

**STANDING COMMITTEE ON RAILWAYS  
(2004-05)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF RAILWAYS  
(RAILWAY BOARD)**

**[Action taken by the Government on the recommendations/  
observations contained in the 6<sup>TH</sup> Report of the Standing  
Committee on Railways 2005 on Rail Network in North East  
Region – Expansion and Investment]**

**TWELFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

August, 2005/Sravana, 1926 (Saka)

SCR No. 91

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*Presented to Lok Sabha on 03.08.2005  
Laid in Rajya Sabha on 03.08.2005*



**LOK SABHA SECRETARIAT  
NEW DELHI**

August, 2005/Sravana, 1926 (Saka)

## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE .....	4
INTRODUCTION .....	6

### PART - I

<b>CHAPTER I</b>	Report.....	7
<b>CHAPTER II</b> 17	Recommendations/Observations which have been accepted by the Government .....	
<b>CHAPTER III</b>	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply.....	25
<b>CHAPTER IV</b>	Recommendations/Observations in respect of which Replies of the Government have not been accepted by the Committee and which require reiteration .....	31
<b>CHAPTER V</b>	Recommendations/Observations in respect of which final replies of the Government are still awaited .....	37

## STANDING COMMITTEE ON RAILWAYS (2004-05)

**Shri Basudeb Acharia** - **Chairman**

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- 3 Shri Dhirendra Agarwal
- 4 Shri Atique Ahamad
- 5 Shri Ajaya Kumar
- 6 Shri Subrata Bose
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27. Shri Tarini Kanta Roy
28. Shri R. Kamraj
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30. Shri Harendra Singh Malik
31. Shri Abani Roy

**LOK SABHA SECRETARIAT**

- |    |                           |   |                         |
|----|---------------------------|---|-------------------------|
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| 2. | Dr.(Smt.) P.K. Sandhu     | - | Additional Secretary    |
| 3. | Shri V.S. Negi            | - | Deputy Secretary        |
| 4. | Smt Abha Singh Yaduvanshi | - | Under Secretary         |
| 5. | Shri Pankaj Kumar Sharma  | - | Sr. Executive Assistant |

## INTRODUCTION

I, the Chairman of the Standing Committee on Railways (2004-05), having been authorized by the Committee to present the Report on their behalf, present this Twelfth Report of the Committee on Action Taken by the Government on the Recommendations/Observations contained in the Sixth Report of the Standing Committee on Railways (2004-05) on 'Rail Network in North East Region – Expansion and Investment.'

2. The Sixth Report was presented to Lok Sabha on 02.03.2005 and laid in Rajya Sabha on 01.03.2005 and it contained 12 recommendations/observations. The Ministry of Railways have furnished their Action Taken Replies on all the recommendations/observations on 03.06.2005.

3. The Committee considered the Action Taken Report and adopted the same at their sitting held on 28.07.2005.

4. An analysis of the action taken by the Government on the recommendations/observations contained in the Sixth Report of the Standing Committee on Railways (2004-05) Fourteenth Lok Sabha is given in Appendix-II.

NEW DELHI;  
August, 2005  
 Sravana, 1926 Saka

**BASUDEB ACHARIA**  
**Chairman,**  
**Standing Committee on Railways**

## CHAPTER I

### REPORT

This Report of the Committee deals with the Action Taken by the Government on the recommendations and observations contained in the 6<sup>th</sup> Report of the Standing Committee on Railways (2004-05) on 'Rail Network in North East Region - Expansion and Investment'. The Report was presented in Lok Sabha on 02.03.2005 and laid in Rajya Sabha on 01.03.2005 .

2. Action Taken Notes have been received from the Government in respect of all the 12 recommendations/observations contained in the Report. These have been broadly categorized as follows:-

- (i) Recommendations/Observations which have been accepted by the Government – Para Nos. 5.2, 5.5, 5.7, 5.8, 5.9 and 5.12.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies – Para Nos. 5.1, 5.6 and 5.11.
- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration – 5.3 and 5.4.
- (iv) Recommendations/Observations in respect of which final replies are still awaited Para No. –5.10.

**3. The Committee desire that final reply in respect of the recommendation for which only interim reply has been given by the Government should be furnished to them expeditiously.**

4. The Committee will now deal with the Action Taken by Government on some of their recommendations/observations.

**Funds for projects enroute to N.E. Region**

**(Para No.5.3)**

5. The Committee had found that funds earmarked exclusively for Northeast Region are being invested by the Railways on projects taken up in other than North Eastern Region of Northeast Frontier Railway on the justification that the investment in these projects would remove the bottlenecks, enhance smooth movement of traffic in Northeast Region and also the capacity. The Committee while not approving of the diversion of funds specifically earmarked for the Northeast Region on projects taken up on a part outside the Region had recommended that the funds for projects enroute to Northeast Region should be given priority and sanctioned from Railway Budget and not from the funds earmarked for the Region.

6. In their action taken reply the Ministry of Railways have *inter-alia* stated that there are only 2 doubling projects in progress between Malda and New Jalpaiguri and the works are being executed on priority. Since the doubling of these leftover sections will add to throughput enhancement in the Northeast Region, it would be appropriate to consider the investment as made in Northeast Region.

