

**RAILWAY CONVENTION
COMMITTEE
(1980)**

(SEVENTH LOK SABHA)

FIFTH REPORT

on

**Review of the Working and Financial Results of
the Railways during Fifth Plan Period (1974—78) and
during 1978—80**

&

**Targets and Achievements with regard to Freight
and Passenger Traffic during the Fifth Plan Period
(1974—78) and during 1978—80**



*Presented in Lok Sabha
Laid in Rajya Sabha*

*13
on 1982*

**LOK SABHA SECRETARIAT
NEW DELHI**

June, 1982/Jyaistha, 1904 (Saka)

Price : Rs. 3.10 P.

Corrigenda to the Fifth Report of the
Railway Convention Committee (1980)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Cover page		-	R.C.C. No.	RCC No. 36
(iii)	-	3 (from bottom)	Santosh Kumar	Santosh Kumar Sahu
		5 (from bottom)	9-3-1981	9.3.1982
1	1.4	3	during 1979-80	during 1978-80
3	item (iii)	9	GLWR	DLWR
5	1.9	2	at	that
13	Note below Table	-	(bM	(b)
14	1.28	17	of	or
15	1.30	3 (from bottom)	receipt receipt	receipt receipt
19	1.35	3	1980-83	1982-83
21	item (c)	1	motons	motors
34	2.15 item (a)	3	Eastern	Eastern
35	2.17	10	leading	loading
40	2.24	7	advance	advanced
40	2.26	last line	an	and
43	2.33	6	bacwwards	backward
52	-	-	Appendix	Appendix-I
60	item III(b)	-	Net Mic.	Net Misc.
63	Para 1.41	9	30 million tonnes	300 million tonnes
63	- do -	12	290 million tonnes	280 million tonnes
64	Para 1.42	18	out	cut
65	Para 1.43	13	acknowledege	acknowledged
66	Para 2.24	20	advance	advanced
	-do-	22	bold	bald

CONTENTS

	PAGE
COMPOSITION OF RAILWAY CONVENTION COMMITTEE (1980)	(iii)
INTRODUCTION	(v)
REPORT	1
I. Review of the Working and Financial Results of the Railways during the Fifth Plan Period (1974—78) and during 1978—80	7
II. Targets and Achievements in respect of Freight and Passenger Traffic during Fifth Plan Period (1974—78 and during 1978—80	24
A. Freight Traffic	24
B. Passenger Traffic	41

APPENDICES

I. Statement showing (i) Receipts and Expenses (ii) Dividend paid to General Revenues and (iii) Net Surplus Deficit during the years from 1973-74 to 1979-80	52
II. Financial Forecast and Actual Results of Fifth Five Year Plan (1974—78) and during 1978—80	54
III. Summary of recommendations/conclusions	62

PART II*

Minutes of the Sittings of the Railway Convention Committee (1980)
held on the 7th, 8th April and 1st June, 1982.

*Not printed (one copy laid on the Table of the House and five copies placed in Parliament library).

RAILWAY CONVENTION COMMITTEE

(1980)

CHAIRMAN

Shri D. L. Baitha

MEMBERS

Lok Sabha

- 2. Shri Satyasadhan Chakraborty
- 3. Shri K. B. Choudhari
- 4. Shri K. Mayathevar
- 5. Shri Arun Kumar Nehru
- 6. Dr. Vasant Kumar Pandit
- 7. Shri Chintamani Panigrahi
- 8. Prof. Narain Chand Parashar
- 9. Shri Janardhana Poojary
- 10. Shri P. C. Sethi
- 11. Shri Tayab Hussain
- 12. Shri Raghunath Singh Verma

Rajya Sabha

- 13. Shri Sadashive Bagaitkar
- 14. Shri V. Gopalaswamy
- 15. Shri Ram Lekhan Gupta
- 16. Shri Pranab Mukherjee
- 17. Shri (Molana) Asrarul Haq
- 18. Shri J. K. P. N. Singh

SECRETARIAT

Shri H. G. Paranjpe—*Joint Secretary*

Shri A. N. Bhatla—*Chief Personnel and Executive Officer*

Shri Bipin Behari—*Senior Financial Committee Officer*

φ—Nominated w.e.f. 19-2-1982 *Vice* Shri Jyotirmoy Roy died.

%—Nominated w.e.f. 19-2-1982 *Vice* Shri R. Venkataraman resigned from the Committee.

♦—Nominated w.e.f. 19-2-1982 *Vice* Shri Kedar Pandey resigned from the Committee.

@—Nominated w.e.f. 9-3-1981 *Vice* Shri Mahendra Mohan Mishra resigned from the Committee.

*—Nominated w.e.f. 29-5-1982 *Vice* Sarvashri F. M. Khan and Santosh Kumar ceased to be members of Committee consequent on their retirement from Rajya Sabha w.e.f. 2-4-1982.

INTRODUCTION

I, the Chairman, Railway Convention Committee (1980) having been authorised by the Committee to present the Report on their behalf, present this their Fifth Report.

2. The Report consists of the two sections, the first comprises a 'Review of the Working and Financial Results of the Railways during Fifth Plan Period (1974—78) and during 1978—80' and the second deals with 'Targets and Achievements with regard to freight and passenger traffic during the Fifth Plan Period (1974—78) and during 1978—80.

3. The Railway Convention Committee took the evidence of the Ministry of Railways on the above subjects on 7th and 8th April, 1982.

4. The Committee wish to express their thanks to the Ministry of Railways for placing before them the material and information they desired in connection with the subjects and to the Chairman, Railway Board, the Financial Commissioner Railways and other Officers of the Ministry who gave evidence before the Committee.

5. The Committee considered and adopted the Report at their sitting held on 1st June, 1982.

6. The minutes of the sittings of the Committee held on 7th and 8th April and 1st June, 1982 from Part II of the Report and are being presented alongwith the Report.

7. The statement showing the summary of the recommendations of the Committee is in Appendix III.

NEW DELHI;

June 9, 1982.

Jyātiha 19, 1904 (S).

D. L. BAITHA.

Chairman.

Railway Convention Committee.

REPORT

In pursuance of the Resolution adopted by Lok Sabha on the 4th August, 1980 and in the Rajya Sabha on the 11th August, 1980, the Railway Convention Committee, 1980, was constituted on the 10th October, 1980 "to review the rate of dividend which is at present payable by the Railway Undertaking to General Revenues as well as other Ancillary Matters in connection with the Railway Finance *vis-a-vis* the General Finance and make recommendations thereon".

1.2 The Committee have selected some subjects* having a close bearing on the finances of the Railways for examination and report in a phased manner.

1.3 The First and the Fourth Report of the Railway Convention Committee presented to both the Houses of Parliament on the 25th February, 1981 and 19th February, 1982, respectively, contained recommendation in regard to the Rate of Dividend payable by the Railways to the General Revenues and other Ancillary Matters for the years 1980-81, 1981-82 and 1982-83. The Third Report contained recommendations with regard to the "Review of the Existing Rules of Allocation of the Railway Expenditure to Capital and Revenue Account, Depreciation Reserve Fund, Development Fund and Accident Compensation, Safety and Passenger Amenities Fund. This Report was presented to both the Houses of Parliament on the 18th September, 1981.

1.4 The present Report deals with the subjects of (i) Review of the working and financial result of the Railways during Fifth Plan Period (1974—78) and during 1979-80; and (ii) Targets and achievements with regard to the Freight and Passenger Traffic during the period 1974-75 to 1979-80.

I. REVIEW OF THE WORKING AND FINANCIAL RESULTS OF THE RAILWAY DURING THE FIFTH PLAN PERIOD (1974—78) AND DURING 1978—80.

Financial Results

1.5 The Fifth Five Year Plan, which was originally intended to cover the period 1-4-1974 to 31-3-1979, was terminated one year earlier i.e. on

*RCC (1980) 1st Report, para 5.

31-3-1978. The following two years, 1978—80, were covered under what came to be known as the annual 'Rolling Plan'.

1.6 The financial results of operation of the Railways during the Fifth Plan period (1974—78) and 1978-79 and 1979-80 are indicated in the following table* furnished by the Ministry of Railways.

*A more detailed statement showing (i) Receipts and Expenses (ii) Dividend paid to the General Revenues and (iii) Net Surplus/Deficit for each year of the period 1974—80 is given in Appendix-I.

(In crores of rupees)

	Descriptions	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
1137.89	(i) Gross traffic receipts		1408.19	1767.01	2036.11	2123.42	2151.84	2337.84
1066.33	(ii) Total expenditure including contribution to DRF, Pension Fund & payment to worked lines of their share of earnings		1317.29	1609.62	1718.56	1750.12	1867.55	2142.38
(115.00)	Appropriation to DRF included in (ii) above		(115.00)	(115.00)	(135.00)	(140.00)	(145.00)	(200.00)
170.92	(iii) Misc. transactions including GLWR							
0.30	Receipts		7.00	8.50	9.58	10.41	10.26	66.57*
16.44	Expenditure		24.26	28.86	30.84	30.92	32.93	34.74
55.42	(iv) Net Railway revenue		73.64	137.03	296.29	352.79	260.82	227.29
170.92	(v) Dividend		187.47	198.14	209.05	226.36	224.16	293.53**

* This includes Rs. 56.02 crores on account of subsidy received from General Revenues towards dividend reliefs and other concessions.

** From 1979-80 onwards, the subsidy toward dividend reliefs and concessions is being shown as separately paid from the General Revenue.

Previously, it used to be deducted from the amount of dividend payable. This has resulted in a sudden increase in the amount of dividend for 1979-80.

1973-74	Descriptions	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
(—2.53)	Contribution to General Revenues	(—8.09)	(—11.50)	(—14.93)	(—17.04)	(—21.29)	(—29.90)
(18.15)	Payment to states in lieu of passenger fare tax etc. included in (v) above	(17.99)	(17.98)	(18.25)	(18.24)	(17.68)	(17.69)
(—)115.50 (vi)	Net surplus/deficit	(—)113.83	(—)61.11	(+)87.24	(+)126.23	(+)36.66	(—)66.24AA
(vii) Capital at charge at the end of each year 3893.38		4105.56	4354.78	4533.69	4797.12	5023.92	5484.64

(Details are given in Annexure II)

AA Transferred to Deferred Dividend Liability Account relating to the period 1978-79 and onwards.

1.7 The financial forecasts projected by the Ministry of Railways in the Memorandum of the Financial Commissioner Railways submitted to Railway Convention Committee (1973) for the original Fifth Five Year Plan covering the period 1974-75 to 1978-79 as well as for 1979-80 *vis-a-vis* actual results during the period are shown in the statement in Appendix II.

GROSS TRAFFIC RECEIPT

1.8 It is seen from statement in Appendix II that the Gross Traffic Receipts forecast in the memorandum of Financial Commissioner Railways were Rs. 5747 crores for the modified Fifth Plan period, *i.e.*, 1974-78 whereas the actuals were Rs. 7334.73 crores, showing an increase of Rs. 1587.73 crores in absolute terms and (+) 27.62 per cent increase in relative terms. This trend continued in 1978-79 also when Gross Traffic Receipts registered a net increase of Rs. 509.04 crores (+) 31 per cent over and above the projected figure of Rs. 1642 crores. However, during 1979-80 the Gross Traffic Receipts were Rs. 2337.84 crores showing a decline of the order of Rs. 100.24 crores (--) 4.11 per cent over the figure of Rs. 2438.08 crores projected in the Budget Estimates (1980-81) presented to Parliament in March, 1980 (after taking into account the modification in the proposals for revision in fares and Dividend reliefs given by the Railway Convention Committee (1977).

WORKING EXPENSES

1.9 A further analysis of the financial results of Railways for the Fifth Plan (1974-78) (Appendix II) reveals that there is a wide variation between the financial projections made with regard to the 'Ordinary Working Expenses' including 'Net misc. Expenditure' and the actual result achieved during this period. For the entire plan period, the ordinary working expenses including net misc. expenditure envisaged was Rs. 4551 crores while the actuals for the same period were Rs. 5825 crores showing an increase to the tune of Rs. 1274 crores in absolute terms and (+) 27.99 per cent variation in relative terms over the projections made earlier.

1.10 In a written note furnished to the Committee it has been stated that the increase in working expenses was mainly due to escalation in wages and prices over the 1973-74 levels, on which forecasts were based. Staff costs ranged between 59.5 per cent and 62.5 per cent of the ordinary working expenses during the year 1973-74 to 1979-80. The increase in

the staff cost over the previous years ranged from about 5 per cent to about 30 per cent as shown below:—

Year	Percentage increase over previous year's figure
1973-74	10.0
1974-75	29.6
1975-76	10.8
1976-77	4.9
1977-78	3.8
1978-79	7.7
1979-80	11.0 (approx.)

1.11 It is stated that the main factors responsible for this increase in staff costs over the six year period are:

- (i) the revision of pay scales and allowances of employee on the basis of Pay Commission's Report;
- (ii) implementation of the Labour Tribunal Award;
- (iii) enlargement of travelling allowance rates;
- (iv) upgradation of posts;
- (v) finalisation of revision of grades of the Railway Protection Force personnel;
- (vi) implementation of the award of Miabhoy Tribunal relating to hours of employment;
- (vii) decasulisation of casual labour in certain establishment;
- (viii) cadre review of group 'C' and group 'D' posts;
- (ix) revision in the rates of incentive bonus retrospectively from August, 1975 for workshop staff;
- (x) revision of rates running allowance retrospectively from May, 1976;
- (xi) payment of *ad-hoc* relief to Railway pensioners treating part of Dearness Allowance as pay for purposes of retirement benefits;
- (xii) *ad-hoc* payment of 15 day's wages as an earnest of accepting the concept of Productivity Linked Bonus during 1979-80; and

(xiii) payment of instalments of Dearness Allowance consequent to the increase in the cost of living coupled with upward revision in rates of Dearness Allowance in 1978-79 (There were 5 instalments of Dearness Allowance granted during 1973-74; 4 in 1974-75; 1 each in 1977-78 and 1978-79 and 3 instalments in 1979-80).

