being a restoration work has been taken up and the work is in progress. As regards other items (5 to 10 and 13), Survey Reports are under examination.

4.24. From the surveys carried out so far it appears that further investment on gauge conversion or extension of Uneconomic Branch Lines may not help in making them remunerative. In keeping with the policy announced by the Railway Minister in 1969 in the Parliament that no line will be dismantled, there are at present no proposals for closure of any Uneconomic Branch Line.

4.25. The Committee desired to know whether there were some lines which served no economic purpose and held out no prospects of ever becoming commercially viable and if so, what was the number of such lines and whether their closure would not be justified. The Ministry of Railways, in their written reply, have stated that the Uneconomic Branch Lines Committee, 1969, reviewed the working of 77 railway lines and recommended *inter alia* that the following lines served no useful purpose and that they could be closed down'—

(i) Jorhat—Neamati

(ii) Lataguri—Ramshai

(iii) Kunkavav—Derdi

(iv) Than—Chotila

(v) Hadmatiya—Jodiya

(vi) Madurai—Bodinayakanur

(vii) Walajah Road—Ranipettai

4.26. The closure of Jorhat—Neamati section was recommended by the Committee in view of the fact that the reverine route to and from Calcutta via East Pakistan was closed. In view of the possibility of the re-opening of the riverine route *via* Bangladesh it has been decided to pend the question of closure of this section.

4.27. In the case of Walajah Road-Ranipettai line, a substantial portion of the goods produced and received by M/S E.I.D. Parry Ltd., Ranipettai, was moving by rail and efforts were being made to capture more traffic of this firm. It was also expected that with the proposed setting up of an industrial estate near Ranipettai, there would be scope for other industries to come up in the near future in the area served by the line. Hence the proposal to close down the section has been postponed for a few years.

4.28. The Ministry of Railways feel that the remaining five lines indicated below serve no economic purpose to the area concerned and their closure is justified from that point of view:—

(i) Lataguri—Ramshai

(ii) Kunkavav—Derdi

(iii) Than—Chotila

(iv) Hadmatiya—Jodiya

(v) Madurai—Bondinayakanur.

4.29. While drawing the specific attention of the Ministry of Railways to a recommendation of the Uneconomic Branch Lines Committee that attractive special rates should be quoted on uneconomic branches to recreate a travel-by-rail habit, the Committee enquired from the Ministry the number of branch lines which faced competition from road and the number of lines on which the trains were running below their carrying capacity. The Committee also desired to know the steps taken by the Railways to introduce attractive special rates to capture more passenger and goods traffic. In a written reply furnished to the Committee, the Ministry of Railways have stated that the number of branch lines which face competition from road are as follows:—

Railway	
Central	15
Eastern	15
Northern	35
North Eastern	18
Northeast Frointer	22
Southern	24
South Central	9
South Eastern	15
Western	29
TOTAL :	182

4.30. The number of branch lines on which passenger trains run below their carrying capacity is as under:

Railway	
Central	7
Eastern	10
Northern	28
North Eastern	8
Northeast Frontier	17
Southern	13
South Central	9
South Eastern	15
Western	44
TOTAL :	151

4.31. The recommendations of the Committee on Uneconomic Branch Lines, had been furnished to the Zonal Railway Administrations for undertaking a review and making any specific proposals for quotation of concessional fares between specific pairs of stations on sections where passenger traffic in the existing train services was poor.

4.32. It may be mentioned that excepting the Southern Railway, no other Railway has quoted concessional fares with a view to meet keen competition from road transport and for retaining the traffic to rail. In so far as the Southern Railway is concerned, they have quoted cheap Second class (previous Third class) single journey fares between stations on the Mettupalayam-Ootacamund section which have been in existence right from 1954 and these concessional rates are still in existence. The Southern Railway also introduced cheap single journey tickets between Dharmapuri and Salem Jn. and between Salem Market and Salem Town in 1969 to attract additional passenger traffic. As the objective was not achieved, these concessional fares were withdrawn from 1-5-1971.

4.33. The other Railways generally stated that it would not be possible to create additional passenger traffic by quoting concessional fares firstly because the Railway fares on certain sections are already lower than the road fares and secondly it was not practicable to provide as quick and frequent service as provided by road transport.

The main reasons why passengers prefer road services as compared to the Railways have broadly been indicated as under:—

(i) Lesser transit time by road;

(ii) Distance of surrounding villages from the Railway stations;

(iii) Distance of railway stations from the towns as compared to the bus terminals, which are inside the city; and

(iv) Gap between connecting trains, resulting in detention to passengers.

4.34. The failure of the experiment on the Southern Railway on the Dharmapuri-Salem Jn. and Salem-Market-Salem Town lines confirms the futility of fare reduction to attract traffic on such Branch lines.

4.35. As far as the freight rates are concerned, the Railway have full powers to quote station-to-station rates where commercial justification exists, to meet competition. From information available, it is seen that the station to station rates were introduced by Central Railway for transport of cotton raw full-pressed in wagon load from certain stations on the narrow gauge branch lines to Bombay, (Wadi Bundar) or Bombay Port Trust Railway (Cotton Depot). Due to the inherent advantages which the road transport enjoys on these branch lines such as being able to provide door to door service, quicker transit time etc. and the comparatively very slow movement by rail, the hazards of transhipment, quotation of reduced special rates alone is not going to attract traffic to rail. This is particularly so in respect of high rated traffic which is more service-sensitive than price-sensitive.

4.36. It has been stated in the booklet, "Central Facts and Major Problems, February, 1973" that as per recommendations of the Uneconomic Branch Lines Committee, an amount of Rs. 240 crores would be needed for various steps suggested by the Committee for improving these branch lines. But the plan allocations do not provide for any expenditure on the improvement of uneconomic branch lines on which Railways are losing heavily. The Committee enquired about the investment pattern that would be required in implementing the recommendations of the Uneconomic Branch Lines Committee, whether the need for plan allocations for this purpose was taken up with the Planning Commission and whether improvements suggested by the Uneconomic Branch Lines Committee were taken up outside the Plan allocations.

4.37. The Ministry of Railways have stated that the UBLC in their report recommended strengthening or improving track structure on 22 sections (including B.G., M.G. and N.G.) in order to permit higher speed and heavier loads thereon. Out of these 22 sections recommended for strengthening, 16 are on N.G., 3 on B.G. and 3 on M.G. routes.

4.38. Approximate cost for improving the track using second-hand serviceable material has been worked out to about Rs. 11.02 crores (gross). Out of which Rs. 9.05 crores are estimated to be utilised on N.G. Sections. The cost on improvements to bridges improving all curves and grades etc. will be additional expenditure which has not yet been assessed. This cost was assessed in 1970 and in view of increase in prices, the present day cost would be in order of about 16 crores.

4.39. The Uneconomic Branch Lines Committee, 1969 recommended the conversion/restoration/dismantlement/extension of 30 uneconomic branch lines. The proposals cover the conversion of about 1666 Kms. of narrow gauge/metre gauge to broad gauge, extension including restoration of about 927 Kms. and dismantlement of about 93 Kms. of NG/MG lines. The total cost of these works was estimated in 1970 as Rs. 173.04 crores. The present day cost would be considerably higher and may be of the order of about Rs. 300 crores.

4.40. Out of these 30 lines, traffic surveys for conversion/restoration/extension were carried out for 13 lines. he surveys revealed that the conversion/restoration/extension of all these lines is not financially viable. So far, 5 proposals have been shelved and one proposal of restoration of the Gohana—Panipat line has been approved and the work has been taken up at an estimated cost of Rs. 2.28 crores and is in progress. The remaining proposals are under examination.

4.41. In view of the results of the surveys that were carried out for the 13 lines which revealed that all of them are financially unremunerative, it may not be worthwhile to take up surveys on the remaining sections at present due to financial stringency.

4.42. As far as asking for funds from the Planning Commission for these projects is concerned, it is stated that until the investigations of these projects are completed and a final decision is taken regarding their construction, it will not be possible to request the Planning Commission for approval of the schemes and for allotment of funds.

4.43. Keeping in view the recommendations of the U.B.L.C. regarding improvement of uneconomic branch lines and within the available resources, the provisions made for N.G. locomotives, coaches and wagons during the Fourth Plan period and the first two years of the Fifth Plan are as under:

	Fourth Plan		*Fifth Plan (first 2 years.)*	
	Nos.	Cost (Crores)	Nos.	Cost (Crores)
Locomotives	12	1·44	20	2·40
Coaches (bogie units) . . .	29	0·23	40	0·32
Wagons (Four wheelers)	1416*	3·60	700	1·80
		5·27		4·52

*Out of 1416, only 46 wagons were produced and placed on line during the Fourth plan period.

4.44. The question of provision of N.G. locos, coaches and wagons during the remaining three years of the Fifth Plan is still under consideration.

4.45. In reply to a question whether the Ministry of Railways had taken up the question of improving the financial results of the branch lines with the State Governments concerned, the Ministry of Railways have stated that in the context of recommendation No. 41 made by the Uneconomic Branch Lines Committee (1969) the question of seeking cooperation from the State Governments was taken up with the Ministry of Shipping & Transport who in turn addressed a communication (letter No. 1-T(52)/70 dated 26th May, 1970) to all the State Governments and the Union Administrations stressing upon them the desirability of taking suitable steps to adjust the overall daily frequency of bus services, re-arranging their timings in consultation with the Railways to ensure a fair share of traffic to the Railways so that the rail services which are run to serve the public become viable

4.46. When asked to state whether the Railways had approached any State Government or private concern or industry to take over the unremunerative Branch Lines, the representative of the Railway Board stated during evidence:

"The State Govts. are not willing to take over any unremunerative line. We have approached the State Govts. for assistance in order to improve conditions of the branch lines by removing uneconomic competition by road.

While the State Governments realise that under the present conditions, it is difficult to meet the cost of these lines, still they do not wish that they should be removed. These branch lines were constructed when we had no parallel roads. Only bullock carts were there to compete with. Narrow-gauge trains competed with the bullock carts only."

4.47. When asked to state the steps taken to make them remunerative, the Chairman, Railway Board stated during evidence that "If I may put it this way, in order to make a line remunerative, there is certain minimum freight that must operate on it. As you see, passenger traffic is not a paying proposition. For a broad-gauge line, for instance, we need at least 6-7 million tonnes annually to make it pay its way at least to the minimum required extent. The second factor is that for a new line, its gestation period is now longer. The problem that arises is that if in a backward area these matching investments are not there, then the traffic cannot be generated; instead of taking ten years, it may take 20 years; in certain places, it may not take place at all."

4.48. Explaining further, the Chairman, Railway Board, stated that "there has to be really an integrated development of these areas *i.e.* an integrated development of other inputs of industry and even agriculture...Basically, the proper concept in the planning should be that you should not only develop the infrastructure but also have a long term plan for developing the other sectors of economy which will eventually lead to development. In other words, what happens is that when a line is put in advance, roads are also built. For roads, the capital required is less; but for railway lines, the minimum investment is necessary. Unless matching developments come up and are integrated with the development of the infra-structure, the latter will remain under-utilised for many years." He added that passenger traffic by itself would not be of any help. Moreover, most of the under-developed areas were also very thinly populated.

4.49. When it was pointed out that there was an urgent need to adjust the timings and the speed of the trains on the branch lines to make them attractive for passenger traffic, the Chairman, Railway Board, stated that it might be suitable for a short distance of 200 Kms. But the timing based on long distances, might not suit all people. "On some of these branch line services, there is a possibility, let us say, of running rail cars. Our problem in regard to rail cars is that we do not want to import equipment, because importation means incurring the expenditure of foreign exchange which is not available."

4.50. Explaining the position regarding rail cars further, the Chairman, Railway Board, stated that they have been trying to get our industry develop it but it was not economical to have a separate rail car industry. That has been one of their problems for the last several years. A suitable engine and transmission system for the rail cars was still not being made in the country. 15 years ago some rail cars were imported from Australia. But over the years, they could not be replaced. Some of them were still running.

4.51. When asked to state whether any attempt was made to produce a rail car, the representative of the Ministry stated during evidence that they had approached the Kirloskars who were manufacturing the power pack, but the one they manufactured was not to Railways' satisfaction. Some people had shown interest but they have now backed out. While they made all efforts to produce power pack, the Railways felt that for short-distance run and for branch lines it was economical to have rail car but unless it could be produced in the country, the Railways could not have the service.

4.52. It was further stated that industry was showing reluctance as the demand for such power pack would be very much limited and would involve large investment.

4.53. When asked to state whether introduction of the rail car service apart from giving better facilities to the passengers would be in the interest of railway finances, the Chairman, Railway Board, stated that they hoped to reduce the operating losses thereby. But unless there was very large volume of goods traffic available to match the expenses of the railway line, the passenger service by itself will not be able to support them.

Policy regarding continuance of uneconomic lines:

4.54. In a detailed Memorandum for consideration of the policy to be followed in the closure of unremunerative branch lines submitted by the Financial Commissioner for the Railways to the Railways Convention Committee, 1971, it has been stated that the problem of uneconomic branch lines has been receiving the attention of the Government for over three decades. The Indian Railways Enquiry Committee 1936-37 observed as under:—

"*Closing of Branch Lines:*—

We find that insufficient attention has been given to the question of closing unremunerative branches particularly in cases where there may be reason to think that the branch has been rendered unremunerative by the development of motor transport.

We believe that the final decision to close a branch line, involving the withdrawal of public services rests with the Railway Board. A decision to continue the operation of a Branch line which is losing money should in our opinion equally rest with the Board. Such a decision involves putting a burden on the Railways as a whole for the benefit of a particular locality, and should not be left to the individual administration.

The position of branch lines, particularly those affected by motor transport, should be reviewed periodically with the object of seeing:—

(a) whether every effort has been made to combat road competition; (we deal with this later in Chapter XI)

(b) whether the net revenue earned by the branch (with allowance for contributory revenue) exceeds the saving which would be made by closing the branch;

(c) whether there is hope of improved financial results in the future.

If, as a result of this enquiry, it is clear that the continuance of the branch is costing, and is likely to cost more than it brings in, the administration concerned should report the case to the Railway Board with its recommendation as to the steps to be taken. The Board could then decide whether, in the interests of the community generally, the loss involved should or should not, be allowed to continue.

The same conditions apply where the problem involved is the discontinuance of a passenger or goods service without the actual closing of the branch itself.

Before any final step is taken, we assume that the Board will approach the Provincial Government concerned and ascertain whether they would be prepared to make any contribution towards the continuance of the branch or service.

On the question generally, we see no justification/for the maintenance of an unremunerative branch line service at the expense of the Railways as a whole or of the general tax-payer and we consider that apart from exceptional cases, such service should be withdrawn. This applies particularly to narrow gauge lines which, with their speed limitations, are quite unequal to facing bus competition. In the general interest the sooner the situation is recognised, the better."

4.55. In pursuance of these instructions, and in accordance with extent orders, the working of branch lines was reviewed by the Railway Administrations from time to time, and action initiated for stimulating traffic and augmenting the earnings of unremunerative branch lines *inter alia*, by:—

(i) expeditious supply of wagons;

(ii) maintaining contacts with Trade Associations;

(iii) reducing the working expenses by keeping the minimum staff at the stations; and

(iv) expeditious clearance of 'Smalls' traffic.

4.56. Following such a review undertaken between 1961-62 and 1963-64, the Sonala-Amran Road line on the Western Railway and the Kalighat-Falta Light Railways were closed down.

4.57. A severe cyclone, which hit the Southeast coast of the Peninsula in December, 1964 washed away most of the girders of the Pamban viaduct on the Pamban-Dhanushkodi Railway Line, in addition to causing heavy damages to the railway track from Pamban to Rameshwaram and Dhanushkodi. The viaduct and the line upto Rameshwaram have since been restored for traffic. The line from Pamban to Dhanushkodi has, however, not been restored because it was found, *inter alia*, to be unremunerative.

4.58. Action to close two more Branch lines *viz.* the Purulia-Kotshila and Morvi-Tankara had, however, been deferred in view of representations from the public of the area and from the State Governments concerned.

Committee on Transport Policy and Coordination:

4.59. The question of operation of uneconomic branch lines was examined *inter alia*, by the Committee on Transport Policy and Coordination (January, 1966) and they desired that in the wider economic interest of the country as well as of the Railway the financial working of the branch lines and the transport needs and plans of areas served by them should be reviewed periodically. The Committee observed that while each instance of an uneconomic branch line required separate study on merits, they have mentioned certain general considerations. A branch line should be viewed both as an entity in itself and as part of a wider railway net-work and it should be ascertained whether on either ground, its retention is necessary. Secondly, the total transport requirements and facilities in an area served by the branch line should be examined with a view to determining the nature and extent of the transport services that may be needed in the future. Thirdly, in examining the case for continuing what may be an unremunerative branch line, attention should be given both to past trends and to traffic expected over the next few years. If alternative facilities have been or are capable of being developed to the point that the requirements for transport could be met substantially by means other than the railways, and at no higher cost to the economy, there should be no hesitation in giving up an existing branch line which is proving unremunerative and will not serve any object which cannot be met otherwise and at lesser cost. In a developing economy, there cannot be undue rigidity in regard to means of transport, so long as the overall requirements can be satisfactorily met. The Committee went on to observe that, in recent years, this conclusion has been reached in one country after another, and in India also the necessity for adjustments of this nature has to be accepted. The Committee therefore, suggested that, where road transport has to be expanded considerably to facilitate the discontinuance of unremunerative lines, the Railways might consider, in consultation with the State Govts. whether and in what form they could participate or assist in the growth of road transport services.

4.60. In pursuance of this recommendation, it was decided that a comprehensive review of each of the unremunerative lines of the various railways might be conducted and the decision to close the line or adopt measures to improve its working might be taken on the merits of each case. In the course of his speech on the Railway Budget for 1967-68, the Minister for Railways also referred to the problem of unremunerative branch lines and made the following observations:—

> "After a careful but quick study to work out the relative cost to the economy of alternative forms of transport, the unremunerative branch lines should be closed down wherever it is found that they are not justified in terms of their cost to the economy. While we will continue to give the utmost consideration to the views of the State Govts. as hithertofore, it is to be hoped that the sound principle of providing transport at the lowest cost and to

the maximum advantage of the economy would outweigh other less weighty considerations."

Estimates Committee:

4.61. In August, 1967, the Estimates Committee in their 10th Report (4th Lok Sabha) made the following recommendations on this subject:—

"The Committee would suggest that the recommendations of the Committee on Transport Policy and Co-ordination regarding closure of unremunerative branch lines of the Railways should be implemented by the Government. For this purpose, the Central Government should impress upon the State Govts. that while giving licences or permits for road transport they should keep in view the broad national interests. They should also extend full cooperation to the Railways in closing such of the unremunerative branch lines on which the losses incurred by the Railways are not commensurate with the public utility served, and where such closure could be effected by developing alternative transport facilities, at almost the same cost to the economy, to serve the needs of the areas concerned."

4.62. In reply to this recommendation, it was explained that even before the Committee on Transport Policy and Co-ordination had made a recommendation on the subject, the Railways were reviewing the working of the branch lines, from time to time, and considering measures for closure of such of them as were found to be unremunerative. The recommendations of the Committee on Transport Policy and Co-ordination gave a more positive and concrete form to this objective, and consequently a very detailed review of working of all branch lines was undertaken by the Railways. In the case of Branch lines found to be unremunerative, as a result of this review, and where road transport was expected to replace rail transport without detriment to public interests, the State Governments were approached to agree to the closure of railway lines but there was no positive response.

Public Accounts Committee:

4.63. As the instance of the Public Accounts Committee (1967-68) a note was also submitted to the Committee on the subject by the Ministry of Railways. The Committee in their 22nd Report (4th

Lok Sabha) had made the following recommendation on this subject:—

> "The Committee agree that the sound principles of providing transport at the lowest cost and to the maximum advantage of the economy should outweigh all other consideration in deciding upon the retention of unremunerative lines. In view of the growing difficult financial position of the Railways it is desirable that an early decision should be taken about the operation of those lines on which the Railways have been persistently losing heavily. The Committee also consider that in the case of marginal lines the Railways should intensify their efforts to attract more traffic so that these can be made to pay their way."