7. **The Committee note that under the 'New Initiatives' announced in 1996 by then Prime Minister for the overall development of Northeast Region, all the Union Ministries/Departments are required to earmark 10 per cent of their Budget for the specific programmes in Northeast Region. The Committee are of the firm view that since the New Initiative was meant for the Northeast Region only, the amount so earmarked cannot be invested on projects taken up outside the territorial jurisdiction of Northeast Region. They, therefore, do not approve of Ministry's view that the amount spent on removing bottlenecks enroute to Northeast Region be considered investment as made in Northeast Region. While emphatically**



**reiterating their earlier recommendation, the Committee desire that the Railways should immediately stop the practice of such diversion of funds specifically earmarked for Northeast Region on projects which fall outside the Northeast Region to which funds can be provided from the normal Railway Budget. However, the Committee are of the view that the feeder lines to Northeast Region viz. New Maynaguri-Jogighopa new line and New Jalpaiguri-New Bongaigaon gauge conversion projects should be adequately funded from the funds earmarked exclusively for the Northeast Region as these projects would remove the enroute bottlenecks besides enhancing smooth movement of traffic and capacity after completion.**

**Economic viability of projects in N.E. Region**  
**(Para No. 5.4)**

8. The Committee found that out of the 16 surveys (12 new lines and 4 gauge conversion) undertaken in the region during the last five years, 10 proposals (8 new lines and 2 gauge conversion) were shelved while 3 proposals (1 new line and 2 gauge conversion) included in the Budget and 3 proposals for which surveys done for new lines were still under examination. They were apprised that during economic feasibility study if an expected Internal Rate of return of 14 per cent is shown by the project only then it is considered to be economically viable and is included in the budget, otherwise the proposal is shelved. The Committee were of the view that because of the lack of railway infrastructure, economic and industrial development in Northeast Region are not commensurate with the other States. They found that there are some projects which though not financially viable but are socially desirable or necessary on account of strategic considerations and general development of the Region.

They were of the opinion that Internal Rate of Return of 14 per cent is too high for determination of economic viability of projects particularly for Northeast Region. Moreover, it is also not commensurate with the normal prevailing interest rate on which it is based. The Committee, therefore, recommended that the norms of financial viability for projects in Northeast Region should be relaxed

since development and expansion of rail network in the region is imperative for socio economic development apart from strategic relevance. They also strongly recommended that the economic viability of a project should be determined on a more rational and realistic basis keeping in view the prevailing interest rate. Therefore, the criteria adopted to ascertain the economic viability i.e. Internal Rate of Return of projects should be reviewed at the earliest.

9. In their Action Taken Reply, the Ministry of Railways have stated:-

“Prior to 1969, financial appraisal of Railway projects was done on the conventional system, taking into account a cut – off return of 6% assuming that to be the dividend rate. However, later on, it was considered necessary that the productivity from the capital should be improved and one of the ways was to undertake new investments only when the returns are higher. It was therefore decided to set up a Committee in 1968 which would examine and recommend suitable methods of project evaluation and cost benefit analysis to supplement/supplant the conventional method of assessment of financial viability of projects. The Committee recommended that the rate of return be so fixed for the Railway investment as to leave a surplus, after meeting the dividend liability, sufficient to cover Capital formation out of internal resources. The rate of return was enhanced to 10% in July, 1969.

10. Ministry of Finance vide their office memorandum dt. 23/8/1984 laid down that only those projects with a financial rate of return exceeding 12% should be posed to PIB for the consideration in future. In the background of Ministry of Finance’s letter the rate of return was further increased to 12%. Consequent on the reduction in budgetary support and limitation on internal generation of resources, Railways were required to resort to market borrowing, which was done through Indian Railway Finance Corporation and the lease charges were at the rate of 14.5%. This led to further increase in ROR from 12% to 14%.

11. The issue of revision of rate of return has also been deliberated upon by a number of high-powered Committees. Their recommendations are summarized below:-

- 1) **The Railway Freight and Fare Committee (Dec. 1993)** recommended vide para no. 8.6.9 of their report that Indian Railways might have to earn a minimum of 16% return if it were to meet its investment needs.
- 2) **Standing Committee on Railways (2001)** in the ninth report have stated as under “The Committee are of the firm opinion that the time has come to stop the blanket liberty presently in practice in the Railway Board to distribute the largesse resulting in spreading the rare resources thinly. They are of the opinion that those projects which are near completion stage/viable must get priority. The projects which are socially desirable be taken up only when matching funds are either assured by the States concerned or the Central Government. They strongly recommend that existing priority or on-going projects be reviewed critically and it must not be a mere categorization of projects but realistic enough in terms of funding requirement.”
- 3) One of the recommendations of **Railway Safety Review Committee**, 1998 better known as Khanna committee (para 2.3.2) which submitted its Report in Feb 2001, is as following:
 

“Financial justification should be the only consideration for approving and prioritizing an investment proposal. Further projects which yield a minimum return of 20 percent, slightly more than the prevailing market rate of interest, should henceforth be undertaken.”
- 4) **Rakesh Mohan Committee** in Chapter IV of their Report, have observed that Indian Railways are at a crossroads. All the

indications are that Indian Railways is facing a financial crisis and without a strategic change in direction its future as a viable entity is dim. There is a need for a more focused investment programme that enhances IR's productivity and which expands its capacity to cope with traffic growth projected. Investment expenditures that do not result in additional revenues must be eschewed. At another place in the same Chapter, the Committee has drawn attention to the great difficulties IR faces in keeping up adequate level of investments. The problem has been compounded in the change in investment priorities where attention has been given to unremunerative projects. Also projects funded out of internal resources need to be selected through a rigorous screening process and identified as being of the highest organizational priority on which the limited internal resources should be invested. It has also been observed by the Committee that "an inherent conflict of approach is evident in the promotion of an investment strategy that perpetuates resource constraint".