As a result, the per capita cost of staff rose from Rs. 4034 in 1973-74 to Rs. 6838/- in 1978-79.

1.12 Regarding material, fuel which accounts for over 20 per cent of the total and cost is the largest single item it is stated that there were increase in the price of coal and in the excise duty on diesel oil and tariffs for electricity.

It is pointed out that the wholesale price indices (Base 1970-71=100) increased in the case of coal from 121.7 in 1973-74 to 293.6 in 1979-80, and in the case of mineral oil from 141.7 in 1973-74 to 308.8 in 1979-80 and in the case of electricity from 111.3 in 1973-74 to 225.6 in 1979-80. These increases in prices, it is held, considerably inflated the Railway's fuel bill during the period 1979-80. In addition, there was increase in coal consumption due to inferior coal being supplied to the Railways in larger proportion.

1.13 Further, according to the Railways, there were also considerable increases in the prices of various other materials e.g. iron and steel manufacturers, cement, timber and bricks, which are used extensively by the Railways; the index of wholesale price (1970-71=100) climbed from 142.6 in 1973-74 to 258.2 in 1979-80 in the case of iron and steel manufacturers and from 112.3 to 229.1 for cement. This pushed up the cost of repairs and maintenance greatly. There was further increase in the repair and maintenance bill due to increase in the number of Railways' assets during the period. The expenditure on repairs and maintenance had doubled during 1979-80 as compared to the expenditure in 1973-74. The block assets of the Railways had increased from Rs. 4581.65 crores as on 1-4-73 to Rs. 6185.71 crores on 1-4-1979.

1.14. During evidence also, the Committee enquired the reasons for such a wide variation in the projection and actuals. The Financial Commissioner Railways stated:

"Actually to explain the variation in such a wide spectrum, I will have to simplify things, because apart from the total plan period, we have in each year 2 or 3 budgetary stages. At every stage, we are compelled to make changes, not because of our volition. We cannot foresee the number of DAs which we have to sanction, when we formulate the budget.

Price increases take place every month. Whatever we project at the beginning of the plan, will not be what materializes at the end of the year..... Nothing is predictable. Every time a change is made, reasons are given particularly if it is due to increase in DA, implementation of the 3rd Pay Commission's recommendations, price escalation due to oil crisis etc..... Pay Commission's recommendations from 1-1-1973 were responsible for a tremendous increase. Similarly, increase in the price of oil contributed substantially. The increase of 27.99 per cent is for about five years. It will be much worse in the 6th Plan. It is an essential feature. We analyse the reasons at every stage and explain to Parliament.....".

1.15 The Committee pointed out that in view of the fact that the variations were quite substantial, the matter deserved a careful study so as to improve the method of financial forecasting. The Financial Commissioner of Railways thereupon commented:

"This will happen all the time. This variation will take place".

Asked as to how this position (i.e. wide variation between financial projections and actual results) could be improved, the witness stated:

"It is an uphill task; it is an impossible task".

SCALING DOWN OF PLAN INVESTMENT

1.16 According to the memorandum for the Railway Convention Committee (1973) by Financial Commissioner for Railways, the Railways had suggested an outlay of Rs. 2570 crores for a target of 280 million tonnes of freight traffic. At the time of submitting the memorandum to the Committee, however, the Railways had indications from the Planning Commission that they had tentatively allocated only Rs. 2380 crores for this purpose. Spelling out the reaction of the Railways to this indication from the Planning Commission, the memorandum stated:

"The Railways consider that it would be necessary to increase the total outlay by at least Rs. 185 crores to cover the physical acquisition of the rolling stock (in numbers) provided for by the Planning Commission themselves, as also to provide necessary maintenance facilities therefor. If, however, the freight traffic target is kept at 300 million tonnes, as suggested by the Planning Commission, minimum requirement of additional funds would be Rs. 315 crores. This

matter has recently been discussed by the Minister of Railways with the Minister of Planning, and the matter is still under consideration in the Planning Commission."

1.17 Working to the target of 280 million tonnes of freight traffic by 1978-79, the year-wise build-up of the indicated investment of Rs. 2380 crores was anticipated by the Financial Commissioner Railways in the memorandum as follows:

Year	Outlay (Rs. in crores)
1974-75	405
1975-76	450
1976-77	493
1977-78	505
1978-79	527
TOTAL	2380

In addition, according to the Memorandum, the Railways had asked for minimum additional outlay of Rs. 130 crores under Rolling stock and Rs. 55 crores under Workshops and Sheds, to cover the physical acquisition of rolling stock provided for in the Plan as also provision of necessary maintenance facilities therefor.

1.18 In the revised Fifth Plan published in September, 1976 the outlay for the Railways was reduced to Rs. 2151.8 crores (excluding the proposed investment of Rs. 50 crores on MTP). Accordingly, in the subsequent memorandum for the Railway Convention Committee (1977) by the Financial Commissioner Railways, the total investment in the Railways for the Fifth Five Year Plan was indicated as Rs. 2152 crores (excluding the proposed investment of Rs. 50 crores on MTP).

1.19 Elsewhere in the same Memorandum the total Fifth Plan outlay was anticipated as no more than Rs. 2086 crores. This further reduced anticipation was stated to have been based on that actual expenditure for the first three years of the Fifth Plan period (1974-75 to 1976-77), the Budget Estimate for 1977-78 and the anticipated allotment for 1978-79.

Yearwise build up of the investment was indicated in the Memorandum as follows:—

Year	Outlay (Rs. in crores)
1974-75 (Actual)	346
1975-76 (Actual)	393
1976-77 (Latest Estimate)	334
1977-78 (Estd.)	473
1978-79 (Estd.)	540
TOTAL	2086

1.20 As the quantum of Plan investment during the original Plan period (1974—79) was subjected to continuous scaling down, the Committee enquired so as to what were the various factors which led to sizeably scaling down the Fifth Plan outlay for the Railways. Spelling out the reasons for scaling down the Fifth Plan outlay, the Financial Commissioner for Railways during evidence stated:

“Fifth Five-Year Plan was under considerable pressure right from the beginning. The adverse impact of the oil crisis of 1973-74 affected the plan right from the beginning and throughout the progress of the Plan. These progressive reductions were with reference to the possibilities anticipated at each stage of the review. In 1974-75, there was a massive economy cut. With this oil crisis, the economy of practically all the countries were effected and in our own country apart from the need for cutting down the investments, even the money made available could not be used because availability of material became very poor... Then in 1976-77, we found that there was a shortfall of a substantial amount in the actual expenditure. As against Rs. 400 and odd crores, the expenditure came down to Rs. 330 crores. This was kept in view while revising the figures downwards in the subsequent years”.

1.21. In reply to a query by the Committee as how could the Ministry of Railways fulfil the objectives when the original plan outlay was reduced from Rs. 2350 crores to Rs. 2086 crores, it was stated:

“We have not been able to achieve the objectives. One of the causes is lack of inputs....unless there is a radical change in the whole thinking process with regard to inputs in Railways, the entire economy may come to grief”.

Shortfall in Expenditure against approved Plan Investment

1.22 The Memorandum of the Financial Commissioner to the Railway Convention Committee—(1980) on Review of the working and financial results of the Railways during the Fifth Plan Period (1974—78) and during 1978—80, indicates the following position in regard to the outlay provided for in the Plan and actual expenditure:

(In Crores of rupees)

	Plan outlay	Expenditure	Difference
1974-75	405	347	-58
1975-76	450 *	393	-57
1976-77	493	333	-160
1977-78	505	419	-86
1978-79	520	522	+2
1979-80	632	693	+61

As already stated, the Fifth Plan outlay for the Railways was revised to Rs. 2152 crores (excluding Rs. 50 crores for M.T.P.) Against this allocation, the actual expenditure during the original plan period (1974-79) has been indicated as Rs. 2014 crores, indicating a shortfall of Rs. 138 crores.

1.23 The Committee enquired the reasons for the non-utilisation of Plan outlay in full. The Financial Commissioner for Railways during the course of evidence stated:

"If the money is made available in time, the ability to spend it is quite good. If I am not given money right now and given it a year later, it will be of no use, because we will not be able to spend that money".

Asked to state specifically whether the reason for shortfall in expenditure against the plan allocation was because the money was not released to the Railways in time, the Financial Commissioner replied:

"It requires a detailed analysis".

1.24 In a subsequent written note, the Ministry of Railways have indicated the following reasons for the shortfall in expenditure as against the Plan allocation:

(i) Reduction in inventory balances in stores, following the recommendations of the Qureshi Committee.

*Outlay for 1974—79 was scaled down from Rs. 2373 crores to Rs. 2152 crores in the revised Fifth Plan.

- (ii) Tardy supplies against long term firm price contracts. It is stated that the supplier preferred either to default or delay the supply because of the high spurt in the prices in inputs. This created vicious circle, thereby resulting in slow execution of important works.
- (iii) Supply of steel in the form of rails/fastenings etc., was in short supply essentially because of less production of these items by the Steel Plants.
- (iv) Productivity all round was generally at low ebb because of the strike including that on Railways and go slow tactics adopted by labour, and
- (v) 10 per cent economy cut imposed on plan expenditure, particularly during 1974-75. (It may be mentioned that as a result of 10 per cent cut on Plan expenditure imposed in the wake of oil crises, the Fifth Plan outlay for Railways was reduced from Rs. 2350 crores in the Original Plan to Rs. 2152 crores in the revised Plan).

1.24.1. At the time of factual verification of the Report, the Ministry of Railways stated as follows:

“During the evidence, the Committee were unhappy over the extent of “less spending” done by the Railways during the Fifth Plan. The “less spending” was explained to the Committee both while giving evidence and through written replies sent to the Committee. The most prominent item in this category was reduction in inventories which was Rs. 101 crores out of a total of Rs. 138 crores. This was as a result of deliberate and conscious measures undertaken by the Railways in the form of a special drive to reduce inventories. The reduction in inventories was achieved without affecting the level of other physical activities. Since the capital blocked on inventories also forms a part of Plan expenditure, the Plan outlay has remained underspent to that extent. Viewed from this angle, therefore, the apparent “less spending” is not in the form of lower physical output but a better utilisation of available stock of inventories with the Railways themselves.”

Railways Contribution to Plan investment

1.25 All expenditure on the Railways (other than the ordinary working expenses) is financed either from Capital (loaned from General Revenues), or from Depreciation Reserve Fund or the Development Fund of the Railways. Some minor open line works are also directly charged to the Railway Revenues. The expenditure on payment of compensation

in Railway accidents and the cost of certain specified safety and passenger amenity works are charged to Accident Compensation, Safety and Passenger Amenities Fund. The following table shows the source of financing the Plan expenditure during Fifth Plan, 1974-78 and during the years 1978-and 1979-80.

Source of funds for financing development expenditure	(Crores of rupees)		
	1974-78	1978-79	1979-80
(i) Funds obtained from General Revenues			
(a) Capital provided by General Revenues (addition to capital-at-charge)	901	346	463
(b) Loans from General Revenues for financing works chargeable to Development Fund	44	5	28
(ii) Contribution from Railways' own resources			
(a) Depreciation Reserve Fund	480	136	187
(b) Development Fund	32	21	Nil
(c) Open Line Works—Revenue	30	8	7
(d) Accident Compensation, Safety & Passenger Amenities Fund	5	6	8
Total from Railway Resources	547	171	202
Grand Total (i) plus (ii)	1492	522	693
Railway Contribution as percentage of total expenditure	36.7	32.8	29.1

Note.—The aggregate i.e. (i)(b) plus (ii) (bM—represents the total expenditure under Development Fund.

1.26 It is observed from the above table that the Railways' contribution as percentage of the total development expenditure of the Railways has been falling consistently. During the Fifth Plan Period (1974-78) this percentage was 36.7. It fall to 32.8 per cent in 1978-79 and further to 29.1 per cent in 1979-80. Asked to state the reasons for this trend, the Financial Commissioner Railways, during evidence, stated:

"The main component of the internal resources of the Railways for financing the plan is contribution to the Depreciation Reserve Fund; the bulk of the money which we call 'internal resources' is from the Depreciation Reserve Fund. The contribution to the Depreciation Reserve Fund was kept at a very low level in those years (1974-80). . . . If in the earlier years the contribution to the Depreciation Reserve Fund had been kept at a reasonable level, then the percentage of internal resources would have been of a higher order".

1.27 The Ministry of Railways had earlier also in a memorandum to the Committee stated that "on examination of the financial working of the Indian Railways, it will be observed that the Railways' financial position is not satisfactory". This position was indicated after taking into account the various reliefs and concessions granted by the Railway Convention Committee. According to the Railways one of the major factor for this financial position of the railways was "inadequate provision for depreciation and 'less spending' due to various reasons which ultimately has resulted in heavy accumulation of arrears in the replacement of overaged assets".