4.64. In reply the Ministry of Railways advised the Committee that a review of unremunerative lines is a continuing affair and that while considering the closure of any line, regional and political sentiments and deep rooted conviction that rail transport is necessary for the development of under-developed areas, have to be reckoned with. The recommendation of the Committee in respect of marginal lines had been accepted and instructions were issued to the Railways to keep a close watch on the working of each line and to take steps for attracting more traffic and to reduce the working expenses.

4.65. In February, 1969, the Public Accounts Committee, have, in their Forty-ninth Report (Fourth Lok Sabha), stated, *inter-alia* as under:—

> "The Committee suggest that this matter may also be placed before the Railway Convention Committee (1968) for their consideration."

Railway Minister's statement of Policy in Lok Sabha:

4.66. About the same time the Minister for Railways in the course of the discussion on the Railways Budget for 1969-70 announced in the Lok Sabha that:—

> "There has been a unanimous feeling in the House, both in this House as well as in Rajya Sabha, that in respect of the Railways, which are being called uneconomical lines and which are supposed to be dismantled, we should consider and give a second thought to that idea. Having regard to the unanimous feelings that they have been expressed in the House I feel that we should try to increase our earnings....by introducing better coaches and streng-

thening the lines.... having regard to opinions expressed in this House as well as in the other House I propose not to dismantle any railway line wherever it may exist....but as a policy I say that there would not be any dismantling and as far as possible we will keep on strengthening those lines and also converting them into the gauge of that area, be it metre gauge or broad gauge."

Administrative Reforms Commission:

4.67. The question of unremunerative lines was studied in depth by the Administrative Reforms Commission also. They recommended as follows:

(1) The question of continuing unremunerative lines should be constantly reviewed by the Railway Board so as to ensure that as far as practicable, Railway finances are utilised for the running of commercially acceptable or potentially profitable lines.

(2) As a first step, the Railway Board should consider the closure of unremunerative lines where adequate alternative modes of cheaper transport exist and where such closure will not adversely affect public interest, including any important economic activity of the area, such as industrial or mining activity.

(3) There should be high level discussions between the representatives of the State Governments and the Railway authorities to settle the question of continued running of uneconomic lines, so as to ensure that local considerations are duly taken into account in deciding the question of closure.

(4) Where running of the uneconomic lines is continued in the public interest, the losses may be met out of public revenues, State or Central."

4.68. The Committee desired to know the action taken by Government on the recommendation at No. (2) above of the Administrative Reforms Commission. The Ministry of Railways have stated in a written note furnished to the Committee that the following decision was taken by Government on ARC's recommendation No. 28(2) referred to above:—

"Accepted in principle. The continuance of unremunerative lines will be kept under constant review in the light of guide lines laid down by the Administrative Reforms Comission in these recommendations. The practical difficulties in giving full effect to these recommendations will be kept in view before taking a final decision in regard to the closure of any unremunerative line."

4.69. In the cases of the following railway lines where adequate alternative modes of cheaper transport exist and where such closure will not adversely affect public interest, a decision was taken to close down these sections on the recommendations of the Uneconomic Branch lines Committee, 1969.

Names of Sections	State Government concerned
Lataguri-Ramshai	West Bengal
Kunkavav-Dardi . . .	Gujarat
Than-Chotila . .	Gujarat
Hadmatiya-Jodiya . .	Gujarat
Madurai-Bodinayakanur . .	Tamil Nadu

4.70. The concerned State Governments were addressed to agree to the proposals of closure of these railway lines. But the State Governments had expressed themselves against the closure of these lines.

Compensation for losses incurred in operation of unremunerative branch lines:

4.71. The Committee desired to know whether, apart from the relief granted by the Railway Convention Committee in regard to the payment of dividend on the capital cost of the uneconomic branch lines, the Railways have any specific suggestion for compensation of the losses they incur on operating these services, and if so, the position might be elaborated with reference to the position obtaining in other countries. The Ministry of Railways have stated that the matter was placed for the consideration of the Railway Convention Committee (1971) suggesting two alternatives *viz*:—

(a) Whether the Railways should be compensated *fully* for the losses as suggested by the Administrative Reforms Commission; or

(b) As a *partial* relief, the capital cost of these lines should be exempted from the dividend liability as recommended by the Uneconomic Branch Lines Committee.

4.72. The Convention Committee, (1971) granted exemption from the payment of dividend on the caiptal invested on the uneconomic branch lines. The recommendation was accepted by Parliament for the entire 4th Plan period and has been confirmed for the years 1974-75 and 1975-76.

4.73. The deficit in the working of uneconomic branch lines in 1974-75 is estimated to have amounted to about Rs. 18.5 crores. Of these, the relief by way of exemption from dividend liability, may amount to about Rs. 4.20 crores. The railways will thus still have to suffer an operating loss of about Rs. 14.30 crores on the working of these lines.

4.74. In other countries, as for example U. K. and Canada, railways are given grants to compensate them for the losses incurred by them on unremunerative lines.

4.75. It is for the consideration of the Committee whether, in keeping with the practice abroad, Indian Railways may also be given grants from public revenues to compensate them for losses suffered by them for running uneconomic lines in addition to exempting them from payment of dividend on the capital-at-charge of these lines.

4.76. The Committee note that out of the 202 branch lines of the Indian Railways as many as 127 branch lines are deemed as uneconomic and the losses on such lines which stood at Rs. 7 crores in 1969-70 have risen to Rs. 14 crores in 1974-75. The Committee have in an earlier chapter of this Report recommended that the methodology for determining losses on various services rendered by the Railways needs to be improved so as to find an all-round acceptance. The Uneconomic Branch Lines Committee (1969) have observed in their Report that the formula adopted by certain railways in estimating main line earnings does not bear scrutiny. The Committee would like the matter to be thoroughly examined and early action taken to refine the methodology for assessing the overall financial position of working of the branch lines.

4.77. The Committee note that the Ministry of Railways have taken certain steps to improve the earnings and reduce the working epenses of the uneconomic branch lines such as strengthening of track of certain narrow gauge lines, converting some of the narrow gauge lines into broad gauge, replacement of overage stock etc. and introducing diesel traction on certain sections. The Committee further note that the Railways have not found it possible to

fully implement the recommendations of the Uneconomic Branch Lines Committee as these involve heavy investment of the order of Rs. 300 crores and there are grave doubts about such lines becoming viable even after conversion|extension|dieselisation and other improvements. .. ..

4.78. The Committee note that the Railways are seized of the desirability of running diesel rail cars on branch lines to provide compact and speedy passenger service. However, not much progress has so far been made in producing indigenously the power back required for the diesel rail cars. The Committee would like the Ministry of Railways to intensity efforts in this direction in consultation with the Ministry of Industry and Civil Supplies so as to locate a suitable power pack for running the diesel rail cars and have it manufactured on a trial basis in the first instance and after watching the results, introduce it more extensively so as to cater to the requirements of passenger traffic.

4.79. The Committee observe that the State Government were approached to render assistance in improving the working and financial results of uneconomic branch lines but have not received any substantial assistance. The losses on these branch lines, instead of coming down, are in fact on the increase. The Committee note that according to the State Governments, paucity of traffic in several cases is due to the shortcomings of the services rendered by the Railways e.g. slow trains, corruption, supply of wagons not being prompt, delays at transhipment points, thefts and pilferages, claims not being settled promptly etc. The Committee would like the Ministry of Railways to take note of these shortcomings and effect improvements so as to make the branch line services more popular and thereby augment their earnings.

4.80. The Committee also note that according to the Railways, the narrow gauge lines are not likely to pay their way in view of their inherent limitations of low speeds, break-of-gauge, competition from roads etc.

4.81. The Committee would like to refer in this connection to the observations of the Committee on Transport Policy & Coordination to the effect that a Branch Line should be viewed both as an entity in itself and as part of a wider railway network and it should be ascertained whether on either ground its retention is necessary and that the total transport requirements and facilities in the area served by the Branch Line should be examined with a view to determining the nature and extent of transport services that may be needed in the future. The Committee have further observed that in a developing economy there cannot be an undue rigidity in regard to means of transport so long as the overall requirements can be satisfactorily met. Therefore, wherever road transport has to be expanded to facilitate discontinuance of the Branch Lines, the Railways may consider in consultation with the Ministry of Finance and the State Governments whether and in what form, they should participate or assist in the growth of road transport services.

4.82. The Committee further note that the Administrative Reforms Commission had also come to a more or less similar conclusion when they observed that the Railway Board should consider the closure of unremunerative lines wherever adequate alternative modes of cheaper transport existed and where such closure would not adversely affect the public interest including any important economic activity of the area. The Commission had emphasised that the question of continuance of unremunerative lines should be continuously reviewed by the Railway Board so as to ensure that, as far as practicable, Railway Finances were utilised for running of commercially acceptable or potentially profitable lines and whereever running of uneconomic lines was continued in the public interest, the losses may be made good out of the public revenues, State or Central.

4.83. The Committee feel that the whole question of continuing the operation of uneconomic branch lines calls for a critical and objective review with reference to the realities of the situation and keeping in view that the Railway finances are utilised in the best interest of the State and how far the existing alternative modes of cheaper transport could replace the uneconomic train services. The Committee also recommend that the Railways should identify the branch lines which are marginally unremunerative and could be made economically viable with minimum investments and take concerted measures in close coordination with the State Governments, trade and industry, to improve their financial results.

4.84. So far as the other branch lines are concerned, the Committee note that the State Governments are averse to the closure of even those lines which do not serve any purpose. The Committee consider that if such lines are to be continued indefinitely, in spite of recurring losses and with no possibility of their becoming viable in the foreseeable future, the only alternative is that the authorities who desire these to be run, should share with the Railways the unavoidable losses.

4.85. The Committee observe that the only financial relief that the Railways are getting on uneconomic branch lines at present is the exemption from payment of dividend liability on the capital-at-charge of such lines amounting to about Rs. 4 crores per annum. In this connection, the Committee note that in Britain and Canada, Railways are given grants to compensate them for the losses incurred by them on unremunerative lines.

4.86. The Committee would like to point out that 1 per cent of the Capital-at-charge of the Railways as on 31st March, 1964 is paid to the State Governments in lieu of the Passenger Fare Tax. Out of this, a fixed sum of Rs. 16.25 crores is paid annually to the States while the remaining is given as contribution towards States' share of Railway Safety Works, the total amount paid during the quinquennium 1969-70 to 1973-74 being of the order of Rs. 90.9 crores. It is only fair and equitable that the State Governments who are averse to closure of uneconomic branch lines, should come forward to meet the losses.

CHAPTER V

NEW LINES, RESTORATION AND CONVERSION SCHEMES

A. New Lines

A historical review of the evolution of policy on New Lines:

5.1. The Financial Commissioner for Railway in his Memorandum submitted to the Railway Convention Committee, 1973 has given the following historical account of the evolution of policy on new lines:—

"The Government's policy in regard to construction and financing of railway lines has undergone considerable and frequent changes. In the beginning, a number of inducements including guaranteed minimum return were offered to private investors to encourage them to construct new lines. In 1920-21, the Acworth Committee criticised the system of guarantees to private investors. Thereafter, local Governments were allowed to sponsor new constructions by private investors, provided the former came forward with a guarantee to meet the losses.

Under the Separation Convention, 1924, a distinction was made between 'Commercial' and 'Strategic' lines. Losses, if any, in the working of strategic lines were to be borne by General Revenues.

The Convention Committee, 1949 examined the restrictive attitude of the Railways in the light of (a) the concept that the general tax-payer is the owner and sole share-holder of the Railway undertaking and (b) the urgent need for economic and industrial growth of the country. The Committee considered that as a necessary phase in the planned development of the country, Railways should construct unremunerative lines, if found necessary, financing them out of surplus Revenues. In the case of lines which became remunerative after 5 years of construction, the cost was to be written back from Development Fund to Capital. In regard to new lines which were unable to pay even after 5 years, the Convention Committee, 1954 decided to grant a moratorium in respect of dividend payable on the capital invested during construction and upto the end of fifth year of the construction, deciding further that all new lines would be financed from Capital.

The Convention Committee, 1949 reduced the yard-stick of remunerativeness adopted in previous years for new constructions from a return of 10 per cent to a return of 4.25 per cent which they subsequently raised to 5 per cent. The present yardstick for remunerativeness is 6.75 per cent.

Construction of 73 new lines has been taken up by the Railways since 1950-51. Figures of actual financial returns for 25 lines are not available which include 6 lines which are still under construction. Out of the remaining 48 lines, 25 are unremunerative, according to the latest available figures, the rest being remunerative.

In 1966, the Estimates Committee stressed the desirability of maintaining a proper balance between economic development and the development of transport, so that the former does not suffer for any deficiency in the latter. The Railway Board agreed with the view, but opined that in the interest of the Railways as well as the country's economy and in view of limited resources available, it would be advisable to examine alternative low investment transport facilities in initial stages of development of any underdeveloped area.

In the background of the realisation that road transport can make a contribution to development and diversification of economic activities to an extent which was not possible in the earlier phases of the Five Year Plans, any scheme for development of the transport sector has to take into account the relative role and sequence of different transport services. In the strategy of economic and industrial development the rail and road transport services are thought of together, as complementary services forming a part of a single integrated whole, in order to achieve more rapid progress all round.

It was generally agreed by the Committee on Transport Policy and Co-ordination (1966) and the Public Accounts Committee in their 22nd Report (1969) that Railways should normally provide for only those lines which are expected to yield, over a period of time, normal return on the investment involved in their construction. Where new lines have to be constructed, which are not likely to become remunerative in a few years of opening under exceptional circumstances, the Railways would be justified in claiming reimbursement of their losses.

Later Public Accounts Committees have, however, commented adversely on the creation of traffic capacities based on other Ministries' estimates which ultimately proved to be over-optimistic. This has resulted in a stricter insistence of financial viability as independently assessed by the Railways before any new lines are taken up for construction."

5.2. The Financial Commissioner has further stated in his Memorandum that "the construction of a new rail line is seldom, if ever, followed by an immediate increase in the volume of traffic to remunerative levels. The profitability of investments in new rail links, accordingly, has to be viewed over a sufficiently long time-horizon. Even so, some financial adjustments become unavoidable because of the time lag between investment and the full development of traffic potential. If traffic earnings are expected to materialise in a more or less distant future, some of the liabilities occasioned by investments in new lines may need to be deferred in order not to upset Railway finance in the short or medium run. Thus, financial relief in the form of postponement of dividend liability (or even waiving of it for some part of capital outlay) becomes necessary even in the case of commercially viable investments in new rail lines owing to the long periods of gestation and traffic development."

5.3. The Committee desired to know what financial adjustments the Railways had in view and what would be their overall impact on Railway finances.

5.4. The Ministry of Railways have stated that with the rising costs of construction, heavier investments are involved in the construction of new lines. The Railway Board are of the view that the Convention Committee may recommend continuation of the existing financial arrangements for new lines which are commercially viable.

5.5. The Railway Board have further suggested that in respect of new Railway lines which are financially unremunerative and whose construction is taken up specially for the development of backward areas, additional financial reliefs may be given.

5.6. Elucidating the matter further, the Ministry of Railways have stated in a written reply furnished to the Committee that the Railway network provides transport infrastructure facilities essential for the industrial, agricultural and social development of the country. The high and rising capital outlay required for the construction of new lines demands a very substantial volume of traffic *viz.* about 3 million tonnes annually to satisfy the orthodox criteria of financial viability. Only a few projects in the highly industrialised areas can generate traffic of this magnitude and would qualify on the basis of financial profitability. Underdeveloped areas do not often possess this potential but a new line can trigger progress in these regions.

5.7. Areas lacking rail transport facilities are disadvantageously placed on account of poor road availability and the comparatively high cost of road transport, Consequently economic development of the areas is retarded. Entrepreneurs find it uneconomical to set up an industry at a place not served by rail and even the agricultural and forest products, if transported to the markets by road, become some times uncompetitive. The natural resources of these areas, remain under-exploited and, therefore, do not contribute towards the growth of local prosperity or the national economy.

5.8. The construction of a new railway line may, thus add to the income of a region lacking adequate transportation infrastructure by much more than what may be earned directly in the form of passenger or freight earnings. Such income or developmental effects can be broadly classified into three groups: the provision of railway might create a market for some hitherto unused resources like timber, minerals, building materials etc.; by widening the market it might raise the price realised by the inhabitants of the region for, say cash crops, dairy products and other types of agricultural commodities and it might make certain types of industrial processing in the region more profitable. Such indirect income effects which stimulate developmental activity cannot always be easily quantified; nevertheless they can, in certain cases, be real and substantial. As regards the financial return on investment in new lines, only some of the expected increase in income in the region might be recouped in the form of freight and fare charges. From the wider social angle and the need for balanced regional development, provision of rail transport is, an essential facility.

5.9. Another important consideration from the wider social point of view is the contribution of rail transport towards national integration. Speedy and cheap transport has brought different points of the country closer to each other and has encouraged the movement of people from one part of the country to the other for business, trade, industry and for employment. Areas with anachronistic transport systems suffer from a feeling of isolation and lack of participation which has to be remedied.

5.10. A view can, therefore, be advanced that investment on new railway lines should not be guided by the sole criterion of financial viability but as an outlay for providing infrastructure facilities essential for the balanced development of the country, its defence and for social integration. The total benefits (financially quantifiable or otherwise) expected to accrue from each project may be worked out before it is cleared for construction and the project approved if these benefits balance or outweigh the social cost.

5.11. It has been further stated that in the present parlous position of Railway finances, and the high cost of construction, the Railways are not in a position to inject substantial capital investment in underdeveloped areas. Some suggestions which could be adopted to relieve the railways' financial burden are as follows:—

(a) The capital required for financing these lines should be free of dividend liability till the line becomes financially viable.

(b) Land should be contributed free of charge by the State Government or any other sponsoring authority. This will reduce the cost of construction and also give them a sense of participation.

(c) The operating losses suffered by the Railways on such railway lines should be borne by the General Revenues initially for a period of 20 years whereafter the position may be reviewed.

(d) The profitability of these lines could be reviewed every 5 years after the opening of the lines and if the working results show that the line is remunerative, or does not show any operating loss, the full exemption from dividend liability or bearing of operating loss by the general revenues could be suitably revised.

5.12. Explaining the financial implications of the suggestion that the operating losses suffered by the Railways should be borne by the General Revenues initially for a period of 20 years, the Ministry of Railways have in a written note furnished to the Committee, stated that "none of the new lines which have been approved so far for construction in the 5th Five Year Plan is likely to incur operating losses. A number of proposals are, however, under consideration which will have negative returns. The implications can be worked out only after a decision is taken for the construction of these lines."

5.13. As regards the reaction of the Ministry of Finance, the Ministry of Railways have stated that "the Ministry of Finance are of the view that the whole question of affording relief to the Railways on lines in backward areas may be considered by the Railway Convention Committee."

5.14. The Committee also desired to know whether the question of concerned State Governments either bearing the recurring operating losses or sharing on 50:50 basis with the General Revenues has been examined. The Ministry of Railways in a written note furnished to the Committee have stated that "participation of the State Governments in construction and also the operation of the lines was sought in the case of Shahdara-Saharanpur, Howrah-Amta, and Howrah-Sheakhala railway lines. In fact these lines were included in the budget with this understanding. The Government of West Bengal has, however, not accepted the arrangement."

5.15. The Financial commissioner for Railways has further observed in his Memorandum to the Committee that "there are, however, instances where the benefit attributable to investment in a new line is substantial although it may not yield an adequate financial return, regardless of the length of time-horizon taken into consideration. There are regions in India where, because of inadequate alternative transport facilities, the value of social benefits that can be attributed to a new line can far exceed the amount actually received by the Railways from its users. For one thing, such a line provides the travelling public and other users with a service that can be cheaper or more convenient than other existing means of transport. For another, the opening up of a region through a rail link facilitates economic expansion and growth of incomes by widening, or creating markets for its products. As such, in spite of a fairly high social return, the financial yield to the Railways may turn out to be low, or even negative.