12. Railways are conscious of their responsibilities towards socio-economic and industrial development of backward areas not connected by a reliable transport network. Regardless of the benchmark of 14% many projects on Indian Railways including works on NE region are sanctioned on socio economic and developmental considerations. At present, 6 new line projects and 5 gauge conversion projects which are not financially viable are being executed in North Eastern region. Jiribam-Imphal road (Tupul), Kumarghat-Agartala new line projects and Lumding-Silchar-Jiribam gauge conversion project have recently been declared as National Projects. The cost of Senchoa-Silghat gauge conversion work is being funded by Ministry of Defence on strategic consideration.

13. The prescribed cut-off rate of return being followed in Indian Railways for determining the financial viability of projects constitutes not only the cost of capital but also provision for capital formation, risk factors etc. Besides paying dividend to General revenue, the Indian Railways are required to make provisions for Depreciation Reserve Fund (DRF), Pension Fund and Development Fund (DF). Since Railways have initiated a plan to cater to the modernization, operational improvement and throughput enhancement for quantum jump in the traffic expected on Indian Railways, it has become imperative that adequate surplus is generated to take care of the requirements of Development Fund (DF).

14. It is also relevant to point out here that only about 47% of the total Plan Expenditure of IR, which is Rs. 15349 crores in 2005-06, gets Budgetary support from the Central Government (including contribution to SRSF and Railways Share out of diesel cess). The balance 53% has to be necessarily funded through internally generated surplus and other market borrowings. There is a crying need to increase the internal generation of resources for financing projects (through DRF, DF etc). Therefore only those projects, which are capable of generating high returns, need to be taken up. To enable selection of such projects, it is necessary to keep the cut off percentage of ROR at sufficiently high level and this justifies 14% ROR as cut off percentage for selecting projects for investment”.

**15. The Committee appreciate the fact that Indian Railways have taken up many projects in Northeast Region on socio-economic and developmental considerations although majority of these projects are not financially viable. They also note the concern and endeavour of the Indian Railways to improve their precarious financial condition. However, they still feel that the prevailing 14 per cent cut off rate of return for determining the financial viability of projects is not at all commensurate with the normal prevailing market interest rate on which it is actually based. Therefore,**

keeping in view the socio-economic and industrial development of the region, the Committee stress that in case of Northeast Region the cut off rate of return of 14 per cent should not be applied strictly for evaluation of projects. They also desire to be apprised of the outcome of the examination of surveys done during the last five years in respect of Sivok-Giellikhola (narrow gauge), Dimapur-Kohima and Azra-Byrnihat new line projects.

### **Fund for Bogibeel Rail cum Road Bridge**

#### **(Para No.5.7)**

16. The Committee found that the Rail cum Road Bridge across the river Brahmaputra at Bogibeel is to be funded on cost sharing basis by Ministry of Surface Transport and Highways and Ministry of Railways. The construction of this Bridge has been inordinately delayed due to non-availability of their share of funds by Ministry of Road Transport and Highways and the completion target has been deferred from 2005 to 2008-09. The Committee were also apprised that discussion with the World Bank Authorities indicated that since the project requires heavy investment and is financially unviable, it could be considered if it is posed as a socio-economic project of the Government rather than a Railway Sector Project. Accordingly, the position was advised to the Department of Economic Affairs, Ministry of Finance. The Committee had emphasized that the Railways should further persuade the Ministry of Finance to project this mega bridge project as a socio-economic project of the Government of India to the World Bank. In case the funding of the project from World Bank does not materialize the Railways should approach the Ministry of Finance to declare it as a national project.

17. In their action taken reply, the Ministry of Railways have stated that the funds for this project are not likely to be available through World Bank funding. Considering the importance of the mega bridge project, **Government is being approached for providing funds for the project as an additionality.**

**Merging of Bogibeel Rail-cum-Road Bridge and Rangia-Murkongselek  
Gauge Conversion Projects  
(Recommendation Para No. 5.9)**

18. The Committee had found that gauge conversion of Rangia-Murkong-Selek section of Northeast Frontier Railway is also linked up with the Bogibeel bridge. On southern side of the bridge there is broad gauge line while across the bridge is meter gauge. They had felt that Bogibeel bridge will be meaningless if gauge conversion of this connecting section on North side is not taken up simultaneously with adequate financial arrangement. Further these two projects are important from the point of connectivity between remote areas of Assam and Arunachal Pradesh besides defence movement. The Committee, therefore, had recommended that both Bogibeel project and Rangia-Murkong-Selek gauge conversion project should be considered in totality as a single project to tackle the flood control, gauge conversion etc. with provision of adequate funds from Railway budget/alternative funding.

19. In their Action Taken Reply, the Ministry of Railways have stated that the Government is being approached for providing funds for Bogibeel rail-cum road bridge as an additionality to the normal Railways plan. Regarding gauge conversion of Rangia-Murkongselek, it is mentioned that since major portion of the line was constructed on strategic considerations, Ministry of Defence had been approached for providing funds for the projects through Defence funding. However Ministry of Defence, though endorsed the strategic importance of the line, have not agreed to fund the project through Defence funds. **The matter will now be taken up for consideration of the Government for providing funds for this project.**

**20. The Committee appreciate the fact that Ministry of Railways are pursuing the matter with the Government for grant of additional funds for Bogibeel rail-cum road bridge as well as gauge conversion of strategically important Rangia-Murkongselek project. The Committee desire that in case the Railways are unable to procure additional funds for these two projects they should approach the Ministry of Finance to declare these Projects as National Projects.**



## CHAPTER II

### **RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Budget Allotment for NE Region (Para No. 5.2)**

The Committee noted that for computing the investment to be made by the Railways in Northeast Region, a fraction of  $\frac{3}{4}$  is presently being applied to the total expenditure incurred by Northeast Frontier Railway as until recently out of 4 divisions of NF Railway, 3 divisions have been covering the North-east Region. The Committee were not convinced about the method of this computation of the data regarding allotment and expenditure, as there are five divisions in Northeast Frontier Railway as on date and the same three divisions are serving the Northeast Region even now. They found that the figure so computed and provided are misleading as they reflect  $\frac{3}{4}$  instead of  $\frac{3}{5}$ . Considering the un-organised upkeep of the records the Committee first and foremost emphasize on maintenance of data relating to allocation and expenditure on Northeast Region separately forthwith.