1.28 During evidence the witness was asked whether inadequate provisions for depreciation in the past was on account of lack of perspective planning in the Railways. The Financial Commissioner Railways replied:

"This (contribution to Depreciation Reserve Fund) has to come entirely out of the revenues. So we have to do a balancing trick - how much can we set apart for this depreciation reserve fund.....Perspective planning can be done in a realistic manner provided we have control on both the components—resource mobilisation aspect of it and the incurring of expenditure of a certain amount....As far as resource mobilisation is concerned, that is from fares and freight charges only.....On these we have absolutely no control. We have to live year to year from hand to mouth. We come up with certain ideas in our proposals. These have to be passed through various obstacles".

The Chairman Railway Board supplementing him added:

"This DRF contribution of lack of contribution or lesser level, of contribution can result from two things (i) lack of will to raise the resources which means not taking very many unpopular decisions in keeping with the fare and freight structure commensurate with our costs with the result that if we do not want to go in for a heavy deficit budget, we just make less contribution to DRF and thereby present a more balanced budget....There has to be a will to raise resources commensurate with our pricing or commensurate with the increase in prices of different commodities that we purchase. (ii) There has also to be an increase in productivity.....to generate sufficient resources so that we are able to give to DRF and that will enable us to maintain our assets better".

1.29 Replying to the question as to what were the reasons for 'less spending' stated to be one of the reasons for a shortfall in expenditure during the period 1974—80, the Financial Commissioner for Railways stated:

"The depreciation reserve fund used to be outside the plan frame upto the beginning of the Fifth Five Year Plan. From the beginning of the Fifth Five Year Plan it has become part of the plan resources as a whole. The Fifth Five Year Plan was under tremendous pressure because of the shambles into which the economy fell due to the oil crisis. Curiously enough during this Plan Period we accumulated balance in the DRF because of non-availability of material, non-performance of contracts. During that period we could not spend the money that we had. That is what we meant (by 'less spending')."

1.30 In a subsequent written note, the reasons for "less spending" have been indicated by the Ministry of Railways as follows:

"The main components of expenditure under this head (D.R.F.) relate to track renewals and replacement of rolling stock. So far as track renewals are concerned, the less spending in expenditure in the Fifth Plan and the two years 1978—80, against allotment can be attributed to the following factors:-

- (1) Shortfall in supplies of critical materials like rails, steel through sleepers, etc. as in 1977-78. The shortfall was particularly pronounced in the case of MG track material.
- (ii) Higher credits received for released materials than anticipated in certain years as in 1976-77.
- (iii) Reduction in expenditure due to economy cuts in 1974-75.

The less spending on replacement of rolling stock during the same period can be attributed to reduction in production/procurement of locos and carriages on replacement account. The shortfalls were due to —

- (a) shortfall in outturn of locos awaiting receipt of traction equipment from suppliers; and
- (b) shortfalls in supplies of coaches ordered on trade".

Financial effect of social Burdens

1.31 One of the prime factor responsible for the unsatisfactory financial position of Railways is stated to be acceptance by the Indian Railways of certain social obligations which are not usually associated with a purely commercial undertaking inasmuch as some of the essential commodities and suburban passenger services are carried by the Railways at below cost. Railways also give freight concessions for carrying relief materials in natural emergencies. They also share expenditure incurred by the State Governments on deployment of police force in the Railway premises besides maintaining their own Railway Protection Force.

1.32 In a written note furnished to the Committee, the Ministry of Railways have informed the Committee that the estimated financial effect of social burdens on the Railways during the Fifth Plan Period (1974—78) amounted to Rs. 701.35 crores and it was Rs. 396.38 crores in the succeeding two years (1978—1980). The year-wise break-up of the social obligations in terms of money has been indicated in the statement below:

Estimated Financial Effect of Social Obligation borne by Railways

	(Rupees in crores)							
	1974-75	1975-76	1976-77	1977-78	Total 1974-78	1978-79	1979-80	Total 1978-80
(a) Loss on Coaching Services (suburban and non-suburban passenger traffic, parcels, luggage, etc.)	153.50	122.92	116.68	79.28	472.38	86.86	175.45	262.31
(b) Low rated commodities (foodgrains, salt, fodder, fruits & vegetables, livestock, fire-wood and charcoal, etc.)	45.61	41.67	66.65	69.42	223.35	65.67	68.09	133.76
(c) Freight concession on relief measures . . .	4.80	0.60	0.10	0.12	5.62	0.16	0.15	0.31
Total . . .	203.91	165.19	183.43	148.82	701.35	152.69	243.69	396.38

1.33. It will be seen that the social obligations borne by Railways at the beginning of the Fifth Five Year Plan amounted to Rs. 203.91 crores. These were reduced to Rs. 165.19 crores in 1975-76 and further to Rs. 148.82 crores at the end of Fifth Plan i.e. in the year 1977-78. For the succeeding two years i.e. for 1978-79 and 1979-80, the corresponding figures were Rs. 152.69 and Rs. 243.69 crores respectively.

1.34 During evidence, the Committee desired to know whether any study had been undertaken to assess and compare the quantum of various reliefs and concessions which the railways were enjoying as also capital aid and loans at concessional rates of interest and the cost of social burdens which they carried. The Financial Commissioner for Railways replied:

"We have separately identified what is the burden that we are carrying on account of this. To offset that, a view can be taken that money given by the General Revenues for the capital expenditure carries a low rate of interest. It is true that it carries only 6 per cent interest now and carried 5.5 per cent in the earlier period. But what we have to bear in mind is that this capital is not repayable. These are interest bearing loans in perpetuity and therefore on whatever investments we have made from the inception of the Railways, we have to keep on paying interest and we are paying it even today. We have been paying it for all these years. If we calculate the interest that had already been paid for the last several years, we would have already paid back the capital. It is a perpetual interest bearing loan. I would, on ground of equity, say that if a block of capital is attracting interest, no matter the concessional rate of interest, allowing a certain period of time during which the lender would have recovered not only the total money by way of interest, but more than that, one can think of a period say 40 years or 50 years—than that block of capital should cease to bear interest. That should have been thought of."

The witness added:

"Thirty-five to forty years would be a reasonable period during which it may be considered that the capital would have been paid off. We had done some exercise and we have said that the dividend consists of both interest and a small contribution towards the General Revenues. We worked out what that contribution to the General Revenues was, over and above the interest rate. It came to over Rs. 400 crores and at least let this amount of Rs. 400 crores be dropped from the capital account of the

Railways. The Finance Ministry has not accepted that suggestion.....Even if I double the rate of interest, I would be paying Rs. 800 crores, whereas the social burden is of the order of Rs. 1,000 crores. It is, of course, a very broad and rough assessment."

Targets and Physical Achievements

1.35 The physical achievements of the Railways in a few selected fields during the period 1974-80 has been indicated in the Explanatory Memorandum to the Railway Budget 1980-83 as follows:—

Progress during the period 1974-75 to 1979-80 (6 years)

	End of 4 than 5-Year Plan (1973-74)	As on 31-3-1980	Additions during the 6 years 1974-75 to 1979-80
(a) Capital-at-Charge	Rs. 3893.4 Crores	Rs. 5484.6 Crores	Rs. 1591.2 Crores
(b) Route Kms.	60234 Kms.	60933 Kms.	699 Kms.
(c) Electrified route Kms.	4191 Kms.	4820 Kms.	629 Kms.
(d) No. of Stations	7079	7017	(-)62
(e) No. of staff (in thousands)	1432	1551	1.19 lakhs
(f) No. of locomotives			
(i) Steam	8847	7856	(-)991
(ii) Diesel	1610	2231	621
(iii) Electric	669	974	305
(g) No. of wagons	388366	405185	16819
(h) No. of EMU Coaches	1892	2473	581
(i) Other Coaching Vehicles	8432	8289	(-)133
(j) No. of Passenger Vehicles (including Railcars)	26108	27290	1182

1.36 The Capital-at-charge of the Railways at the end of the Fourth Five Year Plan Period (1973-74) was Rs. 3893.4 crores. It increased to Rs. 4797.12 crores at the end of the Fifth Five Year Plan Period (1977-78)

and to Rs. 5484.64 crores at the end of 1979-80. Thus, a substantial sum of Rs. 1591.2 crores has been invested in the Railways out of the General Revenues during the time span of six years (1974-80).

1.37 As would be seen from the table in the previous paragraph, the achievements of the Railways during this period have been none too impressive. The representatives of the Ministry of Railways was, during evidences, asked whether it was the practice for the Railways to fix physical targets in each field from year to year and if so what were those targets for the **Fifth Five Year Plan Period** and for 1979-80. In reply, the Financial Commissioner Railways stated that "in the original plan there were no physical target as such. In the revised plan targets were not published in the plan document but we had our own internal targets".

1.38 In a subsequent written note furnished to the Committee the Ministry of Railways have in this connection stated as follows:

"The published Vth Plan did not lay down any targets in respect of addition to route Kms, electrification, addition to wagons, EMU coaches and passenger vehicles.

2. In the draft Vth Five Year Plan, targets in respect of some of the above items, for the five year Period from 1974-75 to 1978-79, were however envisaged. The targets were again revised at the time of revision of the Vth Plan in 1976. The revised targets were not, however, incorporated in the published document.

3. Targets given in the draft Vth Five Year Plan, targets as revised at the time of revision of the Vth Plan, and the actual achievements are given below:—

	Targets envisaged in the draft Vth Plan	Targets as revised at the time of revision of the Vth Plan in 1976	Actual achievements for 5-year period 1974-75 to 1978-79
(i) Route Kms.	No target	No target	..
(ii) Electrification	1500	No target	532 RKM
(iii) Rolling Stock			
(a) Locomotives	1,300	888	863
(b) Wagons	1,00,000	54,337	59,305
(c) Coaches	6,500	4,541	4,482
(d) EMUs	1,050	681	555

The note has explained the shortfall in the achievements of targets of rolling stock as follows:

- (a) A number of locomotives could not be turned out by DLW for want of Traction equipment from BHEL,
- (b) The supply of coaches & D.C., E.M.U.s from M/s. Jessops was far below the anticipated deliveries.
- (c) The supply of capital spares like traction Motors and traction generators etc. were not adequately forth coming from the suppliers. There was a general shortage of these items. The supplies could not even match the production programme of Locomotives and EMUs".

1.39 The Committee observe that there has been a substantial variation in the forecasts for the modified Fifth Plan period (1974—78) in respect of gross traffic receipts and working expenses in the memorandum of the Financial Commissioner Railways to the Railway Convention Committee (1973) and the actuals, being (+) 27.62 per cent in the case of Gross Receipts and (+) 27.99 per cent in the case of Working Expenses.

1.40 The Committee appreciate the reasons advanced for this substantial variation between the projections and actuals in the case of Working Expenses as being due to an inordinate rise in stock and material costs and increase in the size of Railway assets. They, however, do not agree with the Financial Commissioner Railways when he, reacting to the suggestion during evidence that the Railways' Financial forecasting system should be improved, observed that this is an "up hill" nay an 'impossible' task and that this variation "will happen all the time". The Committee feel that there is no cause for despair on this account. Some variation between forecasts and actuals on account of unforeseen elements is inherent in any system of long term financial planning. However, the endeavour should be to reduce it to the minimum so that the forecasts are a worthwhile base for planning. A more positive approach would therefore be to improve upon the methodology of financial forecasting by forestalling as many imponderables as possible. The Committee therefore recommend that the Railways should have a study made of the financial forecasting system with a view to improve the methodology so that the variation between forecasts and actuals are reduced to the minimum.

1.41 The distressing feature of the Fifth Plan investments for Railways has been the inequitous approach of the Planning Commission to the investment proposals of the Ministry of Railways. The

Inter-Ministerial Working Group had projected for the Railways a freight traffic of 335 million tonnes by the end of the Fifth Plan Period (1978-79)... The Planning Commission toned it down to 300 million tonnes. In projecting their Fifth Plan requirements, the Railways themselves, basing their proposals on a target of 280 million tonnes, projected an outlay of Rs. 2570 crores. The Planning Commission, however, indicated to the Railways a tentative allocation of Rs. 2380 crores for the Fifth Plan period. Despite protestations by the Ministry of Railways, the draft Fifth Five Year Plan provided the outlay on railways of Rs. 2350 crores only. In the revised Fifth Plan, the Railways Plan outlay came to be slashed down further to Rs. 2152 crores only. It finally came to rest at Rs. 2086 crores. The Committee have been told that the reduction in the Plan outlay from Rs. 2350 crores to Rs. 2086 crores was mainly due to the adverse impact of the oil crisis. The Committee are, however, unable to appreciate the progressive reduction in the Plan outlay without regard to its possible adverse impact on the performance of the Railways. The Committee have elsewhere in the Report already commented upon the dismal performance of the Railways during the Fifth Plan Period. At this stage, they would only like to put a word of caution that any dent in the Railways Plan resources is bound to cause widespread repercussions in almost all fields of the country's economic activities. They hope that Planning Commission would, while assessing, reassessing and finalising the Plan investment for the Railways constantly keep in view the nodal position of the Railways in the country's economic milieu.

1.42 The Committee are shocked to find that even the reduced Fifth Plan outlay could not be utilised by the Railways in full and there was a sizeable shortfall in expenditure of Rs. 138 crores. What would have been the position if the Planning Commission had not applied the rather drastic cut and the entire amount asked for was made available to the Railways, could better be left to imagination.