5.16. The 1971 Convention Committee had explicity recognised the necessity for providing financial relief, over a specified period, in the case of capital outlays in new lines because of the long-run character of the profitability of such investment *vide* their recommendations extracted below:—

(1) The existing arrangements of (a) deferring the payment of dividend on the Capital-at-charge of new lines charge-

able at the average borrowing rate of interest during the period of their construction as well as for the first five years after their opening; and (b) closing the account of deferred dividend of new lines after a period of 20 years from the date of their opening, extinguishing any liability for deferred dividend not liquidated within that period, may be continued.

(2) Having regard to the long period of construction|gestation of railway investment in general and the time taken by such investments to reach full earning potential, 25 per cent of outlay in a year on work-in-progress (which would otherwise be liable to payment of dividend) may be exempted from payment of dividend for a period of 3 years.

These recommendations were duly adopted by Parliament in December, 1971 and covered the Fourth Plan period 1969—74.

5.17. The Financial Commissioner for Railways has further stated that "it is to be considered now whether relief should also be accorded to the Railways on a systematic basis on account of investments in new lines which, though financially unremunerative, are demonstrably profitable from the wider social point of view."

5.18. In December 1974 in a supplementary memorandum, the Financial Commissioner for Railways suggested to the Committee that having due regard to the long period of construction|gestation of railway investment in general and the time taken by such investments to reach full earning potential, exemption from payment of dividend for a period of three years may be given in respect of 50 per cent of the outlay in a year (instead of 25 per cent as at present) on Capital-works-in-progress, other than those pertaining to strategic lines, Northeast Frontier Railway (Commercial), over-capitalisation, ore lines, Jammu-Kathua and Tirunelveli-Kanyakumari-Trivandrum lines, New Lines and P. & T. line wires.

5.19. After considering the matter, the Railway Convention Committee, 1973 stated in their Sixth Report that having regard to the difficult financial position of the Railways, the Committee had no objection to the proposed relief being given. They, therefore, recommended that 50 per cent of the capital outlay in the years 1974-75 and 1975-76 on Capital-works-in-progress, other than those pertaining to strategic lines, Northeast Frontier Railway (Commercial), over-capitalisation, ore lines, Jammu-Kathua and Tirunelveli-Kanyakumari-Trivandrum lines, New Lines and P&T line wires, might be exempted from payment of dividend for a period of three years.

5.20. The Committee enquired about the position obtaining in foreign countries regarding giving financial relief to the Railways for undertaking construction of new railway lines. The Chairman, Railway Board, stated during evidence that generally speaking, subsidies were provided by sponsoring authority or the Central Government. In some countries like U.K. in an effort to reduce the subsidies the railway kilometres were reduced by nearly 50 per cent and all the branch lines had been closed. Even so, the British Railways were still not in a position to meet all their costs and were being subsidised to the extent of £150 million annually. When asked to state whether it was not necessary to open up those parts of the country which were still suffering for want of communications, the Chairman, Railway Board, stated: "I fully agree with you. As I have mentioned earlier, the requirement of such railway lines is so large in our country that we have always been up against the resources. Our resources in the past had just been enough, or were only marginally available for the so-called developmental lines; wherever we had put in lines, all the money has gone into them. If more resources could be found for the construction of new lines in the Plan, we would certainly welcome it."

5.21. The Financial Commissioner for Railways added during evidence that in the planned economy of the country the role of railways has been so assigned that they have to undertake transport of bulk commodities and other long distance traffic. New lines could be built within the availability of resources and if it was expected that these lines even after a few years would be unremunerative, the Railways should be fully compensated for the losses.

5.22. The Committee enquired about the criteria adopted by the Railways to satisfy themselves about the viability of new railway lines and the circumstances under which they felt the need for obtaining a guarantee from the Khetri Copper Project Authority to make good the losses, if any, on the Dabla-Singhana metre gauge line. In reply the Chairman, Railway Board stated during evidence: —

> "As fr as new lines are concerned, we made a provision on the basis of the traffic that we expect on these lines. For the last ten years, we have been doing it on the basis of 30 years. If it is project of a general nature, we have to estimate what is the potential of that area, and what is

likely to be realised in terms of passengers and goods traffic. On that basis, we make an estimate for ten years or 15 years or 30 years. If a line is tied up with a specific industry, then, of course, we go by the expected production whether it is a mining project or an industrial project. In a mining project, of course there is an increase in production as time goes on. In the case of the Khetri Copper Project, we were not sure exactly how the production was going on, and whether it will be actually taken up in the phased manner, in which they said that they would do it. It was probably one instance where we did ask what would happen if the production did not come up to the level that they had indicated to us, because copper was the only product that would move over this line. Normally, what happens is that a line like this is provided either as a new line or assisted or private siding but in this case as the distance was 10 miles or 15 miles or 20 miles, we did not want to get into any of the investments in the railways. Our point of view was really that this could be siding exclusively for their use as we did not like to go into any of the investments."

New Lines constructed since 1950-51:

5.23. The Financial Commissioner for Railways, in his Memorandum to the Committee has stated that the figures of financial returns of 25 lines out of the 73 new lines taken up for construction since 1950-51 are not available. These include 6 lines which are still under construction. Out of the remaining 48 lines, 25 are unremunerative according to the latest available figures, the rest being remunerative.

5.24. Regarding the action taken by the Railways to reduce the losses on such lines, the Ministry of Railways have stated in a written note that many of these lines were project oriented and were constructed for the movement of mineral products like coal and iron ore. As production in related products did not materialise to the anticipated levels for a variety of reasons, earnings fell below the estimates. In the case of some lines, there is severe competition from the road and the scope for increasing earnings is limited. Some of the lines were not expected to be remunerative at the time of their construction. They were taken up to develop and meet the transport needs of the areas. A few were taken up on strategic considerations. Industrial and agricultural development has not synchronised with the development of rail. facilities in these areas.

5.25. It has been stated that Marketing and Sales Organisation on the Railways have been directed to attract more rail traffic. The expenditure on staff, fuel and other maintenance stores has also been numerically/quantitatively kept at the minimum consistent with operational needs but these efforts have been considerably off-set by the effects of inflation.

Construction of New Lines in Backward Areas:

5.26. In his budget speech for 1973-74, the Railway Minister had observed that an entirely new approach might have to be thought out to facilitate construction of new lines and that some formulate which could be adopted towards this end were as follows:

"(i) Exemption, full or partial, from payment of dividend liability to the General Revenues during the period of construction and for a specified number of years after completion and opening to traffic;

(ii) Participation of State Governments or local authorities in reducing the cost of construction by giving the land and labour content of construction free of cost;

(iii) Suitable adjustment upwards of fares and freights structure applicable to the newly constructed line which in common parlance is called 'inflation of chargeable mileage'.

(iv) Levy of fares and freight on a discontinuous basis as to be a set-off against telescopic structure of standard fares and freight."

The Committee desired to know whether the formulae mentioned at items (ii) to (iv) were adopted while formulating the proposals for construction of new lines to be taken up during the year 1974-75, and if so, the details thereof.

5.27. The Ministry of Railways have stated in a written reply that the following projects have been or were proposed to be taken up during the year 1974-75 in furtherance of the policy of the construction of new Railway lines enunciated by the Minister of Railways during his speech while presenting the budget for the year 1973-74.

(i) Construction of new B.G. line from Nadikude to Bibinagar.

(ii) New B.G. line from Rohtak to Bhiwani.

(iii) Provision of B. G. rail link to Ramnagar and Kathgodam from Moradabad to Rampur.

(iv) Construction of new M. G. line from Sakri to Hasanpur.

(v) Construction of a new B.G. line from Jhanjharpur to Laukaha Bazar.

(vi) Construction of a new B.G. line from Jakhapura to Banspani.

5.28. The following steps have been taken to improve the financial viability of the lines under the new policy:

(i) Nadikude-Bibinagar	Land is being provided by the Governmen of the State of Andhra free of cost. Chargeable mileage will be inflated by 50%.
(ii) Rohtak-Bhiwani	Cost of land is being borne by Haryana State Government. Chargeable mileage to be inflated.
(iii) B. G. rail link to Ramnagar and Kathgodam from Moradabad and Ramnagar.	The final location survey is in progress. After the exact costs and financial returns are known, the State Govt. will be addressed.
(iv) Sakri-Hasanpur	State Government is being requested to give land for the project free of cost. The inflation of chargeable distance is also under examination.
(v) Jhanjharpur-Laukaha Bazar.	The State Government have been requested to give land for the project free of cost.
(vi) Banspani-Jakhapura	It is proposed to take up the construction of this line on the basis of 50% participation by the State Government. The State Govt. of Orissa have been addressed in this connection.

5.29. It will thus be seen that the device of inflating the distance for charge to augment the earnings is adopted over the new lines wherever it is found that the traffic can bear such inflated rates. When the inflation in chargeable distance is resorted to, levy of fares and freights on a discontinuous distance basis does not arise as this has the same object as inflating the distance.

5.30. It is observed that in furtherance of the policy of construction of new railway lines, enumerated by the Minister of Railways during the budget speech while presenting the budget for 1973-74, 6 projects have been or were proposed to be taken up during 1974-75. It is seen that in some cases the State Governments have offered land free of cost while in one case namely, Banspani-Jakhapura line, it is proposed to take-up that project on the basis of 50 per cent participation by the State Government. The Committee desired to know whether the Central Government have laid down uniform terms and conditions for State Governments for undertaking the construction of economically non-viable new lines sponsored by the State Governments.

5.31. The Ministry of Railways, in a written note furnished to the Committee, have stated that there are wide differences between the financial viability of different railway lines in backward areas, the nature and the potential of and the measures required to be taken to make them financially viable. A number of proposals have been received for construction of new railway lines from different State Governments some of which fall marginally short of the criterion of financial viability and only a small contribution in the capital cost in the form of land or labour would make them viable, while there are others which hold out little prospect of becoming viable even in distant future and will continue to incur heavy operating losses in the foreseeable future. There is a third category the financial viability of which depends upon certain actions of the respective State Governments such as development of industries and regulation of road transport in the area to be served by the railway line. In such cases, the participation of the State Governments in the capital cost of construction would be a guarantee that they do not back out of their commitments.

5.32. It may be mentioned here that 50 per cent participation of the State Governments was envisaged in the Construction of Shahdara-Saharanpur. Howrah-Amla, Howrah-Sheakhala railway lines which were company owned narrow gauge railway lines initially and were unable to continue the operation because of the severe competition with the road transport which is controlled by the respective State Government 50 per cent participation in the construction of Jakhapura-Banspani line was also suggested in order to serve the commitment of the State Government for making matching developments such as the exploitation of iron ore deposits in the area, without which the line will attract very little traffic. Also since there is a specific provision of Rs. 500 crores in the 5th Plan for development of backward hilly areas and since the line qualified for being considered under this provision it was suggested to the State Government to earmark funds for the line out of their share of these funds.

5.33. During evidence, the Committee enquired about the criteria followed by the Railways at present for sanctioning the construction of new lines in the backward areas. The Chairman, Railway Board, stated that by and large they preferred to build a new line if it was tied up with a specific project. Explaining further he stated that the basic problem was that there was a general shortage of resources and the question was how much backward was the area and how much it was going to produce and how much contribution it would make. "There is no specific criterion." When the Committee pointedly asked the representative whether the Railways had sanctioned any new lines specifically for the backward areas, the Chairman, Railway Board stated "so many parts of the country are backward. For instance Bailadilla line was built in a backward area. But there is a specific mining project there."

5.34. The Financial Commissioner for Railways added that "we have not to take into consideration the backwardness but the potentiality for growth." The Chairman, Railway Board, further stated that "one can say that the whole country is backward. You cannot say that this area is specifically backward. Only a few parts are developed ones."

5.35. The Committee drew the attention of the representatives of the Ministry of Railways to the fact that the backward areas have some virgin areas with great potential in minerals, forest produce etc., and enquired whether the norms laid down for new lines were not to be changed in the light of these circumstances. The Chairman, Railway Board, stated that "basically it is a question of remunerativeness. We are asked to produce this much of yield from our operations. Now if we are asked to build unremunerative lines which are not likely to be remunerative for 10 years, how do you expect us to give the yield. In fact, we would be only too willing to build these lines provided you say for this period we would be given this concession. We want to build these lines. Nothing would suit the Railways better than to expand their system. Give us the resources. Give us the conditions under which these expansions have to be made and then we will do that. And also let the other parts of the country get the necessary investment for developing these resources."

5.36. The Committee asked about the firm criteria laid down by the Railways in undertaking construction of unremunerative new lines. The Chairman, Railway Board, stated that the question was whether the unremunerative lines would be tied to the projects or could not be tied to the projects. It depends on the level of traffic that was expected. For instance, Mangalore-Hassan line was expected to be unremunerative, but had to be built because it was connected with a Port.

5.37. In reply to a question as to the safeguards against individual likes and dislikes coming in the way of deciding the construction of new lines, the Chairman, Railway Board, stated that "all that I can say, Sir, is that the whole country is backward and that you have to see to so many conflicting demands if development is to be done. The unremunerativeness of some lines has to be accepted if Railway development is to be expanded in this country."

5.38. Asked to state how the Railways decided priorities in the matter of construction of lines, the Chairman, Railway Board, replied that the priorities were also changing from time to time. Planning priorities had also changed and this was not confined to the Railways alone.

5.39. The Financial Commissioner stated that the unremunerativeness of the lines being equal, certain priority had to be given to the restoration of dismantled lines, the argument being that certain lines which were already built and certain facilities which were once available should be made available again.

5.40. On the question of expansion of new lines network, the Chairman, Railway Board, stated that "I would say that there has always been shortage of resources and there has never been a time when we have not been short of resources for this purpose. This is a recognised fact. We are prepared to do our best. After all, in the 25 years we have expanded our network only by 6,000 kilometres. As far as our capability goes, we could do easily six thousand kilometres in one Plan period. There is no problem from our side. The main problem is what are the resources, which are the areas, where it should be provided and what are other matching facilities which must go in those areas. Six thousand kilometres in a Plan period is no problem. I would like to bring to your notice another problem which is perhaps even greater problem and that is the question of our metre-gauge lines. Of the total 60,000 kms. only half of our track today is broad-gauge. We do think that metre-gauge and the narrow-gauge lines by themselves retard the development of the country. Another difficulty is that we have transhipments between the broad-gauge and the metre-guage lines and this dual gauge system is retarding the quick handling of goods. Here on the one hand, a large part of our country is provided with transportation facilities and on the other, we have half the network which is not a complete rail transport system. So, for completing the expansion work, how do we get the resources and whatever way we do it that is a long term process."

5.41. The Committee wanted to know when the State Governments were approached to set aside funds for construction of railway lines in backward areas out of funds allotted in the Fifth Plan for development of backward hilly areas and what was the response from the State Governments. The representative of the Ministry of Railways stated during evidence that "for the development of backward areas, our approach has been three-fold. In the North-Eastern region, we requested the North-Eastern regional Council to share some part of the amount of Rs. 500 crores which had been given to them. But they have refused to share. They said that the construction of railway lines should be done by the Railways themselves from out of their finances. Then we approached the State Governments in regard to a particular line construction. We requested them to pay for the cost of land and also participate in doing the earth-work for the line construction. We also requested the State Government (U.P. State Government) to bear half of the cost of construction of the Shahdara-Saharanpur Railway line. They agreed that they would share the cost; but I would say that mostly the State Governments' resopnse is a negative one."

5.42. When specifically asked to state whether the Railways have approached any State for the construction of railway line in the hilly region apart from the North Eastern Region, the representative of the Ministry of Railways stated that they had approached the U.P. State Government in regard to the construction of Shahdara-Saharanpur line, Orissa State Government in regard to the construction of Jhakapara-Banspani railway line and the West Bengal Government in regard to Howrah-Amta railway line construction He also stated that at one time the West Bengal Government had agreed to share the cost of construction but they backed out and the Railways had to complete the work without their sharing the cost. The Orissa State Government had also not agreed to share the cost.

Resources for Construction of New Lines:

5.43. It has been stated that the Railways have asked for a separate allocation outside the Railway Plan of a sum of Rs. 255 crores for new lines/conversions for development purposes. The Committee desired to know the basis on which this figure was arrived at and whether the Planning Commission has accepted the proposal.

5.44. The Ministry of Railways, in a written note furnished to the Committee have stated that on receipt of a number of representations from various Members of Parliament and Chief Ministers of States asking for new railway lines which do not fully qualify the test of remunerativeness, the then Minister of Railways Shri Pai had (on 4th January, 1973) requested the Minister for Planning to provide for a sum of Rs. 125 crores for meeting the expenses of these unremunerative lines. It was estimated at that time that these demands, necessary for the development of backward areas, may add up to 1000 kilometers during the Fifth Plan period. At the rate of Rs. 12.5 lakhs per kilometer on a rough estimate, the cost of 1000 kilometers was reckoned as Rs. 125 crores and it was on this basis that this request was made. The same view was also expressed in the budget speech of the Minister for Railways in 1973-74:

> "The classical concept of traditional economic viability needs to be re-adapted in the light of the historical experience gathered from the economic development of different societies. The principle that transportation infra-structure must evolve along the pattern determined by pre-existing economic viability needs to be modified to the extent that very often the creation of the infra-structure themselves lead to additional demand and increased commercial prospects. In selected areas the calculus of short-term economic returns must yield place to the long-term benefits through a policy of deliberate developmental expenditure."

5.45. Keeping in view this policy and the further developments related to the then existing drought situations, it was explained to the Minister for Planning that the Railways were embarking on the extension of Diva-Apta line to Dasgaon and were taking up a detailed survey beyond up to Mangalore. In addition to this new line, an unremunerative conversion viz. Manmad-Mudkhed-Purli-Baijnath was also initiated in connection with the drought relief. A detailed engineering survey was ordered for gauge conversion of Miraj-Latur Section also. Similar projects in other regions for similar reasons as well as for development of backward areas were being considered for being undertaken and it was under these circumstances that the Planning Minister was once again requested by the Minister for Railways on 8th March, 1973 to increase the proposed allotment of Rs. 125 crores to Rs. 255 crores.

5.46. Giving the latest position, the Ministry of Railways have stated in a written note furnished to the Committee that Rs. 100 crores have been allotted for construction of new railway lines in the Draft 5th Five Year Plan. The Planning Commission were requested to allot an additional amount of Rs. 255 crores for the construction of new railway lines in backward areas outside the Railways' own plan as most of these lines were expected to be unremunerative. The Planning Commission have not found it feasible to allot these additional funds. The Minister of Railways has recently suggested discussions at the highest level between the Ministries of Railways and Finance and the Planning Commission. The discussions have, however, not taken place so far.

5.47. It has been further stated that the Ministry of Finance was addressed for the waival of dividend liability and under-writing the operating losses for the construction of railway lines in backward areas in some of specific cases. They have expressed the view that they might present their case to the Convention Committee who were already dealing with the problem.

5.48. On the resources available for construction of new railway lines, the Chairman, Railway Board, stated during evidence that for the Fifth Plan period the Railways have been allotted Rs. 100 crores although they had asked for Rs. 255 crores. Though two years have since passed, they were not able to get the amount asked for. When asked specifically whether a new fund for opening new lines could not be set apart, the Chairman, Railway Board stated that "this was the concept a few years ago that out of the surplus of the Railways a development fund should be set up and new lines should be constructed. But the then Convention Committee took a decision that all new lines should be charged to capital and not to development fund. Under these orders of the Convention Committee, if a line is chargeable to capital, for capital allocation we are dependent on the Ministry of Finance and the Planning Commission. Ultimately, the question still boils down to one of resources in whatever form they are obtained, either through rates and fares or taxation or savings from income of the community. But at the same time I would like to mention that we have, generally, no surplus. We are borrowing Rs. 20 crores for passenger amenities and expenditure on development works; we are unable to generate even that much surplus money."

5.49. The representative of the Planning Commission, explaining the position regarding allocation of resources for construction of new railway lines, stated during evidence that the Railways had approached the Planning Commission for a specific provision of Rs. 255 crores for certain new railway lines and conversion schemes in backward areas and the Planning Commission conveyed their inability on account of resource constraints because ultimately it was the question of priorities. The Commission have given only Rs. 100 crores during the Fifth Plan for new lines.