In their Action Taken Reply, the Ministry of Railways have stated:-

“The Budgetary Support extended to the Railways by the Govt. also includes specific allotments for various projects like Udhampur-Srinagar-Baramulla New Line project, which is a national project; Rail Vikas Nigam Ltd., externally aided projects, contribution to Special Railway Safety Fund and also inflows from the diesel cess for undertaking road related safety works. While calculating the net Budgetary Support available to the Railways for distributing to other Railway projects, the outlays given on above account are subtracted. The 10% budgetary support to be earmarked for North Eastern Region is worked out on this Net Budgetary support available.

For computing the investment being made by the Railways in the North Eastern Region, the following norms are adopted:

1. All projects/investment in Northeastern region,
2. Projects taken up in other than Northeastern region of Northeast Frontier Railway, on the basis of justification that includes benefits for traffic movement in Northeastern region too. This criteria applies to projects under planheads – New Lines, Gauge Conversion, Doubling, Traffic Facilities, Rolling Stock and Bridge Works. The outlay for Eklakhi-Balurghat New Line project is excluded under this criteria as it will not benefit any traffic movement in the Northeast region. The investment being made for the Doubling project of Radhikapur-Barsoi is also now being given the same treatment as Eklakhi-Balurghat New Line project, that is to say it is not being treated as an allocation to the Northeast.
3. Earlier for planheads other than New Lines, Gauge Conversion, Doubling, Traffic Facilities, Rolling Stock and Bridge Works, a ratio of 3:1 was adopted for distributing the Capital funds as out of four divisions of Northeast Frontier Railway (prior to 01.04.03), three fell in NE Region. After creation of the fifth Division of Rangiya w.e.f. 01.04.03, this ratio is now being modified to 3:2 as now two divisions, viz. Katihar and Alipurduar divisions fall outside NE region (the former fully outside NE and the latter mostly outside NE)
4. As already mentioned only three divisions of Northeast Frontier Railway fall in North-Eastern Region. Separate data of allocation and expenditure thereof are already being maintained division-wise/project-wise in the form of Revenue Account Current and Capital Account Current. At the same time a collective record of expenditure on a sanctioned work is maintained to have a permanent record of expenditure in requisite details and also to

exercise control over expenditure during its execution with reference to the budget grant.”

**Allocation of funds for on-going projects in NE Region**  
**(Recommendation Para No. 5.5)**

16. Six new lines and 5 gauge conversion projects with a total throwforward of Rs.6494 crore are at present in execution in Northeast Region. The Committee had noted that many of these projects were sanctioned and included in the Budget prior to the year 1999. However, the progress of work in majority of these projects are minimal. The Committee had expressed their concern on the slow progress of these projects. However, they had noted with satisfaction that recently two of these ongoing projects, namely Lumding-Silchar-Jiribam(gauge conversion) and Kumarghat-Agartala (new line) have been declared as National Projects by the Government. Further they had noted that Jiribam-Imphal new line project is also being proposed for declaration as a National Project. The Committee were aware that when a mega Project is declared as a National Project it is assured of requisite funds and as a result gets completed in a fixed time schedule. The Committee had recommended that for other ongoing projects, funds should be made available adequately so that these could also be completed at the earliest and rail density ratio in the region is increased apart from providing efficient line of connectivity.

17. In their Action Taken Reply, the Ministry of Railways have stated:-

**“The various ongoing projects in N.E. Region have a throw-forward of about Rs. 6500 crore. The outlay being provided for projects in a year has been of the order of about Rs. 400-500 crore in the last few years. Considering the demands for expediting progress of projects in the region, Hon’ble Prime Minister has approved 3 projects as National Projects, namely Lumding-Silchar-Jiribam gauge conversion, Kumarghat-Agartala and Jiribam-Imphal road new lines. It has been decided that the funds**

**required for these projects over and above being provided through normal budgetary support would be provided as an additionality so as to complete them in a time bound manner. With this, It may be feasible to allocate more funds to the projects in the region for expediting their progress.”**

**World Bank funds for Bogibeel Bridge**  
**(Recommendation Para No. 5.7)**

7. The Committee found that the Rail cum Road bridge across the river Brahmaputra at Bogibeel is to be funded by Ministry of Surface Transport and Highways and Ministry of Railways. The cost to be shared by these Ministries is Rs.666 crore and Rs.1101 crore respectively. The construction of this bridge has been inordinately delayed. The completion target, which was initially fixed at 2005 has been deferred to 2008-09. The major cause of delay has been the non-availability of their share of funds by Ministry of Road transport and Highways. The Committee were apprised that discussions with World Bank Authorities indicated that since the project requires heavy investment and is financially unviable, the project could be considered if it is posed as a socio-economic project of the Government, rather than a railway sector project. Accordingly the position was advised to Department of Economic Affairs, Ministry of Finance. The Committee emphasized that the Railways should further persuade the Ministry of Finance to project Bogibeel mega bridge project as a socio-economic project of Government of India to the World Bank as it would bring about overall socio-economic development of the region. In case, the funding of the project from World Bank does not materialise the Railways should approach the Ministry of Finance to declare it as a National project.

8. In their Action Taken Reply, the Ministry of Railways have stated:-

“As mentioned earlier, the funds for this project are not likely to be available through World Bank funding. Considering the importance of the

mega bridge project, Government is being approached for providing funds for the project as an additionality”.