They are not entirely convinced with the explanations adduced by the Ministry of Railways for non-utilisation of funds. While the Committee appreciate the savings on account of reduction in inventory holdings, these savings could have been reappropriated and utilised for bettering the overall performance of the Railways. As it is, the Committee are confronted with an obvious contradiction when the Ministry of Railways maintain that the targets could not be achieved on account of lack of funds whereas the records indicate that they have been unable to spend a sizeable chunk out of plan funds available to them. While recording their displeasure at this lapse on the part of the Ministry of Railways, the Committee would like to have, within three months from the date of presentation of this Report, fuller account detailing the circumstances in which

the amount allocated remained under-utilised and why the amount thus saved was not spent elsewhere by reappropriation.

1.43 Another disquieting feature of the financial results of the Railway operations during the period 1974—80 was that Railways' own contribution to their development expenditure had consistently fallen from 36.7 per cent during 1974-78 to 32.8 per cent in 1978-79 and thereafter to 29.1 per cent in 1979-80... It was explained during evidence that the fall in Railways' contribution to the development expenditure was mainly on account of less than adequate appropriation for Depreciation Reserve Fund the main component of the internal resources of the Railways, the acknowledged consequence of which has been the heavy accumulation of arrears in the replacement of overaged assets. The Committee regret that neither the Ministry of Railways nor the Planning Commission could perceive in right time the need for adequate provisions for Depreciation Reserve Fund. Timely appreciation in this regard would have saved the Railway operations from the dire predicament that it faces today on account of a massive rehabilitation backlog.

1.44 The Committee note that Railways have the practice of setting out physical targets in respect of their various activities. These targets are however not being published in any document. In order to assess the performance of the Railways in different fields as against the targets fixed, it is necessary that these should be published so as to be available to general public. The Committee recommend that, as in the case of targets and achievements in respect of freight and passenger traffic which are published in the Explanatory Memorandum to the Budget under 'Traffic Plan', the targets and achievements in respect of other activities of the Railways should also be published in the Explanatory Memorandum to the Budget so as to enable a better appreciation of the achievements of the Railways.

**II—TARGETS AND ACHIEVEMENTS IN RESPECT OF FREIGHT
AND PASSENGER TRAFFIC DURING FIFTH PLAN PERIOD
(1974—78) AND DURING 1978-80.**

A. FREIGHT TRAFFIC

2.1 To assess the performance of the railways in moving goods traffic during the Fifth Plan Period (1974-78) and the subsequent two years (1978-80), it is necessary to examine their performance in retrospect. Following table given in the Report of the Working Group on Railways for the Sixth Five Year Plan (1980—85) indicates growth of freight traffic on Indian Railways during the period 1950-51 to 1979-80.

GROWTH OF FREIGHT TRAFFIC ON INDIAN RAILWAYS

Year	1950-51 to 1979-80					
	Originating Tonnage (in millions)		Net Tonne Kms (In billions)		Average Lead (In Kms)	
	Actual	Index	Actual	Index	Actual	Index
1950-51 (Commencement of 1st Plan)	93.0	100	44.1	100	470	100
1955-56 (End of 1st Plan)	115.9	125	59.6	135	510	109
1960-61 (End of 11nd Plan)	156.2	168	87.7	199	561	119
1965-66 (End of 111rd Plan)	203.0	218	116.9	265	576	123
1968-69 (End of Inter-Plan period)	204.0	219	125.1	284	613	130
1972-73 (Penultimate year of IVth Plan)	201.3	216	136.5	309	678	144
1973-74 (End of IVth Plan)	184.9	199	122.4	278	662	141
<i>Fifth Plan</i>						
1974-75 (Actual)	196.7	212	134.3	305	683	145
1975-76 (Actual)	223.3	240	148.2	336	664	141
1976-77 (Actual)	239.1	257	156.8	356	656	140
1977-78 (Actual)	237.3	255	162.7	369	686	146
1978-79 (Actual)	223.4	240	154.8	351	693	147
1979-80 (Provisional)	217.7	234	156.0	350	710	151

2.2 In the Memorandum of the Financial Commissioner for Railways for the Railway Convention Committee (1973), it is indicated that freight traffic of about 290 million tonnes was initially projected by the different Ministries for the year 1973-74 i.e. the last year of the Fourth Five Year Plan. However, according to the Memorandum: "On the basis of past experience the Railways scaled down the above assessment of likely traffic at first to 265 million tonnes and thereafter to 240.5 million tonnes at the time of mid-term appraisal (of the Fourth Five Year Plan)". Even this revised assessment was, according to the Memorandum, "not likely to materialise". Memorandum assessed that at best about 208 million tonnes of freight traffic might be expected by the end of the Fourth Five Year Plan (1973-74). This short fall, the Memorandum said: 'was mainly due to the sluggishness in the economy brought about by the drought and other factors such as unsatisfactory labour and law and order situation etc. in these years'. As against the finally revised assessment of likely goods traffic of about 208 million tonnes, the actual freight traffic movement was only 184.9 million tonnes.

2.3 The Inter-Ministerial Working Group set up in June, 1972 to project the demand for freight traffic during the Fifth Plan, in their Report submitted in April, 1973 assessed the freight traffic by the end of the Fifth Plan (1978-79) at 335 million tonnes. The Railways, however, considered this assessment as "highly optimistic in view of their past experience since the Third Plan". The Planning Commission also accepted the view of the Railways and accordingly a target of 300 million tonnes was provided for in the Draft Fifth Five Year Plan. However, the Railways submitted to the Railway Convention Committee 1973 that they considered a target of 280 million tonnes of freight traffic in 1978-79 "as more realistic" and maintained that "the Railways are at present working to the lower figure of 280 million tonnes of the freight traffic" while the final targets were then yet under consideration in consultation with the Planning Commission.

The likely year-wise build up of this traffic was indicated in the Memorandum as follows:

(In Million Tonnes)

	1973-74 (End of IV Plan)	1974-75	1975-76	1976-77	1977-78	1978-79
Revenue Traffic	181	198.75	210.80	224.00	239.50	255.00
Non-Revenue Traffic	27	26.25	26.20	26.00	25.50	25.00
TOTAL	208	225.00	237.00	250.00	265.00	280.00

It is stated that a reappraisal of the Plan was undertaken at the instance of the Planning Commission almost at the commencement of the Plan in the wake of the energy crisis, the changed price situation and constraint of resources. As a result, the Railway Plan outlay was reduced from Rs. 2350 crores to Rs. 2152 crores (excluding Rs. 50 crores for MTP). The Fifth Five Year Plan published in 1976 provided for the Railways a Plan outlay of Rs. 2152 crores and stated that by 1978-79 the Railways would be equipped to carry an estimated original freight traffic of 250-260 million tonnes.

2.4 As against the target of 250-260 million tonnes of originating freight traffic in the last year of the Fifth Five Year Plan (1978-79), the actual major commodity-wise loading since the commencement of the

Fifth Five Year Plan (1974-75) upto 1979-80 has been indicated as follows:

Statement showing commodity wise freight traffic (Revenue earning and non-earning) during 1974-75 to 1979-80

(In million tonnes)

Commodity	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	
	1	2	3	4	5	6	7
1. Steel Plant Traffic							
(a) Finished Products	6.72	7.70	9.90	9.00	8.30	7.21	
(b) Raw material to S. Plants (excl. coal)	17.44	20.00	23.20	22.20	21.50	20.75	
Total (1) Steel Plant Traffic	24.16	27.70	33.10	31.20	29.80	27.96	27
2. Coal							
(a) For S. Plant	12.41	14.60	14.90	15.50	14.50	14.77	
(b) For Washeries	6.70	7.50	8.00	7.80	7.40	6.99	
(c) For Railways	15.65	16.20	14.90	14.70	13.80	13.82	
(d) For Power Houses & others	36.22	42.10	44.50	45.80	42.20	40.21	
Total (2) Coal	70.98	80.40	82.30	83.80	77.90	75.79	
3. Iron Ore for Export							
4. Cement	9.20	11.60	13.70	13.60	12.30	10.04	
5. Foodgrains	13.67	16.20	20.00	19.50	16.70	18.35	

	1	2	3	4	5	6	7
6. Fertilisers	.	.	5.98	7.20	7.80	8.20	8.60
7. P.O.L.	.	.	10.75	11.70	12.40	13.10	14.30
8. Other Goods	.	.	45.49	46.90	48.30	45.50	43.50
9. Rly. Material	.	.	7.34	10.30	11.60	11.80	10.00
Total (3 to 9)	.	.	101.53	115.20	123.70	122.30	115.70
G. Total (1 to 9)	.	.	196.67	223.30	239.10	237.30	223.40
Revenue Earning	.	.	173.68	196.80	212.60	210.80	199.60
Non-Revenue Earning	.	22.99	26.50	26.50	26.50	23.80	24.77

Revenue Earning Freight Traffic

2.5 The figures of Revenue Earning Freight Traffic in respect of tonnes originating, tonnes kms. and average lead for the year 1950-51 to 1979-80 are indicated as under:—

Year	Tonnes (Million)	Index	Tonne Kms. (Million)	Index	Lead Kms.	Index
1950-51	73.2	100.0	37,565	100.0	513	100.0
1960-61	119.8	163.7	72,333	192.6	603	117.6
1970-71	167.9	229.4	110,696	294.7	659	128.5
1973-74	162.1	221.5	109,391	291.2	675	131.6
1974-75	173.6	237.2	121,374	323.1	699	136.3
1975-76	196.8	268.9	134,874	359.0	685	133.5
1976-77	212.6	290.4	144,030	383.3	677	132.0
1977-78	210.8	288.0	150,250	400.0	713	130.0
1978-79	199.6	272.7	143,870	383.0	721	140.5
1979-80	193.1	263.8	144,559	384.8	749	146.0

2.6 Explaining the decline in the freight traffic during the last few years, the Ministry has stated:

"The shortfall in originating traffic during 1974-75 occurred due to the general strike of the Railwaymen in the month of May 1974. The shortfall in the year 1977-78 was due to fall in overall demand. From 1978-79 onwards, however, there has been a continuous declining trend in originating traffic. These shortfalls are attributable to a variety of factors, some of which were within railway's control, but most of which were beyond the railway's control. Broadly, these factors may be enumerated as under:—

- (i) Cyclones and Floods in 1978-79 and drought conditions in 1979-80.
- (ii) Difficult law and order situation particularly in the Eastern Sector and other parts of the country which had adverse effects on railway operation.

- (vii) Frequent cases of work stoppages and 'go slows' adopted by un-recognised category-wise Association of Railway staff
- (viii) Heavy arrears of maintenance in track and rolling stock

"Despite all these adverse factors, Railways tried to meet the requirements of the vital sector of the economy to the maximum extent possible according them higher priority. For example, foodgrains movement from the surplus areas to the deficit areas all over the country was given high priority. Similarly, priority was given to the demands of steel plant traffic, both in respect of finished products and raw materials, and to iron ore for export. High priority was accorded to transport of coal to thermal power houses, and to movement of petroleum products. Other commodities like fertilisers, cement got next priority.

The Railways have recently taken a large number of measures introducing several managerial and operational innovations to make optimum use of assets. Some of these measures are given below in brief:

- (a) Separation of 'modern central buffer coupler wagon fleet' from the old conventional fleet and use of this modern fleet to carry 'express streams' of freight traffic.
- (b) Optimisation of the loads of goods trains so that trains run to make full use of the hauling capacity of the locomotives.

- (c) Use of diesel or electric locomotives in specified sectors where steam engines were operating earlier, to take off steam engines from service, so that more coal was available for industries.
- (d) Integrated operation so that through goods trains are run with the same electric or diesel engines from 'end to end'."

2.7 Asked about the reasons for the wide variation in the projections of originating freight traffic at the end of the Fifth Five Year Plan (1978-79)—335 million tonnes as assessed by the Inter-Ministerial Group and 280 million tonnes submitted by Railways themselves to the Railway Convention Committee (1973), the Chairman, Railway Board, during evidence, stated:

"The original estimates were there. You have to make adjustments. Mid-course correction can be done..... in any budget or in any plan. 335 million was the basic concept; it was thought that the total economy will generate that much traffic. After that 280 million tonnes; then it came to 250 million tonnes. That was the final estimate and this again was not reached".

Supplementing him, the Financial Commissioner Railways said:

"This was with reference to the assessment of that Group as to what the traffic would be offering; what railways would be expected to carry. This had to be matched with proper investment... When there is cut in investment what can we do?.... So the targets are varied."

Another reason according to him was that "the user ministries tend to pitch up their assessments."

2.8 Replying to the question by the Committee as to why the Railways themselves had been projecting to the Working Group, the Planning Commission and the Railway Convention Committee different figures in respect of freight traffic at the end of the Fifth Plan period, the Financial Commissioner Railways said:

"If I say that I can carry at the end of the Fifth Plan period 330 million tonnes on the basis of a certain level of

investment, at the time of discussion it is all tentative; when the plan allocation is finalised—between the tentative allocation and the finalisation of plan allocation, it takes about 2 weeks—then the final figure is given to us. On that basis we are working out the figures."

2.9 Asked whether the traffic projections made by Railways should not be more practical and pragmatic in view of the experience gained over all these years, the Chairman Railway Board stated:

"We will try to make it as pragmatic as possible. But then we have to rely on everybody living up to targets in the matter of production."

2.10 Spelling out the improvements effected in the methods of making traffic projections, the Financial Commissioner of Railways also explained:

"During the earlier period I think it was mainly on the basis of projection made by the other Ministries and moderated by the Planning Commission. The Railways would make their own projection. There was no coordinated approach. To ensure the coordinated approach, now a Working Group consisting of representatives from the Ministry of Railways, from the Planning Commission and from the user Ministries goes into it in detail. There is also an Evaluation Group in the Planning Commission. Progressively the methodology is being refined and we are coming to a closer realistic assessment."