Originally it included Rs. 40 crores for the spill-over schemes of the Fourth Plan, but the cost has now gone up and it should be Rs. 55 crores now. Thus about Rs. 40 crores only might be available for new lines and these new lines would primarily be those which would meet the requirements of heavy industries, movement of coal etc. and would be essentially task-oriented.

5.50. The Committee enquired whether the broad details regarding utilisation of the specific provision of Rs. 500 crores in the Fifth Plan for the development of backward hilly areas had been worked out by the Planning Commission and if so the amount allocated out of this amount for construction of new railway lines in the backward areas. The representative of the Planning Commission stated during evidence that "there is a provision in the draft 5th Plan for Rs. 500 crores for the development of hilly and tribal areas. Out of this amount, tentatively Rs. 100 crores have been given to the North-Eastern Council and distribution of the remaining Rs. 400 crores between the tribal and hilly areas is yet to be finalised. We are not in a position immediately to give the details of this, because this has yet to be finalised. The provision made for the North-Eastern Council of Rs. 100 crores includes some provision for traffic surveys. There are 5-6 traffic surveys for new lines being undertaken by the Railways on their behalf. The amount for this is about Rs. 45 lakhs. That has already been provided.

"The Planning Commission is of the view that necessary provision for development of the backward areas is not necessarily to be through construction of new railway lines. As was mentioned by the Financial Commissioner, Railways, rail transport is inherently better suited for long distances while the road transport has the advantage of distribution of goods in small quantities over short distances. In taking new lines, priority is given to those lines which are project-oriented and are required in connection with mineral development or heavy industries. Further, the role of the new lines in improving transportation facilities in backward areas is also taken into consideration. So, it is not as if the utility of a line for promotional purposes is altogether left out. It is not so. But at the same time it is not the main criteria for providing a line. In fact it is one of the considerations which is borne in mind."

5.51. Regarding guidelines adopted by the Planning Commission for construction of new lines, the representative of the Planning Commission stated during evidence that "it is a question of priorities. When we say that a hundred crores of rupees is ear-marked for construction of new railway lines, naturally the first priority goes to the spill-over works because a lot of money has already been sunk in that. Then comes the question of how to spend the remaining amount. There we have laid down some broad guidelines that these lines should be mainly task-oriented lines which are intended to be used for transport of mineral, coal or even general goods traffic in areas where the capacity constraints are now coming in the way of flow of traffic. Broadly these are the guidelines and we leave it to the Railways and to their judgment to come out with their development programmes for new lines and we agree. We generally agree after examining the cases. It is not as if that lines for promotional purposes are not agreed at all. There are such cases where the Planning Commission has agreed to such lines."

B. *Restoration of Dismantled lines*:

5.52. As regards restoration of dismantled lines, the Financial Commissioner for Railways has stated in his Memorandum furnished to the Committee that the question of restoring some of the railway lines dismantled in the past owing to Second World War and other reasons has been engaging attention of the Ministry of Railways for quite some time.

5.53. In all, 26 branch lines falling in the Indian Union Territory were dismantled during the last world war for meeting urgent military requirements of track materials. Out of these 26 lines, 13 lines in full and the Rohtak-Gohana portion of Rohtak-Gohana-Panipat dismantled lines, have since been restored and opened to traffic.

5.54. In addition to the lines dismantled during the last World War, five metre gauge lines on the North-Eastern Railway falling in the Saharsa District of North Bihar and neighbouring areas were abandoned owing to ravages of the Kosi river and other streams which were constantly shifting their courses. After extensive flood protection works were executed in this area in mid-sixties, the restoration of the abandoned lines from Sapaul to Thurbita and Saraigarh were taken up. The work was completed in 1967.

5.55. It is considered that some of the abandoned sections not hitherto restored are urgently needed for the development of the backward areas. It is felt that but for abandoning of these rail links owing to war, floods, etc., they would have continued to function as integral parts of the railway system serving the growing needs of the region. The people of the respective areas have been persistently agitating for the restoration of the railway facilities which were available to them in the past.

5.56. Keeping in view expected social benefits particularly the induced economic expansion of backward areas, it becomes worthwhile to restore old links wherever the riverine conditions have stabilised or where there is an adequate developmental potential to be tapped.

5.57. The cost of restoration of dismantled lines is being charged to Depreciation Reserve Fund as they are in replacement of assets which once existed. As a result, the Railways do not have to pay dividend on the amounts spent on restoration of lines.

5.58. As regard the criteria adopted for restoring these lines, the Ministry of Railways have stated that no policy was laid down for the restoration of dismantled railway lines in the past. The restoration of particular railway line was taken up depending on the popular demand for the same, traffic and financial justification and availability of funds. The Minister of Railways in his budget speech while presenting the Railway Budget for 1974-75 has stressed upon the need for restoration of all those lines which once existed but had been removed due to war or floods etc. so that the people who enjoyed this facility of rail transport and were deprived of it, may have these facilities again. In pursuance of this policy, work has been taken up for the restoration of Dalmau-Daryapur, Gohana-Panipat, Saraigarh-Partapganj-Forbesganj and Chitauni-Bagaha railway lines. Construction of B.G. railway lines in lieu of the old narrow gauge railway lines between Howrah-Amta/Champadanga, Howrah-Sheakala and Shahdara-Saharanpur has also been approved. The restoration of Madhoganj-Auhadpur is also under consideration. However, the funds position is extremely tight and restoration of other railway lines can be taken up only when the funds position improves.

Cost of Restoration:

5.59. The Ministry of Railways have stated that the number of lines restored or the restoration of which has been approved is 18 and their estimated cost of restoration is about Rs. 23 crores.

5.60. The Committee enquired whether the Railways were satisfied that the restoration work of dismantled lines can be completed through financing from the Depreciation Reserve Fund or whether they had any alternative suggestion for financing this work. The Ministry of Railways have stated in a written reply that under the present rules of allocation, the cost of restoration is allocated to D.R.F. The estimated requirement of funds for the approved restorations is Rs. 12.27 crores where against a provision of Rs. 10 crores has been made in the Fifth Plan. This will not have any appreciable effect on the replacement of other assets as the total outlay under Depreciation Reserve Fund in the Railways' Fifth Five Year Plan has been assessed at Rs. 650 crores.

C. Conversion of M.G./N.G. Lines to Broad Gauge

5.61. The Financial Commissioner for Railways has stated, in his Memorandum submitted to the Committee that projects for conversion from narrow gauge or metre gauge to broad gauge are generally taken up when the sections get saturated and additional investments are needed in order to carry the traffic expected to move over them. The working expenses for broad gauge beyond certain levels of traffic are lower than that for metre gauge or narrow gauge. These projects can, therefore, be generally justified on the basis of financial returns. There are, however, many stretches of metre gauge or narrow gauge lines, the conversion of which cannot be strictly justified on the basis of financial returns. Break-of-gauge often acts as a disincentive for setting up industries and thereby impedes the development of the areas served by metre/narrow gauge lines. These projects could, therefore, be treated on the same footing as construction of new lines.

5.62. The Committee desired to know whether the Railways had prepared a long term integrated plan for conversion projects. The Ministry of Railways have stated that gauge conversion is one of the aspects being considered for the Corporate Plan of Indian Railways, which is being framed involving the Zonal Railways. In formulating the Initial Version of the Corporate Plan in 1973, 9,200 kilometers of metre gauge track at an approximate cost of Rs. 670 crores were identified for conversion to broad gauge. This assessment was based on the traffic projection for 1988-89 and covered the lines which would reach saturation level by then and where transhipment would be heavy. In the absence of detailed information, the traffic projections in this exercise were based on uniform growth of traffic on all lines.

5.63. Zonal Railways are now engaged in making forecasts of traffic of individual lines. A clearer picture of conversions required will be available only after the studies are completed by Zonal Railways.

5.64. After the completion of these studies, priorities of programming conversions on different lines will be drawn up. It may be possible to make out a phased programme by June 1976, by which time the substantive version of the Corporate Plan is likely to be completed.

5.65. The Committee note that under the Separation Convention 1924, a distinction was made for the first time between 'Commercial' and 'Strategic Lines' and it was decided that losses, if any, in the working of the strategic lines would be borne by the General Revenues. This was a distinct departure from the then prevailing practice of securing definite guarantees from the local Governments to meet the losses on lines sponsored by them for construction by private investors.

5.66. Another major change in policy was effected 25 years later on the recommendation of the Railway Convention Committee, 1949 which urged the Railways to discard their restrictive attitude and take up construction of un-remunerative lines as a necessary phase in the planned development of the country. Such lines, if found necessary, where to be financed from the Deve'opment Fund that was newly created out of the surplus revenues of the Railways. It was also provided that in respect of such new lines which yielded a remunerative return after 5 years of construction, the cost should be written back from Development Fund to Capital.

5.67. Considering that the number of new lines to be constructed which may not be able to pay their way, even after the development stage, would be few and far between and it may not be a heavy burden on the Railways to pay dividend to General Revenues on such lines, the Railway Convention Committee, 1954 recommended that all new lines (whether remunerative or unremunerative) granted a moratorium in respect of the dividend payable on the capital-at-charge of such lines at the average borrowing rate charged to commercial departments. At the same time, the Committee granted a moratorium in respect of the dividend payable on the capital invested on the new lines during the period of construction and upto the end of the fifth year of their opening for traffic, the deferred dividend being repaid from the sixth year onwards in addition to the current dividend out of the net income of the new lines. The Railway Convention Committee, 1965 further recommended that the account of deferred dividend on new lines may be closed after a period of 20 years from the date of their opening extinguishing any liability for deferred dividend not liquidated within that period.

5.68. The Committee thus observe that the 1949 Convention introduced fundamental and far reaching changes in the policy for construction of new lines and that in pursuance thereof, the Railways have undertaken construction of 73 new lines since April, 1950. The Committee further note that out of these 73 lines, actual financial returns for 25 lines (including 6 still under construction) are not available, while out of the remaining 48 lines, 25 are unremunerative according to the latest available figures.

5.69. A reaffirmation of the policy laid down by the 1949 Convention is reflected in the Budget speech (1973-74) of the Minister of Railways wherein he emphasised that "the principle that transportation infra-structure must evolve along the pattern determined by the pre-existing economic viability needs to be modified to the extent that very often the creation of the infra-structure themselves lead to additional demand and increased commercial prospects" and that "in selected areas the calculus of short-term economic returns must yield place to the long-term benefits through a policy of deliberate developmental expenditure."

5.70. Apart from suggesting exemption, full or partial, from payment of dividend liability to the General Revenues during the period of construction and for a specified period after completion, the Minister of Railways stated that certain other possibilities such as participation of State Governments or local authorities in reducing the cost of construction by giving the land and labour content of construction free of cost, suitable adjustment upwards of fares and freight structure applicable to the newly constructed lines, and levy of fares and freights on a discontinuous basis as a set- off against telescopic structure of standardised fares and freights, could be considered to facilitate construction of new lines in backward areas.

5.71. The Committee further note that the Planning Commission are of the view that development of the backward areas is not necessarily to be achieved through construction of new railway lines. Rail transport is inherently better suited for long distances while the road transport has advantage of distribution of goods in small quantities over short distances. Accordingly, in taking up construction of new lines, priority is given to those lines which are project oriented and are required in connection with mineral development or heavy industries.

5.72. The Committee note the contention of the Ministry of Railways that in the present parlous State of Railway finances and the high cost of construction, they are not in a position to inject substantial capital investment in under-developed areas. The

Ministry have accordingly suggested that they would be relieved of part of the financial burden if the land required for construction of new lines could be contributed free of charge by the State Governments or any other sponsoring authority. The Ministry have further suggested that the operating losses suffered by the Railways on such railway lines should be borne by general revenues initially for a period of 20 years whereafter the position may be reviewed every five years after opening, and if the working results show any operating loss, the full exemption from dividend liability or bearing of operating loss by the general revenues could be suitably revised.

5.73. While the Committee generally agree with the approach enunciated above, they consider that in the present parlous state of Railway finances when they are heavily indebted to General Revenues, any further burden by way of additional dividend liability and recurring losses on such lines, is bound to be back-breaking and may in fact shatter the entire fabric of the Railway system in the country. Grant of further reliefs in this respect would, apart from vitiating the entire concept of dividend, be only an easy expedient to skirt the problem. On the other hand, the Committee recognise that the need for opening up backward areas is also urgent and pressing. In the situation, the only course left open to the Government, in the view of the Committee, is to enunciate a clear-cut policy whereunder the Central and State Governments would be willing partners in mobilising the capital needed for such lines and in sharing the losses in their operation. The Committee feel that such an approach would go a long way not only in curbing extravagant demands for new lines but would also result in meaningful rail-road coordination. As a corollary, State Governments should be willing for closure of patently uneconomic Branch Lines if other transport means adequately meet the developmental requirements of the area. The Committee have dealt with this aspect in greater detail in the Chapter on Uneconomic Branch Lines.

5.74. So far as the New Lines constructed, say during the last 15 years are concerned, the Committee desire that the financial results of working of such lines should be critically reviewed at least once in every three years and the results of such reviews should be suitably publicised so that public opinion as well as the State Governments concerned are better informed and are in a position to give positive suggestions to improve their working and augment the earnings.

5.75. So far as restoration schemes are concerned, the Committee note that these are financed from the Depreciation Reserve Fund with no dividend liability. The Railway Convention Committee, 1971 had pointed out in paragraph 2.17 of their First Report on Accounting Matters that contributions to the Depreciation Reserve Fund were made in an ad-hoc manner on the basis of 'rough' estimates of accrued depreciation—arrear as well as current. The Committee had desired that the matter may be examined by an expert Working Group so that the depreciation requirements could be assessed on a scientific and rational basis. The Report of the Working Group appointed in pursuance of the above recommendation of the previous Convention Committee, is still awaited.*

5.76. The Committee observe that the Depreciation Reserve Fund had a closing balance of Rs. 195.74 crores as on 31st March, 1975 (Revised Estimates). They would nevertheless like to point out that so far as restoration schemes are concerned, a material change in the situation might have occurred in certain cases with the development of road transport during the intervening period and that many such schemes may now prove to be a further drain on Railway finances without any commensurate benefit to the development of the economy of the area. The Committee, therefore, desire that the Ministry of Railways should examine such proposals in great depth and take specific approval of Parliament by treating it in the same manner as a "New Service" before committing their scarce resources. Where the concerned State Governments or other authorities come forward to meet the capital cost and share the losses, the matter should be fully gone into and the full financial implications mentioned in the Budget documents while seeking Parliament's approval.

5.77. So far as conversion schemes are concerned, the Committee note that projects for conversion from narrow gauge or metre gauge to broad gauge are generally taken up when the sections get saturated and additional investments are needed in order to carry the traffic expected to move over them. There are, however, many stretches of such lines where break-of-gauge acts as a 'disincentive' for setting up industries. The Ministry of Railways feel that such projects could be treated on the same footing as construction of new lines which though financially unremunerative, might be necessary for the development of backward areas.

5.78. The Committee note that the Zonal Railways are presently engaged in making forecasts of traffic of individual lines which could be considered for conversion under the Corporate Plan. The Committee trust that full details and financial implications of the conversion proposals to be incorporated in the perspective Corporate Plan would be worked out in depth and fully gone into. The Committee would also like to emphasise that the Railways should

*Since received.

carefully assess the operational requirements and overall economics of each project before committing their resources. In case it is found that a project would not be financially remunerative, the sponsoring authorities might be asked to share the capital cost and the operating losses on an equitable basis as in the case of new lines proposed to be constructed in backward areas. Full facts and financial implications should be invariably indicated clearly and in sufficient detail in the Budget papers while seeking Parliament's prior approval.

5.79. In paragraph 16 of their Sixth Report, the Railway Convention Committee had recommended that 50 per cent (instead of 25 per cent as hithertofore) of the capital outlay in the years 1974-75 and 1975-76 on works-in-progress other than those pertaining to strategic lines, North East Frontior Railway (Commerical), over-capitalisation, ore lines, Jammu-Kathua and Tirunelveli-Kanyakumari-Trivandrum lines, new lines and P&T line wires, may be exempted from payment of dividend for a period of three years. This recommendation has since been approved by Parliament.

5.80. Having regard to the difficult financial position of the Railways and also taking into consideration the long period of contruction/gestation of Railway investment in general, the Committee recommend that 50 per cent of the outlay on capital works-in-progress, other than those specified above, may continue to remain exempted from payment of dividend for a period of three years in each case, during the entire period of the Fifth Plan i.e. 1974—79.

CHAPTER VI

OTHER SOCIAL OVERHEADS

6.1. The Financial Commissioner for Railways, in his Memorandum submitted to the Committee, has stated that apart from the social burden losses that can be attributed to certain types of goods and passenger traffic, the finances of the Railways are burdened further by substantial expenditure on medical facilities, subsidised housing for railwaymen and educational benefits provided to the employees or their dependents. Besides, the Railways incur the cost of maintenance of Railway Protection Force as well as bear a part of the expenditure on police deployed by State Governments on "order" duties. Expenses under all these heads amounted to Rs. 47.42 crores in 1970-71; by 1974-75 they have risen to nearly Rs. 77.68 crores.

6.2. The overall expenditure incurred by the Railways under these miscellaneous heads year-wise, since 1970-71 has been as follows:

(Rs. in Crores)

	1970-71	1971-72	1972-73	1973-74	1974-75
1. Health, Medcial and Welfare Services.	18·87	20·35	21·22	26·77	33·53
2. Railway Protection Force, Order police, etc.	15·55	17·07	18·44	21·42	27·62
3. Subsidised housing for employees. . .	10.00	10.60	11.00	11.00	11.30
4. Educational assistance to railway employees' children	3·00	3·00	3·28	3·43	5·23
TOTAL	47·42	51·02	53·94	62·62	77·68

A.—Health, Medical and Welfare Services

6.3. Indian Railways have a full-fledged Medical Service, manning a net-work of hospitals and health units, providing medical and health facilities to the Railway employees and their families and dependents.

6.4. Health Services on the Railways cannot be considered a social burden on the Railways because under Rule 916 read with Rule 102(7) of the Indian Railway Establishment Code Vol. I, it is the obligation of the Government of India in the Ministry of Railways to provide free treatment as is required by an employee, his family members and the dependents. The only difference in the method adopted by the Railways and other Ministries of Government of India, who also have similar provisions in rules for free medical treatment to their employees, families and dependents, is that on the Railways, this treatment is given through the Railways' own Medical Department while in the case of other Ministries, it is done through the State/other Government Hospitals/recognised private practitioners/other recognised private hospitals etc. or reimbursement is made for the treatment given through these agnecis.

6.5. The beneficiaries on the Railways include the regular employees numbering about 14 lakhs and their family members, casual labour numbering another about 3 lakhs and licensed porters at Railway stations numbering about 0.5 lakhs. The total amount spent on Health & Medical services on the Indian Railways is about Rs. 21 crores in 1972-73, the amount spent per employee coming to Rs. 165/- per annum.

6.6. The amount booked as total expenditure under medical and health includes the following items of expenditure on:—

(i) Treatment of the beneficiaries as stated in para 6.5 above.

(ii) Enforcement of Food Adulteration Act for Passengers.

(iii) Inspections under Factories Act, Workmens' Compensation Act connected with Railway Workshop, *i.e.*, in short, Industrial Hygiene.

(iv) Treatment of retired railway employees under the Retired Railway Employees Contributory Health Scheme.

(v) Environmental sanitation of the railway colonies.

(vi) Environmental sanitation of railway stations, Goods Sheds, Yards, approach roads, etc.

(vii) Expenditure on maintenance of Accident Relief Equipment, training in First-Aid obligatory under the law and such other inspections etc. required to keep the Accident Relief machinery trim and upto date at all times.

(viii) Certification of sickness and fitness of the employees for the administrative requirements.

(ix) Medical xamination of employees on appointment and during service to ensure safety in working.

(x) St. John Ambulance Activities.