**Delay in construction of Bogibeel Bridge**  
**(Para No. 5.8)**

The Committee also found that another cause for the delay of the construction of Bogibeel project is due to damage of approach roads and north bank dykes by recurring floods every year. They stressed that necessary steps should be taken by Railways for the flood protection. These flood protection works concerning present and future of Bogibeel bridge should be taken up as a component of the total bridge project in association with Central Water Commission as well as Ministry of Water Resources and Government of Assam.

In their Action Taken Reply, the Ministry of Railways have stated:-

“As mentioned earlier, State Government is required to maintain and repair the damaged dykes on their own or have to entrust the work to the Railways on deposit terms. The Railways have already been advised to go ahead with the repair works pending deposition of the funds by the State Governments. The strengthening and raising of dykes as required due to construction of bridges will be a part of the project.”

**Merging of Bogibeel and Rangia-Murkongselek Gauge Conversion Projects**  
**(Recommendation Para No. 5.9)**

10. The Committee had found that gauge conversion of Rangia-Murkong-Selek section of Northeast Frontier Railway is also linked up with the Bogibeel bridge. On southern side of the bridge there is broad gauge line while across the bridge is meter gauge. They had felt that Bogibeel bridge will be meaningless if gauge conversion of this connecting section on North side is not taken up simultaneously with adequate financial arrangement. Further these two projects

are important from the point of connectivity between remote areas of Assam and Arunachal Pradesh besides defence movement. The Committee, therefore, had recommended that both Bogibeel project and Rangia-Murkong-Selek gauge conversion project should be considered in totality as a single project to tackle the flood control, gauge conversion etc. with provision of adequate funds from Railway budget/alternative funding.

11. In their Action Taken Reply, the Ministry of Railways have stated:-

“As mentioned in reply to para 5.7, government is being approached for providing funds for Bogibeel rail-cum road bridge as an additionality to the normal Railways plan regarding gauge conversion of Rangia-Murkongselek, it is mentioned that since major portion of the line was constructed on strategic considerations, Ministry of Defence had been approached for providing funds for the projects through Defence funding. However Ministry of Defence, though endorsed the strategic importance of the line, have not agreed to fund the project through Defence funds. The matter will now be taken up for consideration of the Government for providing funds for this project.”

**Modern machinery and equipments for N.E. Region**  
**(Para No. 5.12)**

The Committee found that as part of modernisation plan launched by Railways, modernisation of tracks, bridges, signalling, passenger amenities, rolling stock etc. are undertaken in Northeast Region also. They also found that the progress of the modernisation works undertaken is very slow due to long and heavy rainy season, insurgency and non-use of mechanized methods for track renewal. They were of the view that since there is longer period of rainy season in Northeast and work cannot be carried out during this period, to makeup for the reduced working period, efficient and effective equipments are essential. They, therefore, stressed that the modern machinery & effective

equipments for track renewal and coach maintenance facilities should invariably be provided to the Northeast Region. Targets should also be fixed for each and every work undertaken under the head, track renewal, bridges, signalling etc.

In their Action Taken Reply, the Ministry of Railways have stated:-

“Track renewals are carried out as and when they become due for renewal on age-cum-condition basis and availability of funds. Targets for track renewals are fixed annually based on the total quantum of works sanctioned and to be executed. Along with these targets for mechanized relaying are also fixed. In regard to use of mechanized means, it is to mention that one modern Turnout Changing Machine has been given to Northeast Frontier Railway for turnout renewal works there. Subsequently one plain track laying machine has been diverted from Western Railway. In addition, one more new track laying machine has been allotted to Northeast Frontier Railway on first priority against the contract recently finalized.

As a part of modernization in the North Eastern region, replacement works by panel interlocking have been completed. Track circuit works have been completed at 141 out of 155 locations and rehabilitations has been done at 51 out of 76 locations.

On the BG route of Northeast Frontier Railway, provision of a microprocessor-based Anti collision Device (ACD) network is nearing completion. Configuration checking has commenced.

Mobile Train Radio Communication (MTRC) systems are being provided on 688 route kms of NF Railway. This system is likely to be commissioned by June, 2006.

Special Railway Safety Fund (SRSF) was created in 2001-02 to clear the backlog of replacement of bridges on Indian Railways. About 2700 bridges were identified & sanctioned for repair/rehabilitation/rebuilding at a cost of Rs. 1530 crore (Net) under SRSF. These bridges are targeted to be completed in a span of 5 years i.e. from 2001-02 to 2006-07. Out of these 2700 bridges, a total of 1602 bridges have been rebuilt/repared/rehabilitated under SRSF till 31.01.2005. It is expected that the balance bridges shall be completed by 2006-07. On Indian Railways, yearly targets have been fixed for each balance SRSF bridge work planned for completion upto 2006-07, which includes the bridges falling on N.E. Region also.