2.11 During evidence of the representatives of the Ministry of Railways, the Committee pointed out that the freight traffic (both earning & non-earning) rose from 185 million tonnes in 1973-74 to 198.67 million tonnes in 1974-75 and could not pick up to more than 239.1 million tonnes in 1976-77, whereafter it actually declined. When asked about the factors responsible for the decline in freight traffic and also the reason for the targets of 280 millions suggested by Railways themselves not being achieved by the end of the Fifth Plan Period, the Chairman, Railway Board explained:

"In 1974-75, the decline in traffic was due to the general strike on the Indian railways, with the result that right in the beginning of the Plan period, the traffic declined. After that, the economy picked up and so did the working of the railways. In 1975-76, 1976-77 and 1977-78, the

performance improved. Again there was a general depression in the whole economy which was basically inter-linked with the working of railways with the result that the load in the subsequent two years, that is, in 1978-79 and in 1979-80, fell sharply and kept on declining till the trend was reversed for the first time in 1980-81.

There were several factors apart from the general economy being responsible for the decline in traffic. There were law and order problems in these two years. There were very frequent stoppages of work by railway staff and there was a general atmosphere of indiscipline. Then, major railway users also had indiscipline in their premises, apart from the railways' own difficulties, like difficulties of the Steel Plants....They did not allow the plants to function well, thereby detaining the wagons very heavily. Again, there was a change in the pattern of movement that took place in this period. There was a very heavy import of fertilisers and the fertilisers could not be taken to the ports in those large quantities."

2.12 Referring to the statistical summary given in the Annual Report of the Railways for the year 1980-81, the Committee observed that right upto the year 1965-66, the replacement of wagons was 10,000 per year but afterward the average replacement came down roughly to 2000 or 2500 per year. Replying to the question from the Committee whether the decline in freight traffic was also to a great extent due to non availability of wagons, the Chairman Railway Board stated:

".....I cannot say that it can be merely due to the lack of wagons. That point stands proved to the contrary."

2.13 Asked whether the increasing number of railway accidents was also responsible fo the downward trend in the movement of goods, the witness replied:

"Any accident will retard the leading potential or the movement of potential of any transport system. That again cannot be directly linked to this because with the increased number of accidents, the output has been the highest ever, and much higher than what it was five years earlier. It would have been still higher, if the number of accidents had been less....Railways work in chain and any stoppage anywhere would affect the system. This was one of the reasons that we have given."

2.14 When further asked whether the factors like floods cyclones, law and order etc. were not taken into consideration while deciding the targets of freight traffic, the Chairman Railway Board stated:

"You take the normal floods into account, but you do not take into account, for example, the floods that you had in Bengal when Kharagpur remained cut off from Howrah for over two and a half months....Floods are mentioned in that context and so are cyclone in the east coast."

2.15 Later, in a written note the Ministry of Railways have explained the factors responsible for the decline in freight traffic during the Fifth Plan period as follows:

"Against a target of 250 million tonnes for 1978-79, the Railways did lift 239.1 million tonnes in 1976-77 and 237.3 million tonnes in 1977-78, but the freight traffic declined thereafter due to general decline in economy. Besides, the specific factors which affected performance were:—

- (a) Unsatisfactory law and order situation on account of Public agitations against reservation policy of Government of Bihar, affecting loading on Easter and North Eastern Railways.
- (b) Strike in Singareni Collieries in April & May 1978 affecting coal loading resulting in loss of revenue earning traffic.
- (c) Work to rule agitation by loco running staff on North-east Frontier Railway and bundhs in Assam region.
- (d) Train services on Central and South Central Railways suffered in July and August on account of public agitations in Marathwada area.
- (e) Unprecedented heavy rains, floods, breaches etc., from July to October 1978.
- (f) Strike by Port & Dock workers in November 1978 at major ports; and
- (g) Strike in Jute Mills in West Bengal in January 1979."

2.16 The Committee observed that not only the performance of the Railways in the matter of lifting of freight was unsatisfactory during the Fifth Plan period as a whole, but during 1978-79 and 1979-80 there was a substantial decline from 237.30 million tonnes in 1977-78 to 223.40 million tonnes and 217.84 million tonnes in 1978-79

and 1979-80 respectively. During evidence, the Chairman Railway Board was asked the reasons for this substantial decline, he said:

"The declining trend and these factors (factors indicated elsewhere in the report as responsible for in poor performance during the Fifth Plan period as a whole) became pronounced. The drought started in 1977-78 and that it perpetuated in 1978-79. The cumulative effect of all these were felt more and more in the subsequent years.....

A very important reason is general stagnation of the economy having its effect on the Railways, plus overheads, plus increasing incidents of strike among staff, not railway staff, but staff of Organisations using the Railways like transport sector etc."

Replying to the question whether these factors were not usual he said:

"All these factors have been there in each one of the years in varying degrees. But as the malaise deepens then the effects also deepen.

2.17 In a subsequent written communication to the Committee, the Ministry have indicated the reasons for the decline in performance during the years 1978-79 and 1979-80 as follows:

"During the year 1978-79 various factors over which Railways had little control affected goods traffic adversely. During April, May and November, 1978 goods traffic was seriously affected on Eastern and North Eastern Railways due to law and order problem triggered off by public agitations against the reservation policy of the Government of Bihar. As a result thereof originating leading not only on Eastern and North Eastern Railways but also on other adjacent Railways and passing through these Railways had to be drastically controlled. Further due to strike in Singareni coalfields in April and May 1978, coal loading was affected to the extent of 0.8 million tonnes. On NF Railway, traffic was affected due to work-to-rule agitation by loco running staff and various bandhs in Assam area. In July and August 1978, train services on Central and South Central Railways suffered due to public agitations in Marathwada area. There was a severe set-back to operations during July to October 1978 on account of

unprecedented heavy rains, floods, extensive breaches, sinkage of track, hill slips, unsafe condition of bridges on the Central, Western, Northern, North Eastern, Eastern and the South Eastern Railways, Strike by Port and Dock workers in November, 1978 affected loading to and from major ports forcing diversion of ships to smaller ports which resulted in large scale diversion of rolling stock and longer leads. Strike in Jute Mills in West Bengal in January 1979 also resulted in hold up of wagons.

During the year 1979-80 factors such as the uncertain law and order situation, industrial relation problems, sporadic civil agitations in various parts of the country continued to bedevil goods operation. Besides, extensive power cuts in various States affected not only industrial production but also the Railways' mobility. Shortage of coking coal resulted in less requirement of other raw materials by steel plants and consequently reduced inputs."

2.18 Indicating the measures taken or proposed to be taken to reverse the decline trend, the written note states as follows:

- "(a) In order to arrest the declining trend strict enforcement of discipline in man management as well as material management has been implemented. Unrecognized staff associations have been curbed.
- (b) Wagons fitted with roller bearings and centre buffer couplers were segregated from the conventional type of wagons and formed into rakes for carriage of essential commodities like foodgrains, fertilisers, cement and coal.
- (c) Jumbo rakes which are higher pay load unit trains of covered wagons have been formed to carry bulk commodities at higher speeds over longer distances.
- (d) Loads carried by goods trains on different sections are being optimised.
- (e) Identification and condemnation of over-aged wagons.
- (f) Through running of goods trains with the same electric or diesel engine which has reduced the pressure on marshalling yards to a great extent.
- (g) BOX 'N' type of wagons are being developed which would make running of heavy trains with capacity upto 7,500 tonnes possible.

- (h) Progressive extension of electrification and dieselisation.
- (i) Closed circuit rakes have been introduced to meet demands of important customers.
- (j) ROH of roller bearing stock in closed steam sheds with some staff has been introduced.
- (k) To carry more traffic with the same fleet of wagons loading upto 2 tonnes above CC of some specified wagons is being permitted when considered necessary.
- (l) Introduction of 'Juggler' operation in sectors with concentration of traffic so that the supply and clearance of wagons can be done promptly. 'Jugglers' are nominated diesel or electric powers operating from a terminal in a defined area where big goods sheds, industrial sidings or stations with heavy inward and outward traffic are situated.

These major innovations have brought about tremendous improvement in goods loading. During the year 1981-82 total revenue earning traffic lifted by Railways was 220.20 million tonnes against the original target of 215 million tonnes and revised target of 220 million tonnes. However, the total loading this year including non-revenue traffic is expected to be 243.3 million tonnes. This achievement is the highest ever in the history of the Indian Railways."

2.19 The Committee had observed that in 1976-77 the revenue earning freight traffic was 212.60 million tonnes. In 1977-78 it declined to 210.8 million tonnes, in 1978-79 to 199.6 million tonnes and in 1979-80 further to 193 million tonnes. Asked to indicate the total volume of traffic fixed by the Inter-Ministerial Group for the year 1979-80 and the percentage thereof actually lifted by Railways the Chairman of the Railway Board stated:

"What we could lift, we did lift; not that there is something that we could lift and did not lift due to extraneous factors. There might have been minor factors, but their effect was marginal. The basic fact is that whatever could be lifted was lifted and that is 193 million tonnes in that year (1978-79)"

2.20. It was pointed out during evidence that during the period 1950-51 to 1979-80 more than Rs. 4650 crores had been invested in the Railways. Asked whether any relationship could be established

between the investment made in Indian Railways and their freight lifting capacity, the Chairman Railway Board explained:

|| "There has to be a basic relationship between the investment and the output. But, supposing, there is a strike for 30 days. The output becomes zero. The investment has no relationship when the output becomes zero. The investments are required for the long term traffic growth and if the traffic growth does not come according to expectations, it may be managerial inefficiency within or managerial inefficiency without..... The total investment is a must for traffic growth. But it is not necessary that just by the sheer process of investment you will get the traffic growth. There are other factors also which have to go into that."

2.21 The Committee enquired whether the bulk of the freight normally used to be offered to the Railways was diverted to other modes of transport during the Fifth Plan period, and if so what were the reasons therefor and what was the loss suffered on that account. The Chairman Railway Board replied:

"It is a fact that traffic was diverted. It is difficult to quantify it. Our actual performance is 193 million tonnes of revenue earning freight traffic. For accurate assessment data is not available. When the cheapest form of traffic is not available, the customer has no alternative but to use the second cheapest, because he can not keep the industry closed."

2.22 In a written note furnished by the Ministry of Railways it has been stated that with the rapid development of the roads and the road transport in the Sixties there has been considerable diversion of high profit yielding traffic to the road transport. Over the years, Railways have increasingly become carriers of low-rated bulk commodities which formed 58.2 per cent of the total originating tonnage of revenue earning traffic in 1950-51, accounted for 85.6 per cent in 1980-81. It is in respect of the high profit yielding commodities that the Railways face severe competition from road transport, in view of the inherent advantages which it enjoys over rail transport such as the ability to provide door-to-door service, freedom to pick and choose not only the commodities for carriage but also the

destination and the routes and customers and the freedom to give on-the-spot reduction of rates. Due to large investments on the development of roads and road transport, coupled with the liberal issue of inter-State and National Permits, the road transport has emerged as a strong competitor to rail transport, particularly in respect of high profit yielding commodities.

2.23 As regards the measures taken to retrieve the lost traffic, the Committee have been informed that the Marketing and Sales Organisation was set up by the Zonal Railways in 1967 and the railways have also introduced various customer-oriented services like Container Services, Freight Forwarder Scheme in wagons, Quick Transit Service etc. A close watch is also being kept on the loading of selected high profit yielding commodities. During the Fifth Plan period 1974-75 to 1977-78 and during the subsequent 3 years from 1978-79 to 1980-81, the loading and earnings from high profit yielding commodities were as under:—

	Year	Tonnage of high profit yielding commodities (in million tonnes)	Earnings (Rs. in Crores)
Fifth Plan Period			
	1974-75	12.40	130.29
	1975-76	13.48	153.17
	1976-77	13.49	168.51
	1977-78	12.63	169.39
Rolling Plan			
	1978-79	13.29	171.05
	1979-80	13.92	200.33
First year of Sixth Plan	1980-81	13.95	227.85

2.24 The Committee find it very disappointing that the Railways were unable to achieve during the Fifth Plan period even the reduced target of 250-260 million tonnes of freight traffic provided for in the Fifth Five Year Plan document with reference to the reduced Plan outlay of the Railways. The maximum load of freight traffic that they could carry during the Plan period was 239.10 million tonnes reached during 1976-77. Thereafter the freight traffic declined con-

sistently year after year to reach a level of 217.84 million tonnes in 1979-80. As for the revenue earning component of the freight traffic, it increased from 162.1 million tonnes in 1973-74 (the last year of the Fourth Five Year Plan) to 212.60 million tonnes in 1976-77. Thereafter, this traffic has also been consistently declining from year to year and in 1979-80 it was no more than 193.07 million tonnes. The Committee are unable to appreciate the reasons advance for this unsatisfactory performance which are by and large of a general and perennial nature. They are in particular unhappy at the rather bald explanation offered by the Chairman Railway Board for the performance of the Railways in the matter of lifting Revenue Earning Freight Traffic when, during evidence before the Committee, he said; "whatever could be lifted was lifted." They regret that the measures reported to the Committee to have been taken to reverse the declining trend could not be thought of earlier.