6.7. It will be seen from the above that items (i), (ii) and (iii) are covered under statutory requirements. Rest of the items are administrative requirements of the Railways. Even if the health requirements of the Railway employees and families were to be looked after by the States, a part of the existing organisation will still be required for the administrative requirements of the Railways, as the States or even the Ministry in the Centre will not be in a position to take over these diversified and specialised functions.

6.8. The question whether it would be judicious to adopt the system of reimbursement as is followed by other Ministries of Government of India with regard to fulfilling the statutory requirements of providing free treatment to the employees, families and eligible dependents has not been subjected to a detailed examination by the Ministry of Railways. It is understood that there has been misuse of the re-imbursement facilities elsewhere and even the P&T Department are thinking of setting up a network of health units for their employees.

6.9. For reasons of economy, there has been a freeze on creation of posts now for many years and this ban has been extended further. Practically no new works have been undertaken. However, there has been a steady rise in the expenditure on Health and Medical facilities on account of the following:—

(i) Increase in the cost of (a) staff, (b) medical stores, (c) drugs.

(ii) Increasing illness among population due to malnutrition;

(iii) With advances in science, it is possible to save many more lives, but such crippled people as with diabetes, high blood pressure, heart disease, etc. who do not die, continue to need medical attention and medicines.

(iv) Creation of facilities and posts, even though small in number, under pressure.

6.10. In order to obtain the optimum utility of the existing assets, under the existing circumstances, Indian Railways pioneered a course in Quantitative Management Techniques in the Railway Staff College, Baroda in January, 1974. At this course, two senior Medical Officers from each Railway were trained. Railways have now been asked to utilise their services to train others and to adopt the various techniques in the Hospitals.

6.11. Looking back over years, it is found that even before these scientific methods were utilised, this Department has absorbed a lot of additional work by bringing in improvements by intuition and commonsense methods. For example, even though the number of Safaiwalas over the last two decades has not increased, the work of cleaning the number of Railway quarters which was only 3.2 lakhs in the year 1951-52 and which has increased to over 5.3 lakhs in 1971-72, has been done without any additional staff. This is not to take into account the additional stations, larger buildings, concourse waiting halls, goods sheds etc. that have been added over the same period whose cleaning also depends on this force. Similarly, the medical services have made an improvement both in quality and quantity over these years. The number of health units and beds has increased, so have the standards of services as also the number of beneficiaries, which has also doubled during the past decade or more. The increase in the health care staff has not been proportionate.

6.12. Asked about the position pravailing on Railways abroad in regard to provision of medical facilities to their staff, the Ministry of Railways have stated that no such information is available in the Health Directorate of the Ministry of Railways or in the Ministry of Health. It is also neither available with W.H.O. nor with the U.I.M.C. (International Union of Railway Medical Services). U.I.M.C. has information about its member Railways, which are mostly European Railways. Other than the European Railways, the Members of U.I.M.C. are Japan Zaire etc.

6.13. From the indirect information available as a result of literature studied and reports and also through U.I.M.C. deliberations, it is seen that the pattern differs between the developed and the under-developed countries. In the European countries, the Railways maintain an expert group of medical officers who are not concerned with the treatment of the employees so far as routine ailments are concerned. Their organisation looks after the administrative department, besides research and development with regard to design of coaches, locomotives, signal panels, factories and other workshop situations. In all these nations, the routine health care is looked after by the national health services. The same applies to Japan.

6.14. With regard to undeveloped countries, no definite information as such, is available except that in Pakistan the pattern of health services is the same as ours. In Burma, perhaps, it is so as their Medical Officer, who had to ultimately take over as Chief Medical Officer of Burmese Railways, was sent for training with the Indian Railways, and it is understood that he went back and organised Burmese Railways on that basis.

6.15. Asked about the position prevailing in regard to medical facilities for the staff of Posts & Telegraphs Department and other major civil departments of the Government of India and Public Undertakings, the Ministry have stated that the practices prevailing are not uniform. The most common practice is for the employees of the Central Government other than the Railways, to obtain medical treatment through the recognised hospitals of the State|local bodies|philanthropic missions and other organisations. The Contributory Government Health Scheme which covers the Central Government employees is available only in selected cities. The contribution is made by the Ministry and the employees. In the year 1972-73 the contribution made by about 2000 employees of the Ministry of Railways covered under C.G.H.S. was about Rs. 48,000 *i.e.* Rs. 24.00 per head. The Railway Ministry paid Rs. 3,60,000 *i.e.* Rs. 180/- per employee, in addition, making a total *per capita* expenditure of Rs. 204/- per head per annum. As against this, on the Railways, the *per Capita* expenditure including the expenditure on various administrative needs of the Medical Department for the same year has been only Rs. 165|- per annum.

6.16. In regard to the employees of other Departments who are entitled to reimbursements, the figure for reimbursements worked out per employee is not available. However, it became apparent in some of the Coordination Meetings where representatives of P&T and other Departments were present that there has been misuse of the re-imbursement facilities and they have been generally unhappy with the arrangements. The P&T had therefore, been asking the Railways to take over the health care of their employees at an increasing number of stations. They have also decided to set up a net-work of Health Units for their employees.

6.17. With regard to large Public Sector Undertakings like B.H.E.L., Hindustan Steel Limited, etc., many of them have got their own whole-time Health care arrangements, i.e. Hospitals, medical staff etc. Information regarding their *per capita* expenditure and as to who are all entitled to treatment under their rules, is not readily available.

6.18. The expenditure incurred by the Railways during each of the last five years on health and medical services on the Indian Railways is as under:

	(Rs. in Crores)
1969-70	16·8
1970-71	18·55
1971-72	20·13
1972-73	23·30
1973-74	23·07

6.19. The amounts indicated above also include the cost incurred by the Health Department on the Railways on administrative functions administered through the Department, as under:

(i) Medical examination of candidates on appointment.

(ii) Medical examination of employees during service to ensure safety in working.

(iii) Enforcement of Prevention of Food Adulteration Act for passengers.

(iv) Maintenance of Accident Relief equipment, etc.

(v) Environmental sanitation in railway stations, railway colonies, goods sheds, yards, approaches, etc.

(vi) Certification of sickness and fitness of the employees for the administrative requirements.

Sharing of Expenditure:

6.20. As on date, the Central Government is committed to provide total health cover to their employees, family members and dependents, including railway employees. Though Health is a State subject, the State Govenrnments have not yet taken over the responsibility of total health. If the Railways were not to provide the medical and health facilities by themselves to the railway beneficiaries, the expenditure incurred by their employees will have to be re-imbursed to them. Th re-imbursement cost might be more than the expenditure incurred by the Department on the services provided by them.

B. Railway Protection Force, Order Police etc.

6.21. The Ministry of Railways have stated that the Railways have also to maintain the Railway Protection Force (R.P.F.) for the protection of railway assets and property and meet a part of the expenditure on police deployed by the State Government on 'order' duties, crime prevention, maintenance of law and order. The protection of property against criminal and lawless acts is a function of the State and railways' expenditure thereon, therefore, classifies as social costs incurred by the Railways.

6.22. The Committee desired to know whether the Railways were willing to transfer the function of protecting railway property and assets to the State Governments. The Ministry of Railways have stated in a written reply that the Railway Protection Force is intended for the better protection and security of Railway property. As vast assets of Railways scattered all over the country are needed to be safeguarded and in addition, the goods entrusted to the Railways for transport|carriage are also to be protected and kept in safe custody, it becomes essential for the Railways to have an agency for providing adequate protection to the same. Any damage to or theft of Railway property directly affects the train operation. The Railways being a commercial concern cannot afford to hand over or entrust the safety|security of their property to the State Police over which they have no control. Such an agency should obviously be answerable to the Railways who have to bear the expenditure for the same.

C. Housing Facilities

Policy for provision of Staff Quarters

6.23. It has been the policy of the Railways to provide houses on a programmed basis to such of the 'essential' category* staff as are

---

*The term "essential category" of staff for the purpose of allotment of quarters, denotes staff who are directly connected with the operation of Railways and/or whose presence near the site of work is absolutely essential such as running staff, other transportation staff (Station Masters) etc., certain categories of engineering, electrical and mechanical staff, medical staff, etc., (The above categorisation is illustrative but not exhaustive.)

likely to be called on duty at any odd hour during day and night and also to those other staff who have to reside at way-side stations and other places where housing presents difficulty on account of absence of private enterprise. Among the essential staff, preference is given to running staff, with a view to ensure safe and punctual running of trains, by earmarking for them 50 per cent of the funds available every year for the construction of staff quarters.

Methods of financing consttuction of staff quarters

6.24. The present rules of allocating expenditure on staff quarters are as under:

6.25. The expenditure incurred on construction of quarters for the gazetted officers is charged to Capital.

6.26. The quarters for non-gazetted staff are mostly charged to Development Fund, except where the cost of group of quarters is less than the new minor work limit of Rs. 25,000 when the expenditure is allocated to Open Line Works Revenue. Land in all cases is charged to Capital.

Quarters built during the Plan Periods and the housing position

6.27. The details of quarters built and the amount spent under the Plan Head 'Staff Quarters' during the Plan periods are given below:—

	Total No. of quarters Built	Amount spent under the Plan Head 'Staff Quarters' (Approx) (Rs. in Crores)
1	2	3
I Plan (1951-52 to 1955-56)	38,703	Figures not available.
II Plan (1956-57 to 1960-61)	57,803	38·00
III Plan (1961-62 to 1965-66)	71,570	44·00
Annual Plans (1966-67 to 1968-69)	25,529	18·00

1		2	3
IV Plan (1969-70 to 1973-74)			(Rs. in Crores)
	1969-70	6,257	6·08
	1970-71	6,470	6·19
	1971-72	5,198	6·12
	1972-73	5,000@	6·19 (Revised)
	1973-74	6,000@	7·57 (Budgeted)
	TOTAL	28,925@	32·15

@(i) Figures assumed.

(ii) In addition to the above, a sum of about Rs. 1·50 crores per annum is spent on staff quarters covered under different schemes.

6.28. The Ministry of Railways have stated that the total number of quarters available for Class IV, Class III and Staff Officers are as indicated below:—

Particulars to staff	Number of quarters (approx. as on 31-3-72	% age housed
Class IV	3·180 lakhs	40
Class III	2·055 lakhs	34
Officers	.055 lakhs	64
TOTAL	5,290	38

6.29. As regards the allocation of funds for the Fifth Plan period the Ministry of Railways have stated that an outlay of Rs. 40 crores, including Rs. 10 crores under D.R.F. for replacement of old quarters, has been provided under the Plan Head 'Staff Quarters' in Ralways Fifth Five Year Plan. Distribution of this outlay as between staff quarters for officers, non-gazetted staff, essential and non-essential, has not been made. However, orders exist that 50 per cent of the total allotment under the Plan Head 'Staff Quarters' should be utilised for construction of quarters for the essential running staff. Construction of quarters for officers and other categories of staff are programmed annually by the Railway Administration keeping in view the policy laid down for the same and according to relative urgency and justification at different stations.

6.30. The Financial Commissioner for Railways in his memorandum had further stated that considering the inability of the Railways to generate surpluses for accretion to Development Fund during the Fifth Plan period to meet even the minimum housing programme for staff, apart from other expenditure chargeable to the Fund (such as on Users' amenities and unremunerative operating improvements), the question of source of financing of expenditure on staff quarters was being examined by Government.

6.31. The Committee enquired whether any decision has since been taken in the matter. The Ministry of Railways informed the Committee that the Ministry of Finance (Department of Economic Affairs) with whom the matter was under consideration, have since concurred in the Railways Ministry's proposal that the cost of construction of staff quarters may be charged to Capital during the Fifth Plan period, dividend on such capital being payable only if the Railways have surplus after discharging other dividend obligations.

6.32. Explaining the financial implications of the proposal, the Ministry of Railways have stated that in accordance with the present allocation rules, while the cost of quarters constructed on replacement account is debited to Depreciation Reserve Fund, that on additional account for gazetted officers is debited to Capital, and in respect of non-gazetted staff to Development Fund, except where the cost of a group of quarters is less than the new minor work limit of Rs. 25,000/- when the expenditure is allocated to Open Line Works 'Revenue'.

6.33. During the IV Plan period against an outlay of Rs. 31.42 crores, incurred under Plan Head "Staff Quarters" the expenditure under D.F. was Rs. 24.41 crores, which works out roughly to 80 per cent. Out of an allocation of Rs. 40 crores for V Plan, Rs. 30 crores is earmarked for additional quarters and Rs. 10 crores for replacements. Out of this Rs. 30 crores for additional quarters, a sum of about Rs. 25 crores is expected to be spent from out of Development Fund. If the proposal to change the allocation from D.F. to Capital is accepted, the burden on Development Fund would be reduced to this extent, and the whole amount allocated to capital, which would be free of dividend liability so long as Railways do not have a surplus after discharging their dividend obligations. Further, when the Railways have no surplus, as in the last decade, the requirements of Development Fund are met by loans from General Revenues on which interest liability accrues. Under the present proposal, this would be obviated so long as the Railways are in the red.

6.34. As regards the extent of higher outlays on building staff quarters, it may be stated that at present there are two factors which inhibit the accelerated pace of construction of staff quarters, namely, unsatisfactory position of funds under D.F. and the insufficient availability of allocation under the Plan Head 'Staff Quarters'. With the contemplated change in allocation, if approved by the Convention Committee, one of the inhibiting factors would be removed but adequate allocation of Plan funds to increase the pace of construction of staff quarters will be still necessary. The Planning Commission will, therefore, have to be approached for increasing the allocation under the Plan Head 'Staff Quarters' with suitable total increased allotment for Railways' Fifth Five-Year Plan. The existing provision of Rs. 40 crores for the Fifth Plan or Rs. 8 crores roughly per annum, will enable the Railways to construct only 4,000 to 5,000 quarters per year which just helps to maintain the present level of satisfaction. If this level of satisfaction has to be improved, increased allocation of funds under the Plan Head 'Staff Quarters' will be necessary.

6.35. The Committee enquired whether the Railways have formulated a perspective plan for providing residential accommodation to railway employees, particularly those belonging to essential categories. They also desired to know the measures that have been taken to effect economy in the cost of construction of railway staff quarters. The Ministry of Railways, in a written note furnished to the Committee, have stated that as per the extent policy, Railway Administration construct quarters on a programmed basis for such of the essential staff as are likely to be called on duty at any odd hours during day or night and thus are required to reside near their place of work. Out of the essential staff again, preference is given to essential running staff in that 50 per cent of the allotment of funds under the Plan Head 'Staff Quarters' is earmarked every year for construction of quarters for this category. Quarters are also provided for other staff at way-side stations and other places where housing is difficult on account of non-availability of adequate private accommodation. Quarters are being constructed annually within the frame-work of the above policy to the extent of availability of funds. There is no other perspective plan as such.

6.36. Instructions have been issued to Zonal Railways from time to time with a view to effecting maximum possible economy both in the use of construction materials and techniques in building activity. Recently a review of the specifications being adopted for construction of staff quarters has been made and some changes have been suggested for adoption on Railways, taking into account the local conditions and availability of materials.

Position regarding housing of railway staff in foreign Railways

6.37. According to the information furnished by the Ministry of Railways, the position regarding housing of railway staff in foreign countries is as follows:—

British Railways

British Railways do not normally provide any housing to their employees. A few tied accommodations are, however, available at various places from Company managed days.

German Federal Railways

Employees of German Federal Railways are eligible for low cost accommodation through the German Railways Building Society. About half the Railway employees are tenants of such societies. For allotment of accommodation, rank and position do not play any part.

Japanese National Railways

Japanese National Railways provide subsidised housing facilities to their employees subject to availability. Priority for allotment is given to employees in the 'essential' categories. Those who cannot be provided with the railway houses are allowed to rent private houses within the ceiling imposed for the various categories of staff and the rental subsidized to the employees.

6.38. No definite information is available regarding housing in Burma and Pakistan although presumably, the housing facilities for railway staff in the latter country may be similar to those provided by Indian Railways.

D. Educational assistance

6.39. The Ministry of Railways in a written note furnished to the Committee have stated that although, under the Constitution, education is a State subject and it is the responsibility of the State Governments to provide adequate educational facilities which the children of railway employees share in common with other citizens, the Railways have on their own opened some schools purely as a staff welfare measure at places where the schooling facilities provided by the State Governments or other agencies are inadequate or totally non-existent.

6.40. At present, 753 schools, including 3 Intermediate Colleges, 58 high/Higher Secondary Schools, 32 Middle and 660 Primary Schools are run by the Railway Administrations. Besides, Railways also give grants-in-aid to privately managed schools catering to the needs of the children of railway employees.

6.41. Where the children of railway employees are studying in Middle, High/Higher Secondary Schools, the fees paid are reimbursed by the Railways. Educational assistance is also given to the employees for children educated at outstations due to non-existence of schools of requisite standards at the place of their posting. Railways have also established fourteen subsidised hostels in major linguistic areas where board and lodging at subsidised rates are provided to the children of railway employees. 1150 scholarships in addition to those continuing from previous years, varying from Rs. 15 to Rs. 70 per month are granted every year for Technical Education of the children of Railway employees out of staff Benefit Fund, which exists on the Railways and production units.

Expenditure incurred by the Railways during the past five years on educational facilities.

Year	Expenditure (*in crores of rupees*)
1969-70	3·25
1970-71	3·61
1971-72	3·87
1972-73	4·03
1973-74	4·33

Suggestions regarding the manner in which the Gonernment can share expenditure on these items.

6.42. Under the Constitution, Education being a State subject, the expenditure incurred by the Railways on running the schools should normally have been borne by the State Governments. It will, therefore, be appropriate if the same is reimbursed to Railways by the Government.

6.43. Opening of more Central Schools in Railway colonies by the Kendriya Vidyalaya Sangathan under the aegis of the Ministry of Education will considerably lessen the burden on the Railways.

6.44. The Committee observe that the number of railway staff has gone up from 9.14 lakhs in 1950-51 to 14.31 lakhs in 1973-74 i.e. by 56.5 per cent whereas the wage bill has shot up from Rs. 114 crores to Rs. 570 crores i.e. by over 400 per cent during this period. The cost per employee has gone up from Rs. 1,263 to Rs. 4033 during the last 23 years i.e. by 208 per cent. In the year 1973-74, the Railways are stated to have spent Rs. 41 crores on provision of health and medical facilities, subsidised housing and educational assistance to children of Railway employees besides Rs. 21.42 crores on the Railway Protection Force and Rs. 56.29 crores towards concessional travel facilities to their staff by way of passes and privilege ticket orders. Thus the total cost of staff including various facilities and benefits provided to them amounted to Rs. 688 crores constituting about 63 per cent of the total working expenses (Rs. 1082.78 crores) of the Railways including depreciation and miscellaneous expenses.

6.45. While it is true that expenditure on provision of health, medical and educational facilities and on the Railway Protection Force should normally be a charge upon the revenues of the State Governments as all these are State subjects, it would be too much to assume that the latter with their tight financial position would be ordinarily willing or able to undertake these responsibilities at least in the near future. On the other hand, as is well known, the Central Government have been advancing loans and grants to the State Governments to finance the Plan expenditure under these heads besides directly running a number of institutions providing such facilities. Moreover, leading public undetrtakings provide similar facilities/amenities to their staff. The Committee, therefore, consider that as things stand at present, there is no case for the Railways to be treated on a different footing in this matter. The question of any re-imbursements on these social overheads would not, therefore, arise.

6.46. On the other hand, the Committee share the view of various knowledgeable persons that the Railways are overstaffed. They would, therefore, like to emphasise the imperative need to effect economies in this direction. They would urge the Railways to undertake extensive work studies in their various field and headquarters organisations at all levels with a view to achieving economy consistent with efficiency. It is also necessary that the staff, parti-

cularly the supervisory staff, are made cost-conscious. This should not only form part of their training programme but their performance should be judged on the basis of their success in achieving best results at minimum cost.

6.47. So far as the question of financing the construction of staff quarters is concerned, the Committee agree with the Railways' suggestion, concurred in by the Ministry of Finance, that the cost of construction of staff quarters may be charged to Capital during the Fifth Plan period, dividend on such capital being payable only if the Railways have surplus after discharging other dividend obligations.