Apart from SRSF, additional funds are also made available annually to take up the repair/rehabilitation of fresh accruals of bridge works under Depreciation Reserve Fund (DRF). Annual targets are also fixed for bridge works sanctioned under DRF. "



### **CHAPTER III**

#### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

##### **Budget allotment for N.E. Region** **(Para No. 5.1)**

The Committee found that Northeast Region comprising of Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Tripura, Mizoram and Sikkim falls under the zonal jurisdiction of Northeast Frontier Railway based at Maligaon, Guwahati. The Rangia, Lumding, Tinsukia Divisions and a portion of Alipurduar Division of Northeast Frontier Railway covers the entire Northeast Region so far as development of rail infrastructure is concerned. The total rail route length in the Region as on 1.4.2004 was 1239 kms. broad gauge and 1360 kms. metre gauge. They noticed that the capitals of seven States including Sikkim are yet to be connected with rail. The Committee also noted that in the process of development of rail infrastructure in the region, Railways have completed 163 kms. of new lines and 829 kms. of gauge conversion works since 1992-93. For further expansion of the rail network, six new lines and five gauge conversion projects with throwforward of Rs.6494 crore are at present in progress in the region which on completion would add to the existing network 514 kms. new line and 1210 broad gauge kms. in the region. Further the Committee observed that on the new initiative taken by the then Prime Minister in 1996, a guideline has been laid down for all the Union Ministries and Departments to earmark 10 per cent of their budget for the specific projects in the North Eastern States. A non-lapsable Central Pool of Resources was set up later on in 1998-99 to support the specific projects in the region. The Ministries and Departments are required to contribute fund in the Central Pool to the extent of shortfall in expenditure with reference to 10 per cent earmarked for the region.

Railways are spending on an average around Rs.400 crore annually on these projects from the Budgetary support received from the General Exchequer which according to them is much above the prescribed guidelines of 10 per cent. However, the Committee during the course of examination of the subject found that in Northeast Region, Railways are spending 10 per cent out of the budgetary support available for general distribution for development of rail infrastructure. The budgetary support available for general distribution is that amount which is left over after excluding diesel cess, contribution to Special Railway Safety Fund (SRSF), funds allotted for the National Project and funds for externally aided projects from the total Budgetary support received from General Exchequer. This according to the Ministry of Railways is done with the approval of Ministry of Home Affairs. Further the Committee also found that based on the existing computation method adopted for investment in Northeast Region, Railways have been spending on an average 4.2%, 3.7% and 2.8% from their internal resources, Railway Safety Fund (Diesel Cess) and SRSF respectively. The Committee are of the view that for development and expansion of rail network in Northeast Region, the amount allocated at present is too paltry and meager. They, therefore, recommended that the Ministry of Railways should earmark 10 per cent of the total Railway Budget as envisaged in the 'new initiatives' for Northeast Region instead of 10 per cent from the budgetary support available for general distribution alone as is being done at present.

In their Action Taken Reply, the Ministry of Railways have stated:-

"The investment in the infrastructural development of the region takes place through project plan heads such as new lines, gauge conversion, doubling and setting up of workshops/production units etc. Investment on these takes place through the budgetary support received from the general exchequer and through the funding of the identified national projects. As against this, the internal resources, in the form of DRF, DF and the safety funds such as Railway Safety fund and SRSF are utilized for the maintenance/repair/replacement/

rehabilitation, operational upkeep of the existing assets and identified road related safety works as per norms. The latter is required to be done on a need-based as per age-cum-condition requirements and the allocation of funds is done accordingly. North Eastern Region also receives its due share out of these resources.

Allotment of funds under DRF, DF, which constitutes internal resources is need-based and provision of 10% funds under these allocations to North Eastern Region is not warranted by the field and operational requirements. So far as Railway Safety Fund is concerned, the allotment is based on the number of works included under the relevant plan heads, viz., Road Safety Works – ROBs/RUBs and Road Safety Works – Level Crossings, as well as throw-forward. The throw-forward for NF Railway in 2005-06 for these two planheads is in the region of only Rs. 19.56 crore and Rs. 6.05 crore, respectively.

SRSF was constituted to wipe out the arrears in replacements and renewals as existed on 31.03.2001. So far as NF Railway is concerned, 112 works costing Rs. 421.67 crore (for SRSF portion) were included and all the works are expected to be completed by 31.03.2007 on the Signaling and Telecom side, against works charged to SRSF in the North Eastern region, replacement works by panel interlocking have been completed. Track circuit works have been completed at 141 out of 155 locations and rehabilitation has been done at 51 out of 76 locations. Under Bridges, total 195 bridges were sanctioned under SRSF at a cost of Rs. 46 crore. Out of these, 185 bridges have been completed by March 2005 and balance 10 shall be completed by 2005-06, for which full funds have been provided this year. A total of 760 km of track renewal costing Rs. 350 crore was sanctioned under SRSF. Out of this, 405 km costing Rs. 215 cr have been completed as of 31.03.05. Track renewal of 148 km., costing Rs. 80 crore, is targeted for 2005-06. the balance works shall be completed in 2006-07 as per targets for SRSF.

Apart from the above, on the BG route of Northeast Frontier Railway, provision of a microprocessor-based Anti Collision Device (ACD) network costing Rs. 65.75 crore, a major safety initiative of the Railways, is nearing completion. Mobile Train Radio Communication (MTRC) system is being provided on 688 route kms of NFR. This system is likely to be commissioned by June, 2006. Funds for these works will be provided to ensure completion as per targets.

In light of the foregoing, it will be appreciated that Railway is following the guidelines for allotment of budgetary support for planned expenditure to ensure growth of basic infrastructure falling under the planheads New Lines, Gauge Conversion and Doubling. With the declaration of three projects as National Projects, time bound completion of these is also now possible.”

**Electrification/doubling of Guwahati and NJP-New Coochbehar line**  
**(Para No. 5.6)**

The Committee found that doubling and electrification of Railway tracks have not at all been taken up in North East Region so far. The Committee were apprised that the electrification of Railway tracks is normally done where there is double line and substantial traffic. Further, electrification should be done continuously otherwise frequent changing of traction would be technically undesirable. The Committee observed that after conversion of Samuktala Road-New Bongaigaon section, two BG lines would be available between New Jalpaiguri and Guwahati which is the hub of North East and there could be possibility of electrification of this stretch. They, therefore, stressed that electrification of the stretch upto Guwahati should be explored and a survey in this regard should be carried out. The Committee also desired that the railway track from New Jalpaiguri to Bongaigaon via Jalpaiguri Road - New Coochbehar (main line) may also be considered for doubling.