2.25 The dismal performance of the Railways in moving freight traffic during the period 1974-80 reflects adversely on the functioning of the Planning, monitoring and appraisal wing of the Railways at the Board as well as Zonal levels. They should be energised and their methods of work stream-lined where necessary so that their analysis and reports are in real an aid to Management.

2.26 The Committee note that the Railways have been since the last few years publishing in the Explanatory Memorandum to the Budget a Traffic Plan showing the targets and achievements in regard to freight and passenger traffic. It would be in the fitness of things if a paragraph is included in the Explanatory Memorandum analysing the performance of the Railways in the matter of moving the freight and passenger traffic with reference to annual targets.

2.27 The Committee appreciate that Road Transport has certain inherent advantages as against Rail Transport such as the ability to provide door-to-door service. Freedom to pick and choose not only the commodities for transport but also the destinations. Routes and the customers, the freedom to extend on-the-spot reduction in rates etc. They, however, would like the Railways to make concerted efforts to win back at least a part of the high rated revenue earning freight traffic which might have crossed over to the Road Transport under compelling circumstances such as persistant non-availability of wagons in due time, increased incidence of delay, theft and damage en route, rampant, corrupt practices by unscrupulous elements in the Railway Organisation as also among the customers and middle-men in the matter of freight booking, weighment, delivery etc., by taking such corrective action as may be necessary.

B. PASSENGER TRAFFIC

2.28 An Inter Ministerial Working Group was constituted in June 1972 to make an assessment of passenger traffic during the First Five Year Plan. They had projected a growth of 4 per cent per annum in the non-suburban traffic and 5 per cent per annum in the suburban traffic over the traffic that was then expected at the end of the Fourth Five Year Plan Period (1973-74).

2.29 The growth of suburban and non-suburban passenger traffic as also the average lead during the period 1974-75 to 1979-80 is indicated in the following statements:

Number of passengers originating

Number of passengers journeys

In million

Year	Suburban	Percentage increase/decrease as compared to previous year	Non-suburban	Percentage increase/decrease as compared to previous year	Grand Total	Percentage increase/decrease as compared to previous year
1973-74	1,437	..	1,217	..	2,654	..
1974-75	1,373	(-)4.45	1,056	(-)13.22	2,429	(-)8.47
1975-76	1,639	(+)19.37	1,306	(+)23.67	2,945	(+)21.24
1976-77	1,802	(+)9.94	1,498	(+)14.70	3,300	(+)12.05
1977-78	1,928	(+)6.99	1,576	(+)5.20	3,504	(+)6.18
1978-79	2,113	(+)9.59	1,606	(+)1.90	3,719	(+)6.13
1979-80	1,903	(-)9.93	1,602	(-)0.24	3,505	(-)5.75

Passenger Kilometres

(Total distance travelled by all passengers)

(In millions)

Year	Suburban	Percentage increase/decrease as compared to previous years	Non-Suburban	Percentage increase/decrease as compared to previous year	Grand Total	Percentage increase/decrease as compared to previous year
1973-74	28,037	107,627	135,664	..	..	..
1974-75	27,157	(-) 3.13	99,097	(-) 7.92	126,254	(-) 6.93
1975-76	32,862	(+) 21.00	115,999	(+) 16.95	148,76	(+) 17.82
1976-77	37,082	(+) 12.84	126,754	(+) 9.36	163,836	(+) 10.13
1977-78	39,433	(+) 6.34	137,201	(+) 8.24	176,634	(+) 7.81
1978-79	43,439	(+) 10.15	149,506	(+) 8.96	192,945	(+) 9.23
1979-80	38,730	(-) 10.84	159,912	(+) 6.96	198,642	(+) 2.95

Average Lead

(Distance travelled by an average passenger)

(In Kilometres)

Year	Suburban (all classes)	Non-suburban				Grand Total	
		Upper	Mail/ Express	Ordinary	Total		
					Total Non- suburban		
1973-74	19.5	289.8	264.7	52.7	85.7	88.95	51.1
1974-75	19.8	481.3	287.3	56.0	91.4	93.8	52.0
1975-76	20.1	515.5	308.7	51.9	86.6	88.7	50.5
1976-77	20.6	518.9	306.0	50.2	82.6	84.6	49.6
1977-78	20.4	512.7	313.8	49.8	85.0	87.1	50.4
1978-79	20.6	506.3	323.3	51.7	90.8	93.1	51.9
1979-80	20.4	506.0	327.8	55.8	97.4	99.8	56.7

2.30 The Ministry of Railways have, on the basis of the figures given in the above tables, submitted to the Committee their conclusions as follows:—

"There has been a significant increase in the volume of passenger traffic during the recent years. In terms of passengers originating and passenger kilometres, the increase during 1979-80 as compared to 1973-74 figures has been of the order of 32 per cent and 46 per cent respectively. In the case of suburban passengers, there was a progressive increase right from 1973-74 except during 1974-75 and 1979-80; in the case of non-suburban passengers, the uptrend from 1973-74, which suffered a set-back in 1974-75, continued to be maintained during 1979-80 also. The average lead in the case of suburban passenger traffic maintained an upward trend since 1973-74 with a slight set-back in 1977-78 and 1979-80 but during 1978-79 it was at the same level as the 1976-77 figure of 20.6 kilometres. In the case of non-suburban traffic, the lead has gone up from 87.1 Kms. in 1977-78 to 99.8 Kms. in 1979-80".

*

*

*

*

*

"The rapid pace of growth of the suburban passenger traffic as compared to the non-suburban passenger traffic is attributable to the more rapid increase in the population

in and around the Metropolitan areas of Bombay, Calcutta and Madras. While the average population growth for the country was 2.6 per cent per annum during the fifties and sixties, it was 3.6 per cent for the Metropolitan cities with a considerable expansion of residential areas".

2.31. In another Memorandum furnished to the Committee, the Ministry have furnished the following figures of targets and achievements in regard to passenger traffic during the years 1974-75 to 1979-80:—

(Passenger KMs in Billion)

Year	Non-Suburban		Suburban		Total	
	Target	Actual	Target	Actual	Target	Actual
1974-75	113.0	99.1	29.1	27.2	142.1	126.3
1975-76	118.3	115.9	30.2	32.9	148.5	148.8
1976-77	123.7	116.7	31.4	37.4	155.1	163.8
1977-78	129.1	137.2	32.5	39.4	161.6	176.6
1978-79	143.8	149.5	41.4	43.3	185.2	192.9
1979-80	156.7	159.9	45.6	38.7	202.3	198.6

2.32 On the basis of the above figures, the Ministry have maintained that "targets were by and large, both in respect of Non-Suburban and Suburban traffic achieved". In regard to the shortfall indicated in the figures for 1974-75, the Ministry have stated that it occurred "due to Railwaymen's strike in May, 1974".

2.33 During evidence, the Chairman Railway Board was asked whether the annual targets in respect of "Passenger Kilometres" furnished to the Committee were regularly published. He replied:

"The targets are not published. It is also not possible to publish them. The method is to assess the passenger traffic rather backwards.

For example, if the normal growth in the preceding three years had been 3 per cent or 4 per cent the same trend would continue. There is no other method of assessing the travelling habits of the people..... When the Plan is framed, based on the previous experience as to what has been the growth rate of traffic and what is the population trend and all that, it is written in the document itself. Publishing the target is quite different..... we have made a start in the last two years in the Explanatory Memorandum. It has been given in number but it is not given as "passenger Kilometres".

2.34 In a subsequent written note furnished to the Committee the position has been explained by the Ministry of Railways as follows:

"Targets for passenger traffic in terms of passenger kilometres have not been published anywhere. Targets given in the memorandum are only broad assessments derived on the basis of anticipated growth and pattern of passenger traffic.

Targets for passenger traffic in terms of passenger kilometres are not being fixed as this traffic is dependent upon several factors like economic prosperity, harvest, good monsoon etc. which cannot be predicted with any certainty".

2.35 Asked to state the basis and methodology of fixing and revising annual targets in regard to the number of passengers, Passengers Kms. and earnings, the Chairman, Railway Board during evidence, stated:

"We estimate the traffic increase in the coming years by hind sight only. There is no other method."

Replying to the question whether we should not have a more rational and scientific basis for projecting the passenger traffic target, the Chairman Railway Board said:

"Provided we have the capacity of carrying the passengers; but the demand will always out strip the supply".

2.36. As stated earlier the passenger traffic (both suburban and non-suburban) dropped from 2654 millions in 1973-74 to 2429 million in 1974-75. The drop in suburban traffic was of the order of 4.45 per cent. whereas in the case of non-suburban traffic it was as much as 13.22 per cent. Distance travelled both by suburban and non-suburban passengers also dropped from 135684 passenger kilometres in 1973-74 to 126254 passenger kilometres in 1974-75. The drop in the suburban passenger kms. was of the order of 3.13 per cent. whereas in the case of non-suburban passenger kms. it was 7.92 per cent. Asked to state the reasons for this substantial drop in the number of passenger carried and also the distance travelled by passengers in 1974-75 as compared to the level reached in 1973-74 the Chairman of the Railway Board stated:

"The main drop in the passengers in 1974-75 was because of the Railwaymen's strike in May, 1974. Due to the strike the Railway lost 110 million passengers. That vitiated the entire system. The normal graph is steady, but this sudden deflection in the graph came due to the strike".

2.37. In the written note furnished to the Committee the Ministry of Railways have stated:

"The year 1974-75 was critical for the Indian Railways. The disturbed industrial relations culminated in the nation wide railwaymen's strike in May, 1974, which had its impact *inter-alia* on the passenger traffic. To some extent, some of the passenger trains had also to be cancelled due to shortage of steam coal. In spite of the drop in the passenger traffic, the earnings from passengers went up by more than 12 per cent partly due to the revision in the passenger fare structure and also because of the increase in the average load both for suburban and non-suburban traffic".

2.38. The Inter-Ministerial Working Group, constituted in 1972 to assess the passenger traffic during the Fifth Five Year Plan period had projected a growth rate of 4 per cent per annum in the non-suburban traffic and 5 per cent. per annum in the suburban traffic over the traffic that was then expected at the end of Fourth Five Year Plan period (1973-74). From the figures furnished to the Committee, however, it is observed that during the period 1974-80, the percentage of increase in number of suburban and non-suburban passenger journeys during 1975-76 was as much as 19.37 and 23.67 per cent. over the respective figures for the year 1974-75. In the subsequent years (1976-79) the annual increase in the number of

passenger journeys has been erratic varying between 7 to 10 per cent. over the figure for preceding year. Asked to indicate why the actual annual increase in passenger traffic has been widely off the estimates of the Working Group, the witness stated:

“..... The fluctuation is due to the strike. Because we are comparing with the previous year, which had an unnatural depression, naturally in the next year we are going to get a spurt..... In 1974-75 traffic carried was depressed to an unnatural extent. 1975-76 has correspondingly an unnatural increase when we compare with 1974-75..... Year after year, the average is slightly different. For the 5th Plan as a whole, the suburban figure came to about 9.2 per cent and that of non-suburban to 6.4 per cent. The average came to 9 per cent. and 6 per cent. respectively. The percentage increase in suburban traffic is more because of urbanisation of the country.....”

2.39. In a subsequent written note furnished to the Committee, the Ministry of Railways have stated that the actual non-suburban passenger kms. show an increase of 7.04 per cent. per annum in 1978-79 over the year 1973-74. Similarly, the suburban passenger kms. increased by 10.7 per cent. per annum during the same period. According to the Ministry; “the estimates of the trend of passenger traffic for future years cannot accurately be made as it is dependent on several factors like propensity to travel, economic development, the growth of population, urbanisation, economic migration and other factors. The Working Group while making the projections have taken into consideration these factors in the light of the trend of growth over the past few years”.

2.40. The Committee drew the attention of the witnesses to the decline in suburban and non-suburban traffic from 2113 million and 1606 million, respectively in 1978-79 to 1903 million and 1602 million, respectively, in 1979-80 after a progressive rise in passenger traffic from the year 1975-76 to 1978-79. Asked the reasons for this dismal performance during 1979-80, the witness stated:

“The drop in passenger traffic in 1979-80, compared to 1978-79, was mainly under season ticket traffic, which declined by 257 million in suburban and 39 million in non-suburban. The fare structure upto 50 kms. was rationalised in 1979-80, and the categories changed..... When the fare structure changed, and when the season ticket mix, and non-season ticket mix changed, the comparative

statistics got vitiated. People stopped buying season tickets due to a rationalisation in fare structure...."

2.41. The Ministry of Railways have, through a written note, also stated:

"The rise in the fares of season tickets effective from 1st April, 1979 prompted the commuters to purchase season tickets before 31st March, 1979 at the old fares. This resulted in abnormally high issue of season tickets in 1979 in turn affecting the issue of season tickets in the first 2 to 3 months of the years 1979-80, and for the same reason, the passenger kilometres also registered a corresponding drop. In the case of non-suburban passengers, the drop was only 0.25 per cent. which is marginal".