6.48. The Committee would like to stress that while the Railways should make earnest efforts to provide quarters to all the staff, they should give priority to essential categories of staff. The Committee urge the Railways to prepare a perspective plan for construction of quarters so that within a specified period of time, the staff falling in essential categories and other low-paid staff are provided with railway quarters. In drawing up the plan, Railways should give priority to construction of quarters in places and areas where other accommodation is not available.

6.49. The Committee would also urge that the Railways should adopt modern cost saving techniques in construction so that the cost of construction of quarters is kept low. For this purpose, the Railways should evolve suitable architectural designs of low-cost houses in consultation with the Ministry of Works and Housing, the research institutions engaged in this work, the Public Sector Corporations, particularly the Life Insurance Corporation, the Delhi Development Authority and other leading bodies in the Centre and States etc. who have considerable experience of providing large scale housing. As far as possible, the representatives of workers may also be consulted in this regard.

CHAPTER VII

CONCLUSION

7.1. In conclusion, the Committee like to observe that they have recommended inter-alia the following:

(i) Government should evolve a financial arrangement in the light of findings of the costing study of the economics of operation of various classes of travel in consultation with the Ministry of Finance and Comptroller and Auditor General whereby the Railways are compensated in some equitable manner for unavoidable losses that they incur on Second Class passenger traffic only (vide paragraph No. 2.45).

(ii) The entire question of subsidising the Railways so as to cover the unavoidable losses on passenger traffic, suburban as well as non-suburban, should be remitted to a high powered Committee Comprising the representatives of the Ministries of Railways, Transport, Finance, Comptroller and Auditor General, the State Governments and local authorities concerned, and that Committee might be entrusted with the task of working out a practicable financial arrangement to subsidise the Railways keeping in view the practice obtaining in Britain, France, West Germany etc. in this behalf (vide paragraph No. 2.68).

(iii) While the various travel concessions to students and other categories of personnel (estimated to be of the order of Rs. 13 to 18 crores per annum) may continue, the Railways may be reimbursed the cost thereof through a suitable financial arrangement to be worked out by Government in that behalf (vide paragraph No. 2.41).

7.2. The Committee wish to point out that the social burdens on the Indian Railways are not a new phenomenon and in spite of bearing such obligations the Railways were showing surplus till 1965-66. The Committee are of the view that there is still a vast scope for improvement in the Railway planning and operations. The Railway planning has been unrealistic over the last two plan periods. While heavy investments in augumenting capacities were made according to the forecasts of freight traffic, there was a wide gap between the traffic forecasts and their actual materialisation. This resulted in marked increase in the dividend liability arising out of heavy investments without corresponding increase in traffic earnings. This underscores the need for observing utmost circumspection in the matter of making further investments on the Railways (vide paragraph Nos. 1.140 and 1.141).

7.3. The Committee also consider that the Railways will have to look within and find out what more they can do for the trade and industry and the public at large to earn their good-will rather than what the public revenues can do for them. The Committee urge the Railways to streamline their functioning and manage the operations in such a way that they are looked upon as the most economic, competitive, efficient and reliable mode of transportation in the country (vide paragraph 1.142). The Committee need hardly stress that the Rai.ways as the premier undertaking in Government sector should play an effective and leading part in the implementation of the programme for development announced by the Prime Minister. Some signs of improved performance and earnings on the Railways are already visible. The Railways should redouble their efforts to attract and move more and more traffic by efficient use of their resources so that they snap back to the position of 1965-66 when they had surplus after meeting all the social obligations.

7.4. The Committee consider that Government should take an overall view with reference to (i) the financial position of the Railways as revealed in the Balance Sheet and the Profit and Loss Accounts and (ii) their liabilities, obligations and responsibilities not only in relation to payment of Dividend to the General Revenues but also the position of the balances in the Development Fund, Revenue Reserve Fund and the Depreciation Reserve Fund and then determine a reasonable quantum of relief to be afforded to the Railways which, in any case should not exceed the amount borrowed by the Railways from the General Revenues. The actual relief to be paid to the Railways should be clearly indicated in the Budget documents with necessarry supporting data and details so that Members of Parliament have adequate opportunity to go into it before it is approved.

7.5. The Committee would like to emphasise that whatever subsidy or grant is ultimately decided upon, should only be given to make good unavoidable losses after ensuring that the Railways also improve their performance and efficiency and effect all possible economies in their operation. The subsidy should in no case dilute

the financial discipline imposed on the Railways nor place a premium on inefficient service and make the Railways complacent about their responsibility as the sole rail carriers to provide more efficient and economic service to the public at large (vide paragraph No. 2.69)."

NEW DELHI;
October 30, 1975
Kartika 8, 1897 (*S*)

B. S. MURTHY,
Chairman,
Railway Convention Committee.

APPENDIX

(*Vide* para 1·87)

Statement showing quantum and earning from passenger & revenue earning goods traffic and earning from other coaching traffic & Sundry earnings.

Year	Plan	Passengers		Goods (Revenue Earnings)		Other Coaching	Sundry	Total Earnings
		No. of passengers (in Millions)	Earning (in Crores of Rs.)	Tonnage in Millions	Earnings (in Crores of Rs.)	Earning (in Crores of Rs.)	Earnings (in Crores of Rs.)	(in Crores of Rs.)
1961-62	Third	1692	150·9	125·6	300·1	29·10	13·60	393·7
1962-63	Third	1750	169·2	139·4	342·7	32·53	60·68	559·0
1963-64	Third	1872	185·2	147·6	386·4	34·12	17·47	623·1
1964-65	Third	1992	199·3	148·8	398·4	34·64	20·36	652·7
1965-66	Third	2082	219·2	162·0	452·4	39·39	22·24	733·2
1966-67	Annual	2192	229·3	164·0	467·9	39·02	24·76	760·9
1967-68	Annual	2257	252·6	162·4	489·0	39·46	26·35	807·4
1968-69	Annual	2213	265·1	170·8	548·9	45·05	27·96	887·0
1969-70	Fourth	2238	278·9	173·8	578·1	48·07	34·16	989·2
1970-71	Fourth	2431	295·5	167·9	600·7	62·11	33·40	991·3
1971-72	Fourth	2536	320·1	170·1	655·7	69·43	36·83	1082·0
1972-73	Fourth	2653	343·8	175·3	695·9	65·64	35·59	1140·9
1973-74	Fourth	2654	367·1	162·1	644·2	59·34	40·08	1110·7

APPENDIX II

(Vide para 1·88)

Quantum and earnings of selected high-rated Commodities

Year	Quantum (in million tonnes)	Earnings (in Crores of Rupees)
*1969-70	13·1	109·7
*1970-71	13·5	118·5
1971-72	11·4	104·8
1972-73	11·3	105·9
1973-74	10·5	96.9

*Figures not comparable with those of the succeeding years due to changes made in the the list of commodities. These figures included POL and Fireworks, which were deleted from the list in succeeding years. Instead, Rubber raw, cycle and cycle parts, Hemps, & Fibre and Marbleware NOC were included.

APPENDIX III

(*Vide* para 4·18)

Statement showing the action taken by Government on the recommendations contained in the Report of the uneconomic Branch Lines Committee

Recommendation/conclusion		*Action taken*
1	2	3
4.	In making estimates of loss, the interest element should not be taken into account, as laid down in Para 846 of the Railway General Code.	It has been decided that in considering this recommendation distinction has to be made between estimate of loss in working a branch line and evaluation of loos that will be saved by closing down an unremunerative branch line. In the case of the former estimate which is done to find out the net financial result of running a branch line, interest on capital, which is a cash-out-flow paid every year, must be reckoned as a part of expenditure on the same lines as the contribution to the Depreciation Reserve Fund and revenue working expenses. In the latter case, however, when a review is made to evaluate the savings which will accrue as a result of closing of an unremunerative branch line, gain due to interest on the capital cost not being paid, may be ignored to the same extent as loss due to interest on the balance under D.R.F. becomes less and as otherwise relevant to the particular case. This is generally indicated in para 846-GI. The Railway Convention Committee 1971, has recommended that the capital at charge on the unremunerative branch lines should be exempted from payment of dividend. Hence instructions have been issued that loss to the Railway should be estimated without adding the dividend on capital at charge. However, proforma loss inclusive of dividend should also be workes out to assess the loss to the national exchequer.
5.	The formula adopted by certain Railways in estimating mainline earnings, does not bear scrutiny.	As it is a very complicated subject, the observation is being thoroughly examined.
6.	In the division of goods earnings between main line and a branch line the procedure should allow for a credit for terminals to the end Railways.	Instructions have been issued to thd Zonal Railways.

1	2	3
7.	In arriving at the expenses of a branch line, by *pro rata* calculations, expenditure not relevant to branch lines, should be excluded, as far as possible.	Accepted, subject to the provision that such expenditure as is incurred solely on account of the branch lines should be wholly debited to its accounts. Instructions have been issued to the Zonal Railways.
8.	In estimating the share of joint expenditure to be attributed to a branch line, a percentage only of the expenditure should be taken as under :— *Head of account* — *Percentage* A—II . . . 40 B—II . . . . . 80 C—II . . . . . 60 C—III 60	According to the existing instructions, all items of expenditure which are directly allocable to the branch line, are so allocated and joint expenses are divided in the ratio of total expenses directly allocated to the main line and branch line. This method of apportionment already takes care of the factors mentioned by the Committee, such as lower standard of construction work of the branch line, engine being small etc. There is not need to give any further unintended benefit to the branch line by adopting the variability factors suggested by the Committeee.
9.	No part of expenditure falling under General Administration should be apportioned to a branch, unless the "branch" is an extensive system.	Exclusion of the expenditure falling under General Administration would mean exclusion not only of the expenditure incurred in the District Divisional and Headquarters offices but also of the expenditure on Inspectors and Supervisors and the associated Class IV establishments. This would be repugnant to the concept of fully distributed cost as accepted in Tarffic Costing. On these considerations the recommendation has been accepted.
10.	The instructions in Paras 844, 845 and 846 of the General Code, should be elaborated, so that a correct and unifom procedure is followed by all Railways in estimating losses.	The issues involved being complicated, the recommendation is being examined in detail.
11.	We suggest trained Cost Accountants being attached to the Costing Cell of the Railway Board.	Traffic costing is a highly specialised field requiring staff possessing intimate knowledge of railway working, especially operation, commercial, accounting and statistics. A Cost Accountant trained in the general method of Cost Accounting without any experience of railway working would not be suitable for traffic costing on Railways. Therefore the method followed is to select staff having sufficient background of the subjects of accounting, statistics and railway economics as well as adequate railway experience. It has been decided that such selected in costing techniques in railway colleges schools.
12.	Branch lines should not be looked at in isolation but as part of an integrated railway system.	There is no doubt that every line is treated as a part of an integrated system. At the same time the performance and economics of each branch line have to be separately reviewed. It is, however, a different matter whether, as a result of

1	2	3
		this review, it is decided to retain or dismantle the branch line on other relavant considerations.
13.	Even though a line may be losing, we must look at the economic purpose it is serving to an area.	The observation has been noted.
14.	The postponement of proper maintenance and replacement of stock have themselves resulted in deterioration of service, which, in turn, has contributed to loss of revenue.	The observation has been noted with the remarks that the pace of replacement of stock was kept slow because of the uncertain future of the narrow gauge lines which were then considered either for closure or for conversion to a broader gauge. Now replacement of narrow gauge stock ha been planned.
15.	We observe that sometimes conversion of crossing stations into halt stations is opposed, as this involves loss of telegraph facilities.	The observation has been noted.
16.	The directive that Railways should encourage Development of Road Transport Service on routes parallel to unremunerative lines should be cancelled.	Accepted. With the implemetation of Recommendation No. 37 that efforts should be made to attract more goods traffic, the directve stands superseded.
17.	An examination should be made whether the charges for goods traffic on narrow gauge lines can be appropriately enhanced.	Accepted. The matter as been examined but final decision thas not yet been taken as it involves a major departure from the present policy of charging freight on through distance basis irrespective of gauge.
18.	State Governments who feel strongly on the closure of Branch Lines should take a more active part in ensuring better rail road coordination.	The Ministry of Shipping and Transport have forwarded this recommendation to all the State Governments. The Zonal Railways have also been intimated of the reference made by the Ministry of Shipping and Transport to the State Governments and Union Territory Administrations. The implementation has to be done by the State Governments.
19.	Wagon stock should be augmented and timely supply of adequate number of wagons ensured.	Augmentation of the stock has been duly planned. Timely supply of wagons is ensured as far as possible.
20.	Supply of matching stock at transhipment points be arranged on a preferential basis, to avoid delays in transhipment.	Instructions already exist that preference should be given to supply wagons at transhipment points.
21.	Attention should be paid to adjusting train timings to suit local needs and to ensure proper connections with main line trains.	This recommendation is in accordance with the accepted policy. Railways have been advised to review the train timings in the light of its recommendation.
22.	Passenger services should be frequent and for this purpose diesel	Frequency of passenger services is determined by the pattern and volume of traffic offering and

1	2	3
	car units, developed by the Eastern Railway, are most suitable for the narrow gauge.	availability of spare line capacity. Whether diesel rail car can technically and profitably replace locomotive hauled train depends on various factors such as pattern and composition of passenger and goods traffic offering, number of passengers travelling at one time, length of the section, gradients of the section comparative cost of operation of diesel rail car *vis-a-vis* locomotive hauled trains, etc. The Zonal Railway have been asked to make feasibility studies to find out the narrow gauge sections on which diesel rail cars of the type now running on Burdwan-Katwa section of the Eastern Railway will be suitable and economical.
23.	Dieselization of motive power should be considered, particularly for sections far removed from coal fields.	The observation has been noted.
24.	A study should be made whether mechanical maintenance of track, even for lightly worked sections, can give economics.	The study has been made. At present machines are being utilised on busy sections only, where their use is essential and where greater economy and better results can be achieved. Operation and maintenance of the machines an these lines are yet to be established. It would not be desirable to take up mechanical maintenance on lightly worked sections at this stage. Besides, one of the objectives of the Planning Policy is to enhance employment opportunities in the country. Mechanical maintenance would reduce the employment potential.
25.	The scope of economics by power operation of points and signals should be examined.	25. & 26. The recommendations have been examined with respect to their applicability to selected sections on the narrow gauge. While there may be a few sections on the uneconomic lines of Indian Railways where resort to power-operated points and signals with or without Centralised Traffic Control may result in economy by way of staff reduction, the heavy capital outlay required in the present juncture may not warrant resort to such methods. Further, the position of availability of electrically operated points machines and colour light signals is at present very difficult as indigenous production is hardly sufficient to meet the pressing demand for the use of such equipment on the busy trunk and main line sections. Such improvements on uneconomic branch lines can, therefore, be taken up for consideration only at a stage when the availability of such equipment from indigenous sources is sufficient to meet not only the requirements of the trunk routes and main lines but also of the uneconomic branch lines.
26.	Possibilities of Centralised Traffic Control over lightly worked sections, giving economics by way of staff reduction, should be examined.	

1	2	3
27.	Greater attention should be paid to the provision of facilities at stations on the uneconomic lines.	For provision of railway users' amenities, no distinctioin is made between economic and uneconomic lines. All stations have been provided with basic cover over the platforms. Improvements in the approach roads, etc. are provided at stations taking into account the comparative needs of various stations subject to the approval of Railways Users' Amenities Committee and according to availability of funds. The traffic facilities like goods sheds etc. are provided according to the actual traffic needs. The extent instructions are adequate on the subject and no preferential treatment to the stations on uneconomic lines is called for.
28.	Where there are a number of trains running each way, at least one of them should be made into a fast train.	The Railways have been advised to place this recommendation before the Time Table Committees.
29.	When possible, all available trains should not be run as mixed trains and at least one of the trains should run as a fast passenger train.	The Railways have been asked to keep this recommendation in view at the time of time tabling.
30.	All trains are scheduled at 10% less than the maximum permissible speed. Feasibility of either eliminating this or reducing this should be examined.	As the recommendation relates to safety of trains, it needs thorough examination and is under consideration.
31.	As far as possible booking of passengers by Guards of trains should be discontinued and this work arranged through halt agents.	Accepted.
32.	There should be no distinction between rural and other areas in respect of commission to Halt Agents. It should be ensured that even in rural areas the rate of commission yields about Rs. 150/- p.m.	Accepted. Instructions have been ssued to the Railways that there should be no distinction between rural and other areas in respect of commission to be paid to the Halt Agents. The percentage of commission to be paid to the Halt Agents should be fixed at a level, not exceeding 15% so that it may yield a commission of about Rs. 150/- per month to the Halt Agents.
33.	To ensure that tickets for distant places are stocked by Agents, a suitable scheme should be evolved to enable them to return unsold tickets.	Not accepted, as it may lead to malpractice on the part of the contractors.
34.	Stricter and more constant ticket checking should be enforced.	Accepted.
35.	On uneconomic sections, provision of halts, even if an existing station is less than 5 KMs away, should be considered.	Uneconomic Branch lines cannot be treated in a special way for opening of halts stations. Halts are opened on financial justification except where due to non-availability of other satisfactory means of travel, a special consi-

1	2
	deration is necessary. In fact, financial consideration plays an even more important part in the case of uneconomic branch lines.
36. Attractive special rates should be quoted on uneconomic branches to recreate a travel-by-rail habit.	The desirability of introducing reduced passenger fares is considered on sections where Railways face keen competition and the train services run below their carrying capacity. Reduced third class fares are already obtaining on several sections of the Southern Railway. The Railways have been asked to review the position and send their proposals for quoting reduced fares between specific pairs of points, wherever justified.
37. There should be a vigorous drive by contacting rail users to attract goods traffic.	The recommendation is practicable only in respect of those branch lines on which there is spare capacity to carry additional traffic.
38. Possibility of letting out rest houses to outsiders on a fairly high rent should be considered.	The possibility, as suggested, has been considered and it has been decided that there is no need to change the existing policy of restricting the use of Railway Rest Houses to serving railway employees only. The recommendation mainly arose as a result of the Committee's observation of poor occupation of Rest House at Darjeeling during 1969. This was due to the fact that there were serious breaches on the Darjeeling-Himalayan section on account of which train service remained suspended for most of the time from October, 1968 to November, 1969. The Rest Houses at Hill Stations are primarily 'Holiday Homes' and are generally well-occupied during the seasons.
39. Surplus land should be rented out.	This is in accordance with the accepted policy.
40. Divisional officers should carry out frequent and surprise inspections of Branch lines.	Accepted. This is already being done.
41. The public and State Governments should appreciate that Railway finances are subject to a very heavy strain and should cooperate in making the branch lines viable. The State Governments should play a more active role by asking the Regional Transport authorities to regulate not only route permits but also timings of buses etc.	The Ministry of Shipping and Transport have forwarded this recommendation to all the State Governments. The Zonal Railways have also been intimated of the reference made by the Ministry of Transport and Shipping to the State Governments and Union Territory Administrations. The implementation has to be done by the State Governments.
42. (1) The State Governments can make a positive contribution by using the Railways to transport their own traffic.	Noted.
(2) There should be Committees at the Railways Zonal and Divisional levels to review periodically	The object of this recommendation is to further and ensure rail-road coordination. The question of constitution of Committees to achieve

1	2
the problems of uneconomic lines. The Railway Board should annually review the working of these committees and place copies of such reviews on the table of both Houses of the Parliament.	the same objective was considered by the Committee on Transport Policy and Coordination which had recommended that each State Government should constitute a State Advisory Transport Board consisting of the principal agencies of a State Government Railway, etc. This recommendation was accepted and certain States have already set up Transport Advisory Boards/Committees in which the Railways are also represented. Besides the agency of Advisory Board/Committees which have been/ are being set up in the various States, the objectives of rail-road coordination is also being pursued through the Railway Directors on the State Road Transport Corporations. Thus, adequate machinery already exists at the zonal/ regional level for formulation and review of measures necessary for achieving the objective of rail-road coordination. The railway representatives on the State Transport Advisory Committee/Boards as well as the Railway Directors of the State Road Transport Corporations can take care of the problems of the Uneconomic Branch Lines in their regions through these bodies.
43. Specific sums should be set aside for carrying out the projects and improvements suggested by us.	Each recommendation of the Committee regarding improvements in track and rolling stock and conversion/extension/restoration of lines is being individually examined and funds are provided to implement the accepted recommendation. There is no need to set aside any specific sum for this purpose as such.