In their Action Taken Reply, the Ministry of Railways have stated:-

“The entire route in the North East Region alongwith the approach routes are non-electrified and the trains are being run with diesel traction. There is at present no plans to take up electrification of rail routes upto Guwahati. As regards doubling of New Jalpaiguri-New Bongaigaon via Jalpaiguri Road, New Coochbehar, it is mentioned that a survey for doubling of this line has recently been sanctioned. Further consideration of the proposal would be feasible based on the results of the survey”

**Model Stations in N.E. Region**  
**(Para No. 5.11)**

The Committee noted that there are 516 stations under Northeast Frontier Railway which caters to Northeast Region, of which 30 stations have been nominated for being developed as model stations. They found that almost, 80% of these stations are in ‘E’ category, whose annual earnings from passengers is less than one crore rupees. The basic amenities/ facilities are provided on the stations based on the category. The Committee were concerned that in case the traffic earnings do not increase to the requisite level, then the stations would remain in the same category and the modernisation/better facilities cannot be provided on these stations. They were of the view that criteria for categorisation of stations based on earnings should be relaxed in the case of Northeast Region and facilities and amenities should be provided accordingly. They also emphasized that more number of model stations should be identified in the region.

In their Action Taken Reply, the Ministry of Railways have stated:-

“Indian Railways have more than 8000 stations. Such stations are classified in different categories based on earnings from passenger traffic. The criteria for classification is given below:-

S.No.	Category	Criteria
	A	Non-Suburban stations with an annual passenger earnings of Rs. 6 crore and above
	B	Non-Suburban stations with an annual passenger earnings between Rs. 3 crore to Rs. 6 crore. Stations of tourist importance, or an important junction station (to be decided by G.M.)
	C	All suburban stations
	D	Non-Suburban stations with passenger earnings between Rs. 1 crore and Rs. 3 crore
	E	Non-Suburban stations with passenger earnings less than Rs. 1 crore
	F	Halts

Earnings from passenger traffic at a station is directly related to number of passengers handled at the station. Hence, norms for provision of amenities at 'A' category station(s) would be higher than the 'D' category station(s). About 80% of the total stations over Indian Railways falls in 'E' and 'F' category. There is also a provision to augment the passenger amenities with the growth in passenger traffic at a station as per the Recommended Scale laid down. Hence, need for review of criteria for categorization of stations is not felt.

Regarding identification of more number of model stations in N.E. region, it is mentioned that nomination of additional Model Stations may be considered after amenities are provided at the existing Model Stations."

## **CHAPTER IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Priority of funds for N.E. Region** **(Para No. 5.3)**

The Committee further noted that out of the funds earmarked exclusively for Northeast Region some amounts are being invested by the Railways on projects taken up in other than North Eastern Region of Northeast Frontier Railway on the justification that the investment in these projects would remove the bottlenecks and enhance smooth movement of traffic in Northeast Region and also enhance the capacity. While the Committee agreed that enroute bottlenecks should be removed, yet they do not approve of the diversion of funds specifically earmarked for the Region. They recommended that the funds for projects enroute to Northeast Region should be given priority and sanctioned from Railway Budget and not from the funds earmarked for the Region.

In their Action Taken Reply, the Ministry of Railways have stated:-

“The investment being done in N.E. Region is being worked out as mentioned in reply to para 5.2. It is mentioned that there are only 2 doubling projects in progress between Malda and New Jalpaiguri and the works are being executed on priority. Since the doubling of these leftover sections will add to throughput enhancement in the North East Region, it would be appropriate to consider the investment as made in North East Region.”

#### **Economic viability of projects in N.E. Region** **(Para No. 5.4)**

The Committee found that during the last five years, out of the 16 surveys (12 new lines and 4 gauge conversion) undertaken in the region 10 surveys (8 new lines and 2 gauge conversion) have been shelved while 3 surveys (1 new line and 2 gauge conversion) have been included in the Budget and 3 surveys

done for new lines are still under examination. They were apprised that if an expected Internal Rate of return of 14 per cent is shown by the project during economic feasibility study only then it is considered to be economically viable and is included in the budget, otherwise the survey is shelved. The Committee were of the view that because of lack of railway infrastructure, economic and industrial development in Northeast Region are not commensurate with the other States. They found that there are some projects which though not financially viable but are socially desirable or necessary on account of strategic considerations and general development of the Region. They were of the opinion that Internal Rate of Return of 14 per cent is too high for determination of economic viability of projects particularly for Northeast Region. Moreover, it is also not commensurate with the normal prevailing interest rate on which it is based. The representatives of the Ministry of Railways as well as Planning Commission during the course of evidence have also admitted that 14 per cent Internal Rate of Return is too high for evaluating the viability of a project. The Committee, therefore, recommended that the norms of financial viability for projects in Northeast Region should be relaxed since development and expansion of rail network in the region is imperative for socio economic development apart from strategic relevance. They also strongly recommended that the economic viability of a project should be determined on a more rational and realistic basis keeping in view the prevailing interest rate. Therefore, the criteria adopted to ascertain the economic viability i.e. Internal Rate of Return of projects should be reviewed at the earliest.

In their Action Taken Reply, the Ministry of Railways have stated:-

“Prior to 1969, financial appraisal of Railway projects was done on the conventional system, taking into account a cut – off return of 6% assuming that to be the dividend rate. However, later on, it was considered necessary that the productivity from the capital should be improved and one of the ways was to undertake new investments only when the return are higher. It was therefore



decided to set up a Committee in 1968 which would examine and recommend suitable methods of project evaluation and cost benefit analysis to supplement/supplant the conventional method of assessment of financial viability of projects. The Committee recommended that the rate of return be so fixed for the Railway investment as to leave a surplus, after meeting the dividend liability, sufficient to cover Capital formation out of internal resources. The rate of return was enhanced to 10% in July, 1969.