2.42. The Committee have also observed from the working and financial results of Railways for the period 1974-78, furnished by the Ministry of Railways, that average lead both for suburban and non-suburban passenger traffic varied between 49.6 and 52.0. However, in 1979-80, it increased to 56.7 on account of substantial improvement in the performance of non-suburban passenger traffic. When asked to explain the reasons for there being no improvement in the average lead during the period 1974-75 to 1978-79, the witness stated:

"The lead pattern is something on which we have no control; that depends upon the new cities developing and the suburbs developing..... The suburban traffic lead was 19.5 km. on an average. Next year it was 19.8. In the subsequent years it was 20.1, 20.6, 20.4, 20.6 and 20.4. From this we find that the variation is only one kilometre over a period of eight years. That means it has varied from 19.5 at the bottom to 20.6 and the highest was also in the middle year. This variation is not much if you consider that in Bombay 4.5 million suburban passengers are travelling every day. The non-suburban lead has been 88.5 in 1973-74 and it was in the following years 93.8, 88.7, 84.8, 87.1, 93.1, 99.8 and 103.9 in 1980-81. This is also directly related to the number of long distance convenient trains..... the lead variation is 88.5 kilometres to about 104 kms. The total rise is of the order of 15 kilometres in a matter of 8 years because we have introduced a large number of long distance direct trains. It becomes convenient for the man to travel longer distance and so the lead becomes longer".

2.43. Subsequently, in a written note the Ministry of Railway have stated:

"Railways have no control over the average lead as it is dependent on the length of the journey performed by passengers. The unusual phenomena of the decline in the suburban passenger traffic with an average lead of 20.4 Kms. in 1979-80 coupled with an increase in the long lead non-suburban traffic resulted in the average lead shooting up to 56.7 Kms. in 1979-80."

2.44. The Committee feel that the existing system adopted by the Working Group, the Planning Commission as also the Ministry of Railways of assessing the growth of passenger traffic during the five year time span in terms of a percentage over the previous years performance is unsatisfactory. This is amply borne out by the fact that whereas the Working Group assessed for the Fifth Five Year Plan period the growth rate of five and four per cent in respect of suburban and non-suburban passenger traffic respectively, the actual percentage of increase in the number of suburban and non-suburban passenger traffic during 1975-76 was as large as 19.37 and 23.67 per cent respectively over the respective figures for the year 1974-75. In subsequent years (1976-79) also the increase in the number of passenger journeys has been erratic varying between 7 to 10 per cent over the figure for preceding year. The Committee agree with the Ministry of Railways that the estimates of the trend of passenger traffic for future years cannot "accurately" be made but at the same time the estimates should not be so far removed from the actuals as to present a distorted picture. They feel that a more intelligent estimate of growth of passenger traffic should be possible so as to be of use for planning resource build-up for carrying the expected volume of traffic in future years. The Committee therefore recommend that the Ministry of Railways should make efforts to work out more realistic projections of passenger traffic, if necessary by taking the help of experts and specialised institutions. These projections/targets should be published alongwith their year-wise build up for general information. Any reduction in the targets should be adequately explained in the Explanatory Memorandum to the Budget so also any shortfalls in achievements against the targets.

2.45. The Committee observe that in the "Traffic Plan—Passenger" being published in the Explanatory Memorandum to the Budget Estimates and Actuals are indicated in respect of "No. of Passengers" and "Earnings" only. They would like the Ministry of Railways

to consider the feasibility of including in this Plan similar information in respect of "Passenger Kilometres" also.

2.46. The Committee find that during the year 1974-75, instead of increasing at the projected rate of five per cent. and four per cent. respectively, suburban and non-suburban passenger traffic actually declined by 4.45 per cent. and 13.22 per cent., respectively. The reason for this decline is indicated to be Railwaymen's strike in May, 1974 and cancellation of some trains due to shortage of coal. During 1979-80 also, the suburban traffic declined by 9.93 per cent over the figure for the preceding year. This is stated to have been due to a change in the fare structure for season tickets during that year. Nevertheless, the Committee feel gratified to observe that the number of passengers moved by the Railways increased from 2654 million in 1973-74 to 3505 million in 1979-80. The passenger kilometres also increased from 135664 million in 1973-74 to 198642 million in 1979-80. This by itself is no mean achievement. The Committee hope that the Railways would not only maintain this progress but make an attempt to better it in future years.

NEW DELHI;
June 9, 1982
Jyayista 19, 1904 (S)

D. L. BAITHA,
Chairman,
Railway Convention Committee.

APPENDICES

APPENDIX

(See Paragraph 1.5)

Statement showing (i) Receipts and Expenses, (ii) Dividend paid to General Revenues and (iii) Net Surplus/Deficit.
(In Crores of Rupees)

		1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
I. Receipts								
367.15	(a) Passenger	412.55	514.13	569.29	621.65	672.77	738.81	
59.35	(b) Other Coaching	69.20	89.42	86.87	90.11	91.47	95.70	
671.30	(c) Goods (including suspense)	887.42	1113.42	1326.66	1352.94	1317.65	1428.81	
40.09	(d) Sundries	39.02	50.04	53.29	58.72	69.15	71.52	
1137.89	TOTAL	1408.19	1767.01	2036.11	2123.42	2151.04	2337.84	
II. Ordinary Working Expenses :								
102.30	(a) Administration	129.13	155.89	152.84	153.95	162.03	Separate figures under these heads are not available as the structure of Demands for Grants was changed.	
356.28	(b) Repair & Maintenance	452.74	557.62	595.61	608.70	653.65		
205.30	(c) Operating Staff	264.91	312.33	312.54	316.25	355.00		
158.85	(d) Operating Fuel	197.02	254.52	283.31	299.17	307.16		
46.91	(e) Operation other than Staff & Fuel	61.81	84.41	87.17	87.98	83.85		
31.96	(f) Miscellaneous Expenses	37.27	52.80	58.74	49.40	53.73		
33.74	(g) Staff Welfare	48.40	32.60	33.75	55.13	57.75		
935.33	TOTAL	1186.28	1470.17	1548.96	1570.58	1673.17	1878.38	

	Description	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
III. Net Results								
115.03	(a) Appropriation to Depreciation Reserve Fund	115.00	115.00	135.00	140.00	145.00	200.00	
16.00	(b) Appropriation to Pension Fund	16.00	24.50	35.00	40.00	50.00	65.00	
	IV. Miscellaneous Transactions excluding Open Line Works (Revenue—Net)					Misc. Receipts 66.57		
						Misc. Exp. 26.36		
11.44		12.70	12.46	12.41	14.20	(—) 40.21		
6.76	V. Opening line works (Revenue)	5.83	7.61	8.40	7.64	7.85	7.38	
total: 48	TOTAL	1334.55	1629.98	1739.82	1770.63	1830.22	2110.55	
55.41	VI. Net Rly. Revenue	78.64	137.03	296.29	352.79	360.32	227.29	
170.91	VII. Dividend to General Revenue (Made up of)	187.47	198.14	209.05	226.56	224.16	293.53	
(155.29)	(a) Interest at the average rate	(177.57)	(191.66)	(205.73)	(255.36)	(227.77)	(305.74)	
(—2.53)	(b) Contribution to General Revenue over and above the average rate of interest	(—) 8.09	(—) 11.50	(—) 14.93	(—) 17.04	(—) 21.29	(—) 29.90	
(18.15)	Payment to General Revenues in lieu of tax on passenger fares included in (VII above)	17.99	(17.98)	(18.25)	(18.24)	(17.68)	(17.69)	
(—) 115.50	VII. Net Surplus (+) Deficit (—)	(—) 113.82	(—) 61.11	(±) 87.24	(+) 126.29	(±) 36.66	(—) 66.24*	

APPENDIX II

(See Paragraph 1.7 to 1.9)

Financial forecast and actual results of Fifth Five Year Plan (1974-1978) and for 1978-80

(In excess of rupees)

Description	1974-75		1975-76		1976-77		
	1973 Forecast (i)	1980 Actual	Variation w.r.t. Forecast (i)	% age variation	1973 Forecast (i)	1980 Actual	Variation w.r.t. Forecast (i)
I. Capital-at-charge at the end of each year	4,157	4,105.56	(-)51.44	(-)-1.30	4,437	4,354.78	(-)-82.22
II. Gross Traffic Receipts	1,324	1,408.19	(+)84.19	(+)6.35	1,390	1,767.61	(+)371.01
III. Expenses:							
(a) Ordinary working Exp.	1,043	1,186.28	(+)143.28	(+)13.73	1,097	1,470.17	(+)373.17
(b) Net Misc. Exp. (incl. pay- ments to worked lines)	9	11.44	(+)2.24	(+)24.88	10	12.70	(+)3.70
(c) Open line Wks. Rev.	8	5.83	(-)2.17	(-)27.12	10	7.16	(-)2.39
IV. Appropriation to DRP	120	115.00	(-)5.00	(-)4.16	130	115.00	(-)15.00
V. Appropriation to PF	16	16.00	..	..	17	24.50	(+)7.50
VI. Net Revenue	128	73.64	(-)54.36	(-)42.46	132	137.93	(+)5.03
							(+)3.81

V : $P_{19,1971} D_{74, P_{19}}$ net:

(a) Dividend	164	169.48	(+) 5.48	(+) 3.34	174	180.16	(+) 6.16	(+) 3.54
(b) Payment in lieu of Passenger Fare Tax	18	17.99	(-) 0.01	—	18	17.98	(-) 0.02	—
182	187.47	(+) 5.49	(+) 3.00	—	192	198.14	(+) 6.14	(+) 3.19
VIII. Net startfull(-) surplus(+)	(-) 54	(-) 113.83	(-) 59.03	(-) 110.05	(-) 60	(-) 61.11	(-) 1.11	(-) 11.85

IX. Investment during the Plan

Capital	255	212	(-) 43.0	(-) 16.86	280	244	(-) 736.00	(+) 12.85
DFR	120	113	(-) 7.0	(-) 15.83	130	125	(-) 5.00	(-) 3.84
DF	22	16	(-) 6.0	(-) 27.27	30	16	(-) 14.00	(-) 46.66
OLWR	8	6	(-) 2.00	(-) 25.00	10	8	(-) 2.00	(-) 20.00
AGSPAF	—	—	—	—	—	—	—	—
	405	347	(-) 58.00	(-) 14.32	450	393	(-) 57.00	(-) 12.66

Financial Forecast and Actual Results—Fifth Five Year Plan (1974—1978) and for 1978-80

(In crores of Rupees)

Description	1976-77			1977-78			As per memo submitted to R.C.C.
	1973 Forecast(i)	1980 Actual	Variation w.r.t. Forecast(i)	% age variation	1973 Forecast (i)	1980 Actual	
I. Capital-at-charge at the end of each year	4743	4553.69	(—)	20.93 (—)	4.41	5075	4797.12 (—)
II. Gross Traffic Receipts	1471	2036.11	(+)	565.11 (+)	38.41	1556	2123.42 (—)
III. Expenses :							
(a) Ordinary working exp.	1154	1548.95	(+)	394.96 (+)	34.22	1218	1570.58 (+)
(b) Net Misc. Exp. (incl. Payments to worked lines)	10	12.46	(+)	2.46 (+)	24.60	10	12.41 (+)
(c) Open line Wts. Rev.	12	8.40	(—)	3.60 (—)	30.00	10	7.64 (—)
IV. Appropriation to DRF	140	135.00	(—)	5.00 (—)	3.57	130	140.00 (+)
V. App. to PF	18	35.00	(+)	17.00 (+)	94.44	19	40.00 (+)
VI. Net Revenue	137	295.29	(+)	159.20 (+)	116.27	169	352.79 (+)
VII. Payment to Gen. Revenue :							
(a) Dividend	185	190.80	(+)	5.80 (+)	3.13	201	208.32 (+)
(b) Payment in lieu of Passenger Fare Tax	18	18.25	(+)	0.25 (+)	1.38	18	18.24 (+)
	203	209.05	(+)	6.05 (+)	2.98	219	216.56 (+)
							0.24
							7.56 (+)
							3.45

56

VIII. Net shortfall (—) supplies (+)		(—)66 (+)	87.24 (+)	153.24 (+)	232.18	(—)50 (—)	126.23 (+)	176.23 (+)	352.46
<hr/>									
IX. Investment during the plan									
Capital		306	181.00 (—)	125.00 (—)	40.84	332	264.00 (—)	68.00 (—)	20.48
DRP		140	125.00 (—)	15.00 (—)	10.71	130	117.00 (—)	13.00 (—)	10.00
DF		35	18.00 (—)	17.00 (—)	48.57	33	26.00 (—)	7.00 (—)	21.21
DLWR		12	8.00 (—)	4.00 (—)	33.33	10	8.00 (—)	200 (—)	20.00
AGSPAF		..	..	1.00			4.00		
		493	333 (—)	160.00 (—)	32.45	505	419.00 (—)	86.00 (—)	17.02

Financial Forecast and actual Results— Fifth Plan (1974-78) & 1978-80

(In crores of rupees)

Total Fifth Plan (1974-8)			
Description	As per memo. submitted to R.G.C.	Variation w.r.t. Forecast (i)	%age variation
I. Capital-at-charge at the end of each year	5075	4797.12	(-) 277.88
II. Gross Traffic Receipts	5747.00	7334.73	(+) 1587.73
III. Expenses:			
a) Ordinary working exp.	4512.00	5773.99	(+) 1263.99
b) Net Misc. Exp. (incl. Payments to worked lines)	39.00	49.01	(+) 10.01
c) Open line Wks. Rev.	40.00	29.48	(-) 10.52
IV. Appropriation to DRF	520.00	545.00	(+) 25.00
V. Appropriation to PF	70.00	115.00	(+) 45.00
VI. Net Revenue	566.00	859.75	(+) 293.75
			(+) 51.89

VII. *Payment to Gen. Revenue:*

a) Dividend	724.00	748.76	(+) 24.76	(+) 3.41
b) Payment in lieu of Passenger Fare Tax	72.00	72.46	(+) 0.46	(+) 0.63
	796.00	821.22	(+) 25.2	(+) 4.04