APPENDIX IV

(*Vide* para 6 of Introduction)

S. No.	Reference to Para No. of the Report.	Summary of Recommendation/Conclusions
1	2	3
1	1.136	The Committee observe that the financial position of the Railways was quite solvent till the end of the Third Plan; the net surplus shown by them during the quirquennium 1961-62 to 1965-66 was of the order of Rs. 147 crores after paying dividend etc. amounting to Rs. 474 crores. Thereafter, the position took a turn for the worse and the cumulative deficit to the end of 1973-74 was Rs. 182 crores of which a sum of about Rs. 124 crores was accounted for during the Fourth Plan period. This is in spite of the substantial relief of about Rs. 102 crores afforded by the Railway Convention Committee, 1971. The Capital-at-charge of the Railways has increased from Rs. 1521 crores at the end of the Second Plan to Rs. 3983 crores at the end of the Fourth Plan with consequent increase in the dividend liability from Rs. 56 crores to Rs. 171 crores (approx.) during the above period.
2	1.137	The Committee are greatly concerned to find that the financial forecast for the Fifth Five Year Plan indicates a net shortfall of Rs. 319 crores at the end of the Plan period.
3	1.138	The Committee also note that the losses on social burdens borne by the Indian Railways have risen from Rs. 169 crores in 1970-71 to Rs. 282 crores in 1974-75 (estimated). The Railways anticipate the loss in the year 1975-76 to be of the order of Rs. 138 crores.

1	2	3
4	1.139	The Committee observe that the Indian Railways, like any other railway system elsewhere in the world, are as much a commercial enterprise as a public utility service. This dual character of the Railways naturally limits their commercial freedom and gives rise to certain obligations which, but for their public service character, they would not have been called upon to bear. As an inevitable consequence, the Railways have to bear certain losses arising out of such obligations. Such losses alone which are distinct from commercial deficit would constitute a social burden on the Railways. Losses arising from the continued running of unprofitable services needed by the public or charging uneconomic fares/rates on certain traffic in the interest of the community at large are some illustrative instances of social burdens.
5	1.140	The Committee need hardly point out that the social burdens on the Indian Railways are not a new phenomenon and the Railways since their inception have been bearing such obligations and that till 1965-66 the Railways, in spite of carrying social obligations, were showing surplus. It is only since then that the finances of the Railways have shown a steady decline and today they are not even in a position to pay the reasonable dividend on their capital-at-charge without borrowing from the General Revenues. The Committee are of the view that as a commercial organisation, the Railways, which have a separate budget of their own with an inherent freedom to formulate their policies, should try to put their finances in proper shape at an early date by finding solutions to the various problems that they face without seeking external assistance.
6	1.141	The Committee consider that there is still a vast scope for improvement in the Railway planning and operations. The Committee have

1	2	3
		dealt with this matter in detail in their 8th Report on "Railways' Fourth and Fifth Five Year Plans and other Ancillary Matters." The Committee need hardly point out that the Railway planning has been unrealistic over the last two Plan periods inasmuch as while heavy investments in augmenting capacities were made according to the forecasts of freight traffic, there was a wide gap between the traffic forecasts and their actual materialisation. This is evident from the fact that while a heavy investment of Rs. 3,868 crores was made by the Railways in the Third and Fourth Plans and in the three inter-plan years, the traffic materialisation has belied all expectations. While it was only somewhat higher in the first year of the Fourth Plan as compared to the traffic carried at the end of the Third Plan (208 million tonnes as against 203 million tonnes), there was a considerable slide-back in the subsequent years so much so that at the end of the Fourth Plan it was as low as 185 million tonnes against a target of 264.5 million tonnes set initially. (This was 18 million tonnes less than the freight traffic carried at the end of the Third Plan.) Thus the huge deficits incurred by the Railways are in the main attributable to the steep increase in their dividend liability arising out of heavy investments made without corresponding increase in traffic. This under-writes the need for observing utmost circumspection in the matter of making further investment in the Railways.
7	1.142	The Committee consider that the Railways will have to look within and find out what more they can do for the trade and industry and the public at large to earn their goodwill rather than what the public revenues can do for them. It is high time the Railways realised that it is only the customer satisfaction that will bring more business to them and augment their earn-

1	2	3
		ings. The Committee need hardly emphasise that the Railways should take vigorous and effective steps to plug all loopholes and prevent the colossal loss of revenue through pilferages, thefts and ticketless travelling. Further, while the Railways claim that there is no shortage of wagons there is a general complaint by the trading and business community that wagons are not made available in time and in adequate number. The Committee cannot, therefore, over-emphasise the need for making wagons readily available to meet the genuine requirements of the trade. Likewise, in the matter of provision of passenger services, the Railways are still a long way off in making travel reasonably comfortable and free from overcrowding and vexatious reservation problems. It is imperative that the Railways streamline their functioning and manage the operations in such a way that they are looked upon as the most economic, competitive, efficient and reliable mode of transportation in the country. This should not, however, be interpreted to mean that the Railways should be precluded from getting any compensation for the losses on services rendered by them in the larger public interest such as continued operation of uneconomic branch lines and suburban services etc.
8	1.143	The Committee find that most of the foreign Railways are bearing social burdens resulting from the operation of certain types of services, fare and freight policies and provision of staff amenities. The social burdens generally carried by these Railways include losses arising from (i) unremunerative though socially desirable operations (ii) concessional fares and freight rates for specified categories of users and commodities (iii) restraint in the matter of raising freight rates and fares etc. to match the cost of inputs. The Committee also note that Railways

1	2	3
		abroad receive financial assistance from the concerned Governments to meet broadly the following social burdens:— (i) losses from unremunerative passenger services continued to be operated in public interest (Britain, France, Canada) and/or short distance traffic (Germany). (ii) losses from charging uneconomic fares and freight rates in line with Government's policy (Britain, Germany, France). (iii) Cost of operation and maintenance of crossings (Germany).
9	1.144	In addition, some of these foreign Railways receive compensation in a number of other forms like subsidy for payment of interest (as in the case of German and Japanese Railways), writing down of capital liability (as in the case of British Railways), payment of local taxes at reduced rates (as in the case of Japanese and West German Railways), and subsidies to cover revenue deficits (as in the case of Japanese, German and British Railways).
10	1.145	The Committee consider that before any compensation to meet the losses incurred by the Railways on uneconomic services is contemplated, it is necessary that a proper costing methodology is evolved to estimate as correctly as possible the losses incurred by them on account of the various social burdens. The Railways in their own interest should urgently evolve a methodology of costing their services which will receive an all-round acceptance and will enable them to determine with maximum accuracy the losses relatable strictly to the social burdens carried by them.

1	2	3
11	2.38	The Committee note that the estimated losses on non-suburban passenger traffic which stood at Rs. 47 crores during 1970-71 have risen to Rs. 135 crores (approx.) in 1974-75 and the estimated loss on all the passenger services for the year 1975-76 would be Rs. 130 crores out of the aggregate loss of Rs. 138 crores estimated on account of social burdens. The Committee, however, find that the Railways have not yet been able to complete their coaching cost study with the result that they have no means of assessing the quantum of shortfall in the fares charged as against the cost of operations, train-wise|class-wise. In the absence of such a study, the Railways are not in a position to identify the coaching services or the sections which are unremunerative from the passenger traffic point of view. The Committee are at a loss to understand why the Railways, which have now been in the red for several years, have taken such a long time to finalise the coaching cost study. The Committee urge that the coaching cost study should be finalised without further delay so that the Railways are able to identify accurately the losses that they incur on the train services or sections or classes of travel.
12	2.39	In this connection, the Committee would like to reiterate the observations made by the Railway Convention Committee, 1971, in paragraph 2.16 of their Fourth Report to the effect that "they are averse to any losses on operation of higher classes being met by the Railways. They are of the firm view that travel in higher classes must pay its way."
13	2.40	The Committee would, therefore, emphatically urge the Ministry of Railways to ensure that the fare structure for air-conditioned and first classes is fixed on economic basis and there should be no question of claiming any subvention or compensation for providing travel faci-

1	2	3
		lities for the relatively affluent sections of the society.
14	2.41	The Committee observe that the Railways charge concessional fares for travel to and from hill stations and also give concessions to students, sportsmen, artists, Defence personnel, blind persons, etc. The value of such concessions is estimated to be of the order of Rs. 13 to 18 crores per year. The Committee recommend that while such travel concessions may continue, the Railways should be reimbursed the cost thereof. With this end in view, the necessary financial arrangements may be worked out by Government.
15	2.42	The Committee note that with progressive dieselisation and electrification of passenger services, it is possible to carry, with the same assets on the same line capacity, a larger volume of traffic and thus earn more revenue. It has also been claimed that coaching services would become less unprofitable if more traffic is available on sections where trains are not fully occupied or where it is possible to run more trains within the available section capacity to meet the commensurate unsatisfied demand. The Committee desire that Railways should take concerted measures for augmenting their passenger earnings.
16	2.43	The Committee would in this connection like to lay stress on the imperative need for augmenting the seating capacity of passenger coaches on which aspect the Railways have lately started bestowing their attention. The Committee are constrained to observe that although the Railways have been incurring losses on coaching services for a long time, they did not pay serious attention till recently to improve the carrying capacity of the coaches. Had the Railways been vigilant in the matter, it should have been possible for them to design suitable coaches or modify

1	2	3
		the existing coaches with the help of the RDSO. The Committee urge that all out efforts should be made to improve the carrying capacity of coaches and to make them quite comfortable and safe in order to attract more passenger traffic, particularly long distance traffic, within a time-bound programme. The Committee recommend that the perspective plan as well as the progress made in implementation thereof, should be mentioned in the Annual Reports of the Ministry of Railways.
17	2.44	The Committee note that the passenger fares are charged at telescopic rates. They feel that in the larger interest of unity and integrity of the country, the fares may continue to be charged on telescopic basis.
18	2.45	It has been claimed that there is an element of subsidy involved in the fares of 3rd class (now 2nd class) passengers who constitute the bulk of travelling public. The Railways have urged that the losses that they incur as a result of charging fares which are not economic *vis-a-vis* the cost of operations should be made good to them. The Committee however, observe that according to the Ministry of Railways the question of assessing the quantum of shortfall in the fares charged as against the cost of operation, class-wise, could be examined only after finalisation of the coaching cost study. The Committee find that the Railways in Britain, West Germany and France have been receiving some kind of assistance for unremunerative passenger services. The Committee recommend that Government should evolve a financial arrangement in the light of findings of the costing study and the economics of operation of various classes of travel in consultation with the Ministry of Finance and Comptroller & Auditor General, whereby the Railways are compensated in some

1	2	3
		equitable manner for the unavoidable losses that they incur on second class passenger traffic only.
19	2.67	The Committee note that the Railways have been losing heavily on suburban services they operate in the metropolitan cities of India and the loss on such services which was Rs. 12 crores in 1970-71 had gone up to Rs. 19 crores in 1974-75. The primary reason for such loss is the specially low rates of the monthly and quarterly season ticket fares which were introduced by the Company Railways originally operating in these areas as a measure of concession to the commuters who have to travel by suburban trains daily for attending offices, factories, schools, colleges etc. The Committee also note that season ticket fares have been exempted from periodic increases in fares and that such increases, if any, were only marginal. A rough computation made in this regard by the Railways indicates that if the concessional season tickets are withdrawn, the losses on suburban services would be more than covered without entailing any reduction in the volume of traffic. Alternatively, if the suburban fares (including concessional season ticket fares) are increased more or less to the level of bus fares, the losses would be eliminated. The Committee understand that a detailed assessment in this regard is, however, yet to be made. The Committee further note that the British and French Railways receive grants from their Governments for unremunerative passenger services which meet a social need. Likewise, the West German Railways receive federal grants to cover losses on short distance passenger traffic.
20	2.68	The Committee are of the opinion that it is the responsibility of the State Governments, local authorities, public and private sector

1	2	3
		undertakings and other major industrial and business concerns to provide residential accommodation to their employees (who form the bulk of commuters) near their place of work or in the alternative to provide them suitable transport facilities. It is obvious that if the offices, industries etc. and residential colonies are rationally located, the burden on transport would be minimum. The phenomenal increase in suburban traffic is a pointer to the fact that no integral planning has taken place in this vital sphere. It is only as a legacy of the olden company days that the Indian Railways continue to carry this ever-increasing burden. The Committee agree with the contention of the Ministry of Railways that the continuous deterioration in their financial position since 1966-67 has now brought them to a stage when it is no longer possible for them to bear the losses on suburban services. The Committee consider that it would be only equitable if the losses on this account are pegged to 1965-66 level—the last year in which the Railways earned a surplus and whatever losses are incurred over and above that level should be borne by the State Governments, local authorities etc. on an agreed basis. At the same time, the Committee realise that a proposal like this bristles with difficulties in the present situation when the finances of the State Governments and local authorities are none too happy. The Committee. therefore, recommend that the entire question of subsidising the Railways so as to cover the unavoidable losses on passenger traffic, suburban as well as non-suburban, should be remitted to a high powered Committee comprising the representatives of the Ministries of Railways, Transport and Finance, the C. & A.G., the State Governments and local authorities concerned. This committee may be entrusted with the task of working out a practicable financial arrangement to subsidise the Railways keeping in view

1	2	3
		the practice obtaining in Britain, France, West Germany etc. in this behalf.
22	2.69	The Committee would once again emphasise that whatever subsidy or grant is ultimately decided upon, should only be given to make good unavoidable losses after ensuring that the Railways also improve their performance and efficiency and effect all possible economies in their operation. The subsidy should in no case dilute the financial discipline imposed on the Railways nor place a premium on inefficient service and make the Railways complacent about their responsibility as the sole rail carriers to provide more efficient and economic service to the public at large. The Committee consider that it would be but appropriate that both the detailed basis and the quantum of such subsidy are brought before Parliament and Parliament's specific approval taken before any such payments are made.
23	3.44	The Committee note that a substantial portion of the social burden of the Railways was till recenty on account of certain essential commodities like foodgrains, coal, ores and other minerals, important industrial raw materials, fooder, oil cakes, sugarcane etc. which were accorded preferential treatment in the matter of movement and were charged considerably at lower rate. The losses occasioned by the lowrated commodities increased from Rs. 52 crores in 1970-71 to Rs. 73 crores in 1973-74. With the substantial upward revision in freight rates in 1974-75, these losses were estimated to come down to Rs. 45 crores. A further increase in the freight rates of foodgrains *w.e.f.* 1st April, 1975 is expected to neutralise the loss of about Rs. 35 crores anticipated

1	2	3
		on this account in 1975-76. Similar increases in the freight charges of iron ore and manganese ore meant for export, coal, limestone, dolomite, bamboos and molasses are expected to offset the losses on the carriage of these commodities. The Committee observe that at present only a few items like fodder, salt, sugarcane, charcoal, fruits and vegetables, gur, jaggery etc. which constitute only about 6.8 per cent of the total originating tonnage, continue to be carried at freight rates below cost. The Ministry of Railways consider that with the substantial increases and rationalisation of freight rates in 1975-76, "it can be reasonably expected that if the traffic picks up and this is accompanied by more intensive use of the Railway assets and provided prices are held under control, freight services would become economically more viable. However, it may not always be possible to ensure that each individual commodity pays for its cost of transportation."
24	3.45	The Committee also note that the Railways are required in certain cases to quote concessional rates under orders of the Railway Rates Tribunal and that the question of filing an application before the Tribunal under Section 41A of the Indian Railways Act for revoking their earlier orders to quote special rates, is actively under consideration of the concerned Railways. The Railways, however, continue to quote in respect of certain specified commodities special station-to-station rates which are stated to be in the interest of the Railways. The Committee stress that these rates should be systematically reviewed to make sure that they really subserve the commercial interest of the Railways and do not involve them in any loss.
25	3.46	The Committee further note that Railways are developing costing techniques to determine

1	2	3
		the unit cost of transportation of freight traffic and that they are making efforts to do traffic costing as accurately as possible. The Committee feel that the costing techniques need to be further refined so that the cost of carriage of various commodities is determined on a scientific basis and the freight structure is rationalised accordingly. The Committee would, therefore, like this study to be completed at the earliest.
26	3.47	The Committee would also stress that the Railways should take concerted measures to bring down the unit cost of transport of goods so as to earn not only a reasonable return on the investments but also to generate adequate surpluses to finance their investment plans and cover in part the losses on coaching services.
27	3.48	The Committee have already pointed out in their Eighth Report as well as in Chapter-I of this Report that the goods traffic has not increased over the last ten years in spite of heavy investments. There is, therefore, paramount need for attracting more traffic to the Railways and this can be done only by improving the quality of service and inspiring confidence in the public about the safe and quick movement of goods entrusted to the care of the Railways. The Committee are surprised that the Railways do not have any precise idea of the total volume of goods traffic generated in the country and the percentage of traffic of different types which they are able to attract. This is indicative of the fact that the Railways have not paid close and detailed attention to the study of the pattern and requirements of goods traffic as a whole so as to take concrete measures to attract traffic, particularly high-rated traffic. Considering the extent of investments made and the under-utilised resources, the Committee feel that the measures taken for attracting traffic such as use of containers,

1	2	3
		introduction of quick transit services, freight forwarder scheme etc. are hardly sufficient. The Committee are convinced that if the Railways make a systematic and all-out effort to improve the quality and reliability of goods services, they can attract a larger percentage of even high-rated traffic so as to augment their earnings.
28	3.49	The Committee would like the Ministry of Railways to concentrate their attention on improving the quality of service. The Committee would in this connection point out that under the ten year financial rehabilitation plan (1973—82), the Japanese National Railways would be able to achieve financial equilibrium by improvement in efficiency and technological progress alongwith such financial measures as increases in freight rates and fares. As the Indian Railways have already reached the break-even point in respect of practically all commodities by increasing the freights, it is essential that this situation is not only stabilised but improved upon, by toning up the efficiency of operation and effecting all possible economies.
29	3.50	The Committee have no doubt that the Railways realise that there are limits upto which the freight rates on various commodities can be raised so at to align them to the cost of inputs, for an excessive increase can result in diverting the traffic to other modes of transport. The Railways have, therefore, to take a pragmatic and realistic view based on costing economics and the long term interests of the Railways and the country.
30	3.51	In case concessional tariffs become necessary in respect of any commodity for export, industry etc., the Committee feel that it is for the authorities concerned to make good the difference.

1	2	3
31	3.52	The Committee observe that under the German Federal Railways Act, the Government is required to pay compensation if increases in freight rates suggested by the Railways are overruled. In U.K. also, the British Railways are compensated for losses resulting from moderation in raising freight rates and fares. Compensation is also allowed to the French and Canadian Railways for uneconomic freight rates/traffic freezes. The Committee see no objection to reliefs being given to Indian Railways in similar situations.
32	4.76	The Committee note that out of the 202 branch lines of the Indian Railways as many as 127 branch lines are deemed as uneconomic and the losses on such lines which stood at Rs. 7 crores in 1969-70 have risen to Rs. 14 crores in 1974-75. The Committee have in an earlier chapter of this Report recommended that the methodology for determining losses on various services rendered by the Railways needs to be improved so as to find an all-round acceptance. The Uneconomic Branch Lines Committee (1969) have observed in their Report that the formula adopted by certain railways in estimating main line earnings does not bear scrutiny. The Committee would like the matter to be thoroughly examined and early action taken to refine the methodology for assessing the overall financial position of working of the branch lines.
33	4.77	The Committee note that the Ministry of Railways have taken certain steps to improve the earnings and reduce the working expenses of the uneconomic branch lines such as strengthening of track of certain narrow gauge lines, converting some of the narrow gauge lines into broad gauge, replacement of overage stock etc. and introducing diesel traction on certain sections The Committee further note that the Railways have not found it possible to fully implement the

1	2	3
		recommendations of the Uneconomic Branch Lines Committee as these involve heavy investment of the order of Rs. 300 crores and there are grave doubts about such lines becoming viable even after conversion/extension/dieselisation and other improvements.
34	4.78	The Committee note that the Railways are seized of the desirability of running diesel rail cars on branch lines to provide compact and speedy passenger service. However, not much progress has so far been made in producing indigenously the power pack required for the diesel rail cars. The Committee would like the Ministry of Railways to intensify efforts in this direction in consultation with the Ministry of Industry and Civil Supplies so as to locate a suitable power pack for running the diesel rail cars and have it manufactured on a trial basis in the first instance and after watching the results, introduce it more extensively so as to cater to the requirements of passenger traffic.
35	4.79	The Committee observe that the State Governments were approached to render assistance in improving the working and financial results of the uneconomic branch lines but have not received any substantial assistance. The losses on these branch lines, instead of coming down, are in fact on the increase. The Committee note that according to the State Governments, paucity of traffic in several cases is due to the shortcomings of the services rendered by the Railways *e.g.* slow trains, corruption, supply of wagons not being prompt, delays at transhipment points, thefts and pilferages, claims not being settled promptly etc. The Committee would like the Ministry of Railways to take note of these shortcomings and effect improvements so at to make the branch line services more popular and thereby augment their earnings.