Ministry of Finance vide their office memorandum dt. 23/8/1984 laid down that only those projects with a financial rate of return exceeding 12% should be posed to PIB for the consideration in future. In the background of Ministry of Finance's letter the rate of return was further increased to 12%. Consequent on the reduction in budgetary support and limitation on internal generation of resources, Railways were required to resort to market borrowing, which was done through Indian Railway Finance Corporation and the lease charges were at the rate of 14.5%. This led to further increase in ROR from 12% to 14%.

This issue of revision of rate of return has also been deliberated upon by a number of high-powered Committees. Their recommendations are summarized below:-

- 5) **The Railway Freight and Fare Committee (Dec. 1993)** recommended vide para no. 8.6.9 of their report that Indian Railways might have to earn a minimum of 16% return if it were to meet its investment needs.
- 6) **Standing Committee on Railways (2001)** in the ninth report have stated as under "The Committee are of the firm opinion that the time has come to stop the blanket liberty presently in practice in the Railway Board to distribute the largesse resulting in spreading the rare resources thinly. They are of the opinion that those projects

which are near completion stage/viable must get priority. The projects which are socially desirable be taken up only when matching funds are either assured by the States concerned or the Central Government. They strongly recommend that existing priority or on-going projects be reviewed critically and it must not be a mere categorization of projects but realistic enough in terms of funding requirement.”

- 7) One of the recommendations of **Railway Safety Review Committee**, 1998 better known as Khanna committee (para 2.3.2) which submitted its Report in Feb 2001,s is as following:

“Financial justification should be the only consideration for approving the prioritizing an investment proposal. Further projects which yield a minimum return of 20 percent, slightly more than the prevailing market rate of interest, should henceforth be undertaken.”

- 8) **Rakesh Mohan Committee** in Chapter IV of their Report, have observed that Indian Railways are at a crossroads. All the indications are that Indian Railways is facing a financial crisis and without a strategic change in direction its further as a viable entity is dim. There is a need for a more focused investment programme that enhances IR’s productivity and which expands its capacity to cope with traffic growth projected. Investment expenditures that do not result in additional revenues must be eschewed. At another place in the same Chapter, the Committee has drawn attention to the great difficulties IR faces in keeping adequate level of investment priorities where attention has been given to unremunerative projects. also projects funded out of internal resources need to be selected through a rigorous screening process and identified as being of the highest organizational priority on which the limited internal resources should be invested. It has

also been observed by the Committee that “an inherent conflict of approach is evident in the promotion of an investment strategy that perpetuates resource constraint”.

Railways are conscious of their responsibilities towards socio-economic and industrial development of backward areas not connected by a reliable transport network. Regardless of the benchmark of 14% many projects on Indian Railways including works on NE region are sanctioned on socio economic and developmental considerations. At present, 6 new line projects and 5 gauge conversion projects which are not financially viable are being executed in North Eastern region. Jiribam-Imphal road (Tupul), Kumarghat-Agartala new line projects and Lumding-Silchar-Jiribam gauge conversion project have recently been declared as National Projects. the cost of Senchoa-Silghat gauge conversion work is being funded through Ministry of Defence on strategic consideration.

The prescribed cut-off rate of return being followed in Indian Railways for determining the financial viability of projects constitutes not only the cost of capital but also provision for capital formation, risk factors etc. Besides paying dividend to General revenue, the Indian Railways are required to make provisions for Depreciation Reserve Fund (DRF), Pension Fund and Development Fund (DF). Since Railways have initiated a plan to cater to the modernization, operational improvement and throughput enhancement for quantum jump in the traffic expected on Indian Railways, it has become imperative that adequate surplus is generated to take care of the requirements of Development Fund (DF).

It is also relevant to point out here that only about 50% of the total Plan Expenditure of IR, which is Rs. 15,000 crores in 2005-06, gets Budgetary support from the Central Govt. The balance 50% has to be necessarily funded through internally generated surplus and other market borrowings. There is a crying

need to increase the internal generation of resources for financing projects (through DRF, DF etc). Therefore only those projects, which are capable of generating high returns, need to be taken up. To enable selection of such projects, it is necessary to keep the cut off percentage of ROR at sufficient high level and this justifies 14% ROR as cut off percentage for selecting projects for investment".

## **CHAPTER V**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

#### **Rail Link to State Capitals in North East Region (Para No. 5.10)**

The Committee noted that capitals of seven States in North Eastern Region are not linked with rail lines at present. During the course of examination they found that surveys for linking the capitals of Nagaland, Mizoram, Meghalaya and Sikkim have already been conducted and the survey reports are under examination. The State capitals of Arunachal Pradesh, Manipur and Tripura will however be linked up with rail on completion of the ongoing projects in the Region. The Committee recommended that as the Railways have given priority in their Perspective Plan for connecting of State capitals by rail lines, the examination of survey reports be completed at the earliest. The Committee would like to be apprised of the final outcome of these surveys.

In their Action Taken Reply, the Ministry of Railways have stated:-

“The survey for new line from Dimapur to Kohima linking the state capital of Nagaland has recently been completed and the report is under examination. The surveys for new lines for the State capitals of Mizoram and Meghalaya are in progress. The Committee would be apprised of the final outcome in due course.”

**New Delhi;**  
**August, 2005** .  
**Sravana, 1926 (Saka)**

**(BASUDEB ACHARIA)**  
**Chairman,**  
**Standing Committee on Railways**