VIII. *Net shortfall (-)
surplus (+)*

(-) 230.00	(+) 38.53	(+) 268.53	(+) 116.75
------------	-----------	------------	------------

IX. *Investment during the Plan*

Capital	1173.00	901.00	(-) 272.00	(-) 23.18
DRF	520.00	480.00	(-) 40.00	(-) 7.69
DF	120.00	76.00	(-) 44.00	(-) 36.66
DLWR	40.00	30.00	(-) 10.00	(-) 25.00
ACSPAF	—	5.00	(+) 5.00	(+) 100.00
	1853.00	1492.00	(-) 361.00	(-) 19.48

Financial Forecast and actual Results—Fifth Five Year Plan (1974—1978) and for 1978—80

(In Crores of Rupees)

Description	1978-79			1979-80		
	1973 Forecast (i)	1980 Actual	As per memo submitted to R.C.C. Variation w.r.t. Forecast (i)	Budget Estimate (i)	Actuals	Variation w.r.t. (i)
I. Capital -at-charge at the end of each year	5432	5023.92	(—)408.08	(—)7.51	5484.64	—
II. Gross Traffic Receipt	1642	2161.04	(+)509.04	(+)31.00	2438.08	2337.84
III. Expenses :						6
(a) Ordinary working exp.	1285	1673.17	(+)388.17	(+)30.20	1827.83	1878.38
(b) Net Mic. Exp. (incl. Payments to worked lines)	11	14.20	(+)3.20	(+)29.09	—	—
(c) Open line works. Rev.	10	7.85	(—)2.15	(—)21.50	—	7.38
IV. Appropriation to DRF	130	145.00	(+)15.00	(+)11.53	200.00	200.00
V. Appropriation to PF	20	50.00	(+)30.00	(+)150.00	64.00	64.00
VI. Net Revenue	186	260.82	(+)74.82	(+)40.32	315.35	227.29
						(—)88.56
						(—)28.03

VII. Payment to Gen. Revenues :											
(a) Dividend	•	•	217	206.43	[(−)10.52	(−)4.84]	236.10	203.53	•		
(b) Payment in lieu of Passenger Fare Tax	•	•	19	17.68	(−)1.32	(−)6.94					
			236	224.16	(−)11.84	(−)5.01	236.19	293.58	(+)57.34 (+)24.27		
			(−)50	(+)36.65	(+)86.66	(+)173.32	(+)79.66	(−)66.94	(−)145.90		
VIII. Net shortfall (−) surplus (+)											
IX. Investment during the Period :											
Capital	•	•	357	346.00	(−)11.00	(−)2.08	Details not available				
DRF	•	•	130	136.00	(−)6.00	(−)4.01					
DF	•	•	30	26.00	(−)4.00	(−)13.33					
DLWR	•	•	10	8.00	(−)2.00	(−)20.00					
ACSPAF	•	•	6.00	(+)6.00	(+)100.00						
			527	522.00	(−)5.00	(−)00.94	@650				

Source : Annual Plan (1970-80) Chapter 9. P. 101.

Digitized by srujanika@gmail.com

(Figures after taking into account the modification in the proposals for revision in fares and Dividend Reliefs given by RCC (1977))

APPENDIX III

(Vide para 7 of Introduction)

Summary of Recommendations/Conclusions contained in the Report

S. No.	Reference to Para	Summary of Recommendations/Conclusions
1	2	3
1	1.39	<p>The Committee observe that there has been a substantial variation in the forecasts for the modified Fifth Plan period (1974-78) in respect of gross traffic receipts and working expenses in the memorandum of the Financial Commissioner Railways to the Railway Convention Committee (1973) and the actuals, being (+) 27.32 per cent in the case of Gross Receipts and (+) 27.99 per cent. in the case of Working Expenses.</p>
2	1.40	<p>The Committee appreciate the reasons advanced for this substantial variation between the projections and actuals in the case of Working Expenses as being due to an inordinate rise in stock and material costs and increase in the size of Railway assets. They, however, do not agree with the Financial Commissioner Railways when he, reacting to the suggestion during evidence that the Railways' Financial forecasting system should be improved, observed that this is an "up hill" nay an "impossible" task and that this variation "will happen all the time". The Committee feel that there is no cause for despair on this account. Some variation between forecasts and actuals on account of unforeseen elements is inherent in any system of long term financial planning. However, the endeavour should be to reduce it to the minimum so that</p>

the forecasts are a worthwhile base for planning. A more positive approach would therefore be to improve upon the methodology of financial forecasting by forestalling as many imponderables as possible. The Committee therefore recommend that the Railways should have a study made of the financial forecasting system with a view to improve the methodology so that the variation between forecasts and actuals are reduced to the minimum.

3

1.41

The distressing feature of the Fifth Plan investments for Railways has been the inequitous approach of the Planning Commission to the investment proposals of the Ministry of Railways. The Inter-Ministerial Working Group had projected for the Railways a freight traffic of 335 million tonnes by the end of the Fifth Plan period (1978-79). The Planning Commission toned it down to 30 million tonnes. In projecting their Fifth Plan requirements, the Railways themselves, basing their proposals on a target of 290 million tonnes, projected an outlay of Rs. 2570 crores. The Planning Commission, however, indicated to the Railways a tentative allocation of Rs. 2380 crores for the Fifth Plan period. Despite protestations by the Ministry of Railways, the draft Fifth Five Year Plan provided the outlay on railways of Rs. 2350 crores only. In the revised Fifth Plan, the Railways Plan outlay came to be slashed down further to Rs. 2152 crores only. It finally came to rest at Rs. 2086 crores. The Committee have been told that the reduction in the Plan outlay from Rs. 2350 crores to Rs. 2086 crores was mainly due to the adverse impact of the oil crisis. The Committee are, however, unable to appreciate the progressive reduction in the Plan outlay without regard to its possible adverse impact on the performance of the Railways. The Committee have elsewhere in the Report already commented

upon the dismal performance of the Railways during the Fifth Plan period. At this stage, they would only like to put a word of caution that any dent in the Railways Plan resources is bound to cause widespread repercussions in almost all fields of the country's economic activities. They hope that Planning Commission would, while assessing, reassessing and finalising the Plan investment for the Railways constantly keep in view the nodal position of the Railways in the country's economic milieu.

The Committee are shocked to find that even reduced Fifth Plan outlay could not be utilised by the Railways in full and there was a sizeable shortfall in expenditure of Rs. 138 crores. What would have been the position if the Planning Commission had not applied the rather drastic cut and the entire amount asked for was made available to the Railways, could better be left to imagination.

They are not entirely convinced with the explanations adduced by the Ministry of Railways for non-utilisation of funds. While the Committee appreciate the savings on account of reduction in inventory holdings, these savings could have been reappropriated and utilised for bettering the overall performance of the Railways. As it is, the Committee are confronted with an obvious contradiction when the Ministry of Railways maintain that the targets could not be achieved on account of lack of funds whereas the records indicate that they have been unable to spend a sizeable chunk out of plan funds available to them. While recording their displeasure at this lapse on the part of the Ministry of Railways, the Committee would like to have, within three months from the date of presentation of this Report, fuller account detailing the circumstance in which the amount allocated remained under-utilised and why the amount thus saved was not spent elsewhere by reappropriation.

1	2	3
5	1.43	<p>Another disquieting feature of the financial results of the Railways operations during the period 1974-80 was that Railways' own contribution to their development expenditure had consistently fallen from 36.7 per cent during 1974-80 to 32.8 per cent in 1978-79 and thereafter to 29.1 per cent in 1979-80. It was explained during evidence that the fall in Railways' contribution to the development expenditure was mainly on account of less than adequate appropriation for Depreciation Reserve Fund the main component of the internal resources of the Railways, the acknowledge consequence of which has been the heavy accumulation of arrears in the replacement of overaged assets. The Committee regret that neither the Ministry of Railways nor the Planning Commission could perceive in right time the need for adequate provisions for Depreciation Reserve Fund. Timely appreciation in this regard would have saved the Railway operations from the dire predicament that it faces today on account of a massive rehabilitation backlog.</p>
6	1.44	<p>The Committee note that Railways have the practice of setting out physical targets in respect of their various activities. These targets are however not being published in any document. In order to assess the performance of the Railways in different fields as against the targets fixed, it is necessary that these should be published so as to be available to general public. The Committee recommend that, as in the case of targets and achievements in respect of freight and passenger traffic which are published in the Explanatory Memorandum to the Budget under 'Traffic Plan', the targets and achievements in respect of other activities of the Railways should also be published in the Explanatory Memorandum to the Budget so as to enable a better appreciation of the achievements of the Railways.</p>

1

2

3

7

2.24

The Committee find it very disappointing that the Railways were unable to achieve during the Fifth Plan period even the reduced target of 250-260 million tonnes of freight traffic provided for in the Fifth Five Year Plan document with reference to the reduced Plan outlay of the Railways. The maximum load of freight traffic that they could carry during the Plan period was 239.10 million tonnes reached during 1976-77. Thereafter the freight traffic declined consistently year after year to reach a level of 217.84 million tonnes in 1979-80. As for the revenue earning component of the freight traffic, it increased from 162.1 million tonnes in 1973-74 (the last year of the Fourth Five Year Plan) to 212.60 million tonnes in 1976-77. Thereafter, this traffic has also been consistently declining from year to year and in 1979-80 it was no more than 193.07 million tonnes. The Committee are unable to appreciate the reasons advance for this unsatisfactory performance which are by and large of a general and perennial nature. They are in particular unhappy at the rather bold explanation offered by the Chairman Railway Board for the performance of the Railways in the matter of lifting Revenue Earning Freight Traffic when, during evidence before the Committee, he said; "whatever could be lifted was lifted". They regret that the measures reported to the Committee to have been taken to reverse the declining trend could not be thought of earlier.

8

2.25

The dismal performance of the Railways in moving freight traffic during the period 1974-80 reflects adversely on the functioning of the planning, monitoring and appraisal wings of the Railways at the Board as well as zonal levels. They should be energised and their methods of work stream-lined where necessary so that their

1

2

3

analysis and reports are in real sense an aid to Management.

9 2.26

The Committee note that the Railways have been since the last few years publishing in the Explanatory Memorandum to the Budget a Traffic Plan showing the targets and achievements in regard to freight and passenger traffic. It would be in the fitness of things if a paragraph is included in the Explanatory Memorandum analysing the performance of the Railways in the matter of moving the freight and passenger traffic with reference to annual targets.

10 2.27

The Committee appreciate that Road Transport has certain inherent advantages as against Rail Transport such as the ability to provide door-to-door service, freedom to pick and choose not only the commodities for transport but also the destinations, routes and the customers, the freedom to extend on-the-spot reduction in rates etc. They, however, would like the Railways to make concerted efforts to win back at least a part of the high rated revenue earning freight traffic which might have crossed over to the Road Transport under compelling circumstances such as persistent non-availability of wagons in due time, increased incidence of delay, theft and damage *en route*, rampant corrupt practices by unscrupulous elements in the Railway Organisation as also among the customers and middlemen in the matter of freight booking, weighment, delivery etc., by taking such corrective action as may be necessary.

11 2.44

The Committee feel that the existing system adopted by the Working Group, the Planning Commission as also the Ministry of Railways of assessing the growth of passenger traffic during the five years time span in terms of a percentage

over the previous years performance is unsatisfactory. This is amply borne out by the fact that whereas the Working Group assessed for the Fifth Five Year Plan period the growth rate of five and four per cent in respect of suburban and non-suburban passenger traffic respectively, the actual percentage of increase in the number of suburban and non-suburban passenger traffic during 1975-76 was as large as 19.37 and 23.67 per cent respectively over the respective figures for the year 1974-75. In subsequent years (1976-79) also the increase in the number of passenger journeys has been erratic varying between 7 to 10 per cent over the figure for preceding year. The Committee agree with the Ministry of Railways that the estimates of the trend of passenger traffic for future years cannot "accurately" be made, but at the same time the estimates should not be so far removed from the actuals as to present a distorted picture. They feel that a more intelligent estimate of growth of passenger traffic should be possible so as to be of use for planning resource build-up for carrying the expected volume of traffic in future years. The Committee therefore recommend that the Ministry of Railways should make efforts to work out more realistic projections of passenger traffic, if necessary by taking the help of experts and specialised institutions. These projects|targets should be published alongwith their year-wise build up for general information. Any reduction in the targets should be adequately explained in the Explanatory Memorandum to the Budget so also any shortfalls in achievements against the targets.

Passengers" and "Earnings" only. They would like the Ministry of Railways to consider the feasibility of including in this Plan similar information in respect of "Passenger Kilometres" also.

13 2.46 The Committee find that during the year 1974-75, instead of increasing at the projected rate of five per cent and four per cent respectively, the suburban and non-suburban passenger traffic actually declined by 4.5 per cent and 13.22 per cent, respectively. The reason for this decline is indicated to be Railwaymen's strike in May, 1974 and cancellation of some trains due to shortage of coal. During 1979-80 also, the suburban traffic declined by 9.93 per cent over the figure for the preceding year. This is stated to have been due to a change in the fare structure for season tickets during that year. Nevertheless, the Committee feel gratified to observe that the number of passengers moved by the Railways increased from 2654 million in 1973-74 to 3505 million in 1979-80. The passenger kilometres also increased from 135664 million in 1973-74 to 198642 million in 1979-80. This by itself is no mean achievement. The Committee hope that the Railways would not only maintain this progress but make an attempt to better it in future years.