1	2	3
36	4.80	The Committee also note that according to the Railways, the Narrow gauge lines are not likely to pay their way in view of their inherent limitations of low speeds, break-of-gauge, competition from roads etc.
37	4.81	The Committee would like to refer in this connection to the observations of the Committee on Transport Policy and Coordination to the effect that a Branch Line should be viewed both as an entity in itself and as part of a wider railway network and it should be ascertained whether on either ground its retention is necessary and that the total transport requirements and facilities in the area served by the Branch Line should be examined with a view to determining the nature and extent of transport services that may be needed in the future. The Committee have further observed that in a developing economy there cannot be an undue rigidity in regard to means of transport so long as the overall requirements can be satisfactorily met. Therefore, wherever road transport has to be expanded to facilitate discontinuance of the Branch Lines, the Railways may consider in consultation with the Ministry of Finance and the State Governments whether and in what form, they should participate or assist in the growth of road transport services.
38	4.82	The Committee further note that the Administrative Reforms Commission had also come to a more or less similar conclusion when they observed that the Railway Board should consider the closure of unremunerative lines wherever adequate alternative modes of cheaper transport existed and where such closure would not adversely affect the public interest including any important economic activity of the area. The Commission had emphasised that the question of continuance of unremunerative lines

1	2	3
		should be continuously reviewed by the Railway Board so as to ensure that, as far as practicable, Railway Finances were utilised for running of commercially acceptable or potentially profitable lines and wherever running of uneconomic lines was continued in the public interest, the losses may be made good out of the public revenues, State or Central.
39	4.83	The Committee feel that the whole question of continuing the operation of uneconomic branch lines calls for a critical and objective review with reference to the realities of the situation and keeping in view that the Railway finances are utilised in the best interest of the State and how far the existing alternative modes of cheaper transport could replace the uneconomic trains services. The Committee also recommend that the Railways should identify the branch lines which are marginally unremunerative and could be made economically viable with minimum investments and take concerted measures in close coordination with the State Governments, trade and industry, to improve their financial results.
40	4.84	So far as the other branch lines are concerned, the Committee note that the State Goovernments are averse to the closure of even those lines which do not serve any purpose. The Committee consider that if such lines are to be continued indefinitely, in spite of recurring losses and with no possibility of their becoming viable in the foreseeable future, the only alternative is that the authorities who desire these to be run, should share with the Railways the unavoidable losses.
41	4.85	The Committee observe that the only financial relief that the Railways are getting on uneconomic branch lines at present is the exemption

1	2	3
		from payment of dividend liability on the capital-at-charge of such lines amounting to about Rs. 4 crores per annum. In this connection, the Committee note that in Britain and Canada, Railways are given grants to compensate them for the losses incurred by them on un-remunerative lines.
42	4.86	The Committee would like to point out that 1 per cent of the Capital-at-charge of the Railways as on 31st March, 1964 is paid to the State Governments in lieu of the Passenger Fare Tax. Out of this, a fixed sum of Rs. 16.25 crores is paid annually to the States while the remaining is given as contribution towards States' share of Railway Safety Works, the total amount paid during the quinquennium 1969-70 to 1973-74 being of the order of Rs. 90.9 crores. It is only fair and equitable that the State Governments who are averse to closure of uneconomic branch lines, should come forward to meet the losses.
43	5.65	The Committee note that under the Separation Convention 1924, a distinction was made for the first time between 'Commercial' and 'Strategic Lines' and it was decided that losses, if any, in the working of the strategic lines would be borne by the General Revenues. This was a distinct departure from the then prevailing practice of securing definite guarantees from the local Governments to meet the losses on lines sponsored by them for construction by private investors.
44	5.66	Another major change in policy was effected 25 years later on the recommendation of the Railway Convention Committee, 1949 which urged the Railways to discard their restrictive attitude and take up construction of un-remunerative lines as a necessary phase in the planned development of the country. Such lines, if

1	2	3
		found necessary, were to be financed from the Development Fund that was newly created out of the surplus revenues of the Railways. It was also provided that in respect of such new lines which yielded a remunerative return after 5 years of construction, the cost should be written back from Development Fund to Capital.
45	5.67	Considering that the number of new lines to be constructed which may not be able to pay their way, even after the development stage, would be few and far between and it may not be a heavy burden on the Railways to pay dividend to General Revenues on such lines, the Railway Convention Committee, 1954 recommended that all new lines (whether remunerative or unremunerative) should be financed from Capital, dividend being payable on the capital-at-charge of such lines at the average borrowing rate charged to commercial departments. At the same time, the Committee granted a moratorium in respect of the dividend payable on the capital invested on the new lines during the period of construction and upto the end of the fifth year of their opening for traffic, the deferred dividend being repaid from the sixth year onwards in addition to the current dividend out of the net income of the new lines. The Railway Convention Committee, 1965 further recommended that the account of deferred dividend on new lines may be closed after a period of 20 years from the date of their opening extinguishing any liability for deferred dividend not liquidated within that period.
46	5.68	The Committee thus observe that the 1949 Convention introduced fundamental and far reaching changes in the policy for construction of new lines and that in pursuance thereof, the Railways have undertaken construction of 73

1	2	3
		new lines since April, 1950. The Committee further note that out of these 73 lines, actual financial returns for 25 lines (including 6 still under construction) are not available, while out of the remaining 48 lines, 25 are unremunerative according to the latest available figures.
47	5.69	A reaffirmation of the policy laid down by the 1949 Convention is reflected in the Budget speech (1973-74) of the Minister of Railways wherein he emphasised that "the principle that transportation infra-structure must evolve along the pattern determined by the pre-existing economic viability needs to be modified to the extent that very often the creation of the infra-structure themselves lead to additional demand and increased commercial prospects" and that "in selected areas the calculus of short-term economic returns must yield place to the long-term benefits through a policy of deliberate developmental expenditure."
48	5.70	Apart from suggesting exemption, full or partial, from payment of dividend liability to the General Revenues during the period of construction and for a specified period after completion, the Minister of Railways stated that certain other possibilities such as participation of State Governments or local authorities in reducing the cost of construction by giving the land and labour content of construction free of cost, suitable adjustment upwards of fares and freight structure applicable to the newly constructed lines, and levy of fares and freights on a discontinuous basis as a set-off against telescopic structure of standardised fares and freights, could be considered to facilitate construction of new lines in backward areas.
49	5.71	The Committee further note that the Planning Commission are of the view that develop-

1	2	3
		ment of the backward areas is not necessarily to be achieved through construction of new railway lines. Rail transport is inherently better suited for long distances while the road transport has advantage of distribution of goods in small quantities over short distances. Accordingly, in taking up construction of new lines, priority is given to those lines which are project oriented and are required in connection with mineral development or heavy industries.
50	5.72	The Committee note the contention of the Ministry of Railways that in the present parlous state of Railways finances and the high cost of construction, they are not in a position to inject substantial capital investment in under-developed areas. The Ministry have accordingly suggested that they would be relieved of part of the financial burden if the land required for construction of new lines could be contributed free of charge by the State Governments or any other sponsoring authority. The Ministry have further suggested that the operating losses suffered by the Railways on such railway lines should be borne by general revenues initially for a period of 20 years whereafter the position may be reviewed every five years after opening, and if the working results show any operating loss, the full exemption from dividend liability or bearing of operating loss by the general revenues could be suitably revised.
51	5.73	While the Committee generally agree with the approach enunciated above, they consider that in the present parlous state of Railway finances when they are heavily indebted to General Revenues, any further burden by way of additional dividend liability and recurring losses on such lines, is bound to be back-breaking and may in fact shatter the entire fabric of the Railway system in the country. Grant of fur-

1	2	3
		ther reliefs in this respect would, apart from vitiating the entire concept of dividend, be only an easy expedient to skirt the problem. On the other hand, the Committee recognise that the need for opening up backward areas is also urgent and pressing. In the situation, the only course left open to the Government, in the view of the Committee, is to enunciate a clear-cut policy whereunder the Central and State Governments would be willing partners in mobilising the capital needed for such lines and in sharing the losses in their operation. The Committee feel that such an approach would go a long way not only in curbing extravagant demands for new lines but would also result in meaningful rail-road coordination. As a corollary, State Governments should be willing for closure of patently uneconomic Branch Lines if other transport means adequately meet the developmental requirements of the area. The Committee have dealt with this aspect in greater detail in the Chapter on Uneconomic Branch Lines.
52	5.74	So far as the New Lines constructed, say during the last 15 years are concerned, the Committee desire that the financial results of working of such lines should be critically reviewed at least once in every three years and the results of such reviews should be suitably publicised so that public opinion as well as the State Governments concerned are better informed and are in a position to give positive suggestions to improve their working and augment the earnings.
53	5.75	So far as restoration schemes are concerned, the Committee note that these are financed from the Depreciation Reserve Fund with no dividend liability. The Railway Convention Committee, 1971 had pointed out in paragraph 2.17 of their

1	2	3
		First Report on Accounting Matters that contributions to the Depreciation Reserve Fund were made in an *ad-hoc* manner on the basis of 'rough' estimates of accrued depreciation—arrear as well as current. The Committee had desired that the matter may be examined by an expert Working Group so that the depreciation requirements could be assessed on a scientific and rational basis. The Report of the Working Group appointed in pursuance of the above recommendation of the previous Convention Committee, is still awaited.*
54	5.76	The Committee observe that the Depreciation Reserve Fund had a closing balance of Rs. 195.74 crores as on 31st March, 1975 (Revised Estimates). They would nevertheless like to point out that so far as restoration schemes are concerned, a material change in the situation might have occurred in certain cases with the development of road transport during the intervening period and that many such schemes may now prove to be a further drain on Railway finances without any commensurate benefit to the development of the economy of the area. The Committee, therefore, desire that the Ministry of Railways should examine such proposals in great depth and take specific approval of Parliament by treating it in the same manner as a "New Service" before committing their scarce resources. Where the concerned State Governments or other authorities come forward to meet the capital cost and share the losses, the matter should be fully gone into and the full financial implications mentioned in the Budget documents while seeking Parliament's approval.
55	5.77	So far as conversion schemes are concerned, the Committee note that projects for conversion from narrow gauge or metre gauge to broad

*Since received.

1	2	3
		gauge are generally taken up when the sections get saturated and additional investments are needed in order to carry the traffic expected to move over them. There are, however, many stretches of such lines where break-of-gauge acts as a 'disincentive' for setting up industries. The Ministry of Railways feel that such projects could be treated on the same footing as construction of new lines which though financially unremunerative, might be necessary for the development of backward areas.
56	5.78	The Committee note that the Zonal Railways are presently engaged in making forecasts of traffic of individual lines which could be considered for conversion under the Corporate Plan. The Committee trust that full details and financial implications of the conversion proposals to be incorporated in the perspective Corporate Plan would be worked out in depth and fully gone into. The Committee would also like to emphasise that the Railways should carefully assess the operational requirements and overall economics of each project before committing their resources. In case it is found that a project would not be financially remunerative, the sponsoring authorities might be asked to share the capital cost and the operating losses on an equitable basis as in the case of new lines proposed to be constructed in backward areas. Full facts and financial implications should be invariably indicated clearly and in sufficient detail in the Budget papers while seeking Parliament's prior approval.
57	5.79	In paragraph 16 of their Sixth Report, the Railway Convention Committee had recommended that 50 per cent (instead of 25 per cent as hithertofore) of the capital outlay in the years 1974-75 and 1975-76 on works-in-progress other

1	2	3
		than those pertaining to strategic lines, North East Frontier Railway (Commercial), over-capitalisation, ore lines, Jammu-Kathua and Tirunelveli-Kanyakumari-Trivandrum lines, new lines and P&T line wires, may be exempted from payment of dividend for a period of three years. This recommendation has since been approved by Parliament.
58	5.80	Having regard to the difficult financial position of the Railways and also taking into consideration the long period of construction|gestation of Railway investment in general, the Committee recommend that 50 per cent of the outlay on capital works-in-progress, other than those specified above, may continue to remain exempted from payment of dividend for a period of three years in each case, during the entire period of the Fifth Plan *i.e.* 1974—79.
59	6.44	The Committee observe that the number of railway staff has gone up from 9.14 lakhs in 1950-51 to 14.31 lakhs in 1973-74 *i.e.* by 56.5 per cent whereas the wage bill has shot up from Rs. 114 crores to Rs. 570 crores *i.e.* by over 400 per cent during this period. The cost per employee has gone up from Rs. 1,263 to Rs. 4033 during the last 23 years *i.e.* by 208 per cent. In the year 1973-74, the Railways are stated to have spent Rs. 41 crores on provision of health and medical facilities, subsidised housing and educational assistance to children of Railway employees besides Rs. 21.42 crores on the Railway Protection Force and Rs. 56.29 crores towards concessional travel facilities to their staff by way of passes and privilege ticket orders. Thus the total cost of staff including various facilities and benefits provided to them amounted to Rs. 688 crores constituting about 63 per cent of the total working expenses (Rs. 1082.78 crores) of

1	2	3
		the Railways including depreciation and miscellaneous expenses.
60	6.45	While it is true that expenditure on provision of health, medical and educational facilities and on the Railway Protection Force should normally be a charge upon the revenues of the State Governments as all these are State subjects, it would be too much to assume that the latter with their tight financial position would be ordinarily willing or able to undertake these responsibilities at least in the near future. On the other hand, as is well known, the Central Government have been advancing loans and grants to the State Governments to finance the Plan expenditure under these heads besides directly running a number of institutions providing such facilities. Moreover leading public undertakings provide similar facilities|amenities to their staff. The Committee, therefore, consider that as things stand at present, there is no case for the Railways to be treated on a different footing in this matter. The question of any re-imbursements on these social overheads would not, therefore, arise.
61	6.46	On the other hand, the Committee share the view of various knowledgeable persons that the Railways are overstaffed. They would, therefore, like to emphasise the imperative need to effect economies in this direction. They would urge the Railways to undertake extensive work studies in their various field and headquarters organisations at all levels with a view to achieving economy consistent with efficiency. It is also necessary that the staff, particularly the supervisory staff, are made cost-conscious. This should not only form part of their training programme but their performance should be judged on the basis of their success in achieving best results at minimum cost.

1	2	3
62	6.47	So far as the question of financing the construction of staff quarters is concerned, the Committee agree with the Railways' suggestion, concurred in by the Ministry of Finance, that the cost of construction of staff quarters may be charged to Capital during the Fifth Plan period, dividend on such capital being payable only if the Railways have surplus after discharging other dividend obligations.
63	6.48	The Committee would like to stress that while the Railways should make earnest efforts to provide quarters to all the staff, they should give priority to essential categories of staff. The Committee urge the Railways to prepare a perspective plan for construction of quarters so that within a specified period of time, the staff falling in essential categories and other low-paid staff are provided with railway quarters. In drawing up the plan, Railways should give priority to construction of quarters in places and areas where other accommodation is not available.
64	6.49	The Committee would also urge that the Railways should adopt modern cost saving techniques in construction so that the cost of construction of quarters is kept low. For this purpose, the Railways should evolve suitable architectural designs of low-cost houses in consultation with the Ministry of Works and Housing, the research institutions engaged in this work, the Public Sector Corporations, particularly the Life Insurance Corporation, the Delhi Development Authority and other leading bodies in the Centre and States etc. who have considerable experience of providing large scale housing. As far as possible, the representatives of workers have also be consulted in this regard.

1	2	3
65	7.1	In conclusion, the Committee like to observe that they have recommended *inter-alia* the following: (i) Government should evolve a financial arrangement in the light of findings of the costing study of the economics of operation of various classes of travel in consultation with the Ministry of Finance and Comptroller and Auditor General whereby the Railways are compensated in some equitable manner for Second Class passenger traffic only (vide paragraph No. 2.45). (ii) The entire question of subsidising the Railways so as to cover the unavoidable losses on passenger traffic, suburban as well as non-suburban, should be remitted to a high powered Committee comprising the representatives of the Ministries of Railways, Transport, Finance, Comptroller and Auditor General, the State Governments and local authorities concerned, and that Committee might be entrusted with the task of working out a practicable financial arrangement to subsidise the Railways keeping in view the practice obtaining in Britain, France, West Germany etc. in this behalf (vide paragraph No. 2.68). (iii) While the various travel concessions to students and other categories of personnel (estimated to be of the order of Rs. 13 to 18 crores per annum) may continue, the Railways may be reimbursed the cost thereof through a suitable financial arrangement to be worked out by Government in that behalf (vide paragraph No. 2.41).

1	2	3
66	7.2	The Committee wish to point out that the social burdens on the Indian Railways are not a new phenomenon and in spite of bearing such obligations the Railways were showing surplus till 1965-66. The Committee are of the view that there is still a vast scope for improvement in the Railway planning and operations. The Railway planning has been unrealistic over the last two plan periods. While heavy investments in augumenting capacities were made according to the forecasts of freight traffic, there was a wide gap between the traffic forecasts and their actual materialisation. This resulted in marked increase in the dividend liability arising out of heavy investments without corresponding increase in traffic earnings. This underscores the need for observing utmost circumspection in the matter of making further investments on the Railways (vide paragraph Nos. 1.140 and 1.141).
67	7.3	The Committee also consider that the Railways will have to look with and find out what more they can do for the trade and industry and the public at large to earn their good-will rather than what the public revenues can do for them. The Committee urge the Railways to streamline their functioning and manage the operations in such a way that they are looked upon as the most economic, competitive, efficient and reliable mode of transportation in the country (vide paragraph 1.142). The Committee need hardly stress that the Railways as the premier undertaking in Government sector should play an effective and leading part in the implementation of the programme for development announced by the Prime Minister. Some signs of improved performance and earnings on the Railways are already visible. The Railways should redouble their efforts to attract and move more and more

1	2	3
		traffic by efficient use of their resources so that they snap back to the position of 1965-66 when they had surplus after meeting all the social obligations.
68	7.4	The Committee consider that Government should take an overall view with reference to (i) the financial position of the Railways as revealed in the Balance Sheet and the Profit and Loss Accounts and (ii) their liabilities, obligations and responsibilities not only in relation to payment of Dividend to the General Revenues but also the position of the balances in the Development Fund, Revenue Reserve Fund and the Depreciation Reserve Fund and then determine a reasonable quantum of relief to be afforded to the Railways which, in any case should not exceed the amount borrowed by the Railways from the General Revenues. The actual relief to be paid to the Railways should be clearly indicated in the Budget documents with necessary supporting data and details so that Members of Parliament have adequate opportunity to go into it before it is approved.
69	7.5	The Committee would like to emphasise that whatever subsidy or grant is ultimately decided upon, should only be given to make good unavoidable losses after ensuring that the Railways also improve their performance and efficiency and effect all possible economies in their operation. The subsidy should in no case dilute the financial discipline imposed on the Railways nor place a premium on inefficient service and make the Railways complacent about their responsibility as the sole rail carriers to provide more efficient and economic service to the public at large (vide paragraph No. 2.69)."

GMGIPND—LS II—1167 LS—10-11-75—1200.