RCC-151

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RAILWAY CONVENTION COMMITTEE

(2014)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

INTERNAL RESOURCE GENERATION BY INDIAN RAILWAYS

LOK SABHA SECRETARIAT

NEW DELHI

August, 2018 /Sharavana, 1940 (Saka)

TWENTY FIFTH REPORT

RAILWAY CONVENTION COMMITTEE

(2014)

(SIXTEENTH LOK SABHA)

MINISTRY OF RAILWAYS

(RAILWAY BOARD)

INTERNAL RESOURCE GENERATION BY INDIAN RAILWAYS

Presented to Lok Sabha on 03.8.2018

Laid in Rajya Sabha on 03.8.2017

LOK SABHA SECRETARIAT

NEW DELHI

August, 2018/ Sharavana, 1940 (Saka)

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COMPOSITION OF RAILWAY CONVENTION COMMITTEE (2014)

Shri Bhartruhari Mahtab, MP - Chairperson

Members

Lok Sabha

2. Shri Abhishek Banerjee
3. Shri Sanganna Amarappa Karadi
4. Shri K. Ashok Kumar
5. Shri Kamalbhan Singh Marabi
6. **Vacant***
7. Shri Ramen Deka**
8. Shri Janak Ram
9. Shri Rahul Ramesh Shewale
10. Shri Bharat Singh
11. Shri Liladharbhai Khodaji Vaghela
12. Shri K.C. Venugopal

Rajya Sabha

13. Shri Sanjay Seth#
14. Shri T.K. Rangarajan
15. Shri Prem Chand Gupta
16. Shri Abdul Wahab
17. Dr. V. Maitreyan#
18. Shri Ranvijay Singh Judev

SECRETARIAT

1.	Ms. Kavita Parsad	-	Joint Secretary
2.	Shri M. K. Madhusudhan	-	Director
3.	Shri D. R. Mohanty	-	Additional Director

***Vacancy occurred w.e.f. 05th July, 2016 vice Smt. Anupriya Patel was appointed MOS.**

**** Nominated w.e.f. 01 August, 2018.**

 # Nominated w.e.f. 07 June, 2018.

INTRODUCTION

I, the Chairperson, Railway Convention Committee (2014), having been authorized by the Committee, present this Twenty Fourth Report on 'Internal Resource Generation by Indian Railways'.

2. The Committee obtained background material and written information from the Ministry of Railways (Railway Board) in connection with the examination of the subject. The Committee also took oral evidence of the representatives of the Ministry of Railways (Railway Board) on 26th April, 2017 and 20th April, 2018. The Committee express their thanks to the representatives of the Ministry of Railways (Railway Board) for appearing before the Committee and also for furnishing requisite oral and written information on the subject, as desired by the Committee.

3. The Committee considered and adopted this Report at their sitting held on 02nd August, 2018. The Minutes of the sitting of the Committee are appended to the Report.

4. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters in the Report.

New Delhi:
02 August, 2018
11 Sharavana, 1940 (SAKA)

BHARTRUHARI MAHTAB
CHAIRPERSON
RAILWAY CONVENTION COMMITTEE

REPORT

PART - I

I. INTRODUCTORY

Internal Resource Generation by the Indian Railways is appropriated to various Railway funds like Depreciation Reserve Fund (DRF), Capital Fund (CF), Development Fund (DF), Rashtriya Rail Sanraksha Kosh (RRSK) and Debt Service Fund (DSF). While the amount in DRF, CF, DF and RRSK are utilised for annual Capital Expenditure in Indian Railways, the amount in DSF is meant for future debt service obligations in respect of loans from JICA, World Bank and for arrears arising out of implementation of Central Pay Commission recommendations.

2. Internal Resource Generation by the Indian Railways can be defined as the excess of railway receipts over its expenditure on (i) Ordinary Working Expenses, (ii) Miscellaneous Expenditure, (iii) Appropriation to Pension Fund, and (iv) Dividend Payment on the Capital-at-charge. However, Indian Railway's Dividend liability for 2016-17 was waived pursuant to the recommendation of this Committee (RCC). Consequent upon the merger of Railway Budget with the Union Budget w.e.f. the Financial year 2017-18, Indian Railway's Capital-at-charge has been wiped off and thus Dividend liability has been discontinued by the Government of India.

3. The quantum of internal resource generation varies from year to year depending on the receipts *vis-a-vis* expenditure. Factors like

growth in traffic earnings, increase in OWE/Pension liability and implementation of periodic Pay Commission recommendations have impacted IR's internal resource generation. While Indian Railways has been able to meet its revenue expenditure and pension liability to the full, it has been a challenge for the Railways to generate enough surplus for investing in modernization and expansion of rail network.

4. Against the above backdrop, the Committee selected the subject for in-depth examination and report. In the process, the Committee obtained preliminary materials, written reply and post-evidence information from the Ministry. The Committee also undertook On-the-spot Study Visits to various Zonal/Divisional Railways to obtain first-hand knowledge on the efforts made by the Zonal Railways to generate internal resources. Subsequently the Committee took oral evidence of the Ministry of Railways (Railway Board) on two occasions. Based on the written and oral depositions of the Ministry as well as the inputs gathered at the field level, the Committee have broached upon the subject matter in the succeeding paragraphs and given their considered opinion/suggestions in Part-II of this Report.

II. TARGETS AND ACHIEVEMENTS

5. As regards the targets fixed for internal resource generation from various sources and achievements made thereof during the last five years viz. 2013-14 to 2017-18, the Ministry furnished the following comparative statement:

Annexure - I

Internal Resource Generation in the last five years vis-a-vis targets (Rs. in crore)

	Description	2013-14			2014-15			2015-16			2016-17			2017-18		
		RE	Actual	Var. (Act-RE)	RE	Actual	Var. (Act-RE)	RE	Actual	Var. (Act-RE)	RE	Actuals	Var. (Act-RE)	RE	Actuals (Preliminary)	Var. (Act-RE)
	(a) Passenger	37,500	36,532	-968	43,002	42,190	-812	45,376	44,283	-1,093	48,000	46,280	-1,720	50,125	48,643	-1,482
	(b) Other Coaching	3,665	3,679	14	4,028	3,998	-30	4,325	4,371	46	5,000	4,312	-688	5,500	4,314	-1,186
	(c) Goods	94,000	93,906	-94	1,06,927	1,05,791	-1,136	1,11,853	1,09,208	-2,645	1,08,900	1,04,339	-4,561	1,17,500	1,17,055	-445
	(d) Sundy other earnings	5,285	5,721	436	5,241	5,093	-148	6,230	5,929	-301	10,100	10,368	268	14,000	8,688	-5,312
	Total Traffic Earnings	**1,40,450**	**1,39,838**	**-612**	**1,59,198**	**1,57,072**	**-2,126**	**1,67,784**	**1,63,791**	**-3,993**	**1,72,000**	**1,65,299**	**-6,701**	**1,87,125**	**1,78,701**	**-8,424**
	Clearance from Traffic Outstandings	50	-280	-330	50	-361	-411	50	543	493	155	-7	-162	100	24	-76
1.	**Gross Traffic Receipts**	**1,40,500**	**1,39,558**	**-942**	**1,59,248**	**1,56,711**	**-2,537**	**1,67,834**	**1,64,334**	**-3,500**	**1,72,155**	**1,65,292**	**-6,863**	**1,87,225**	**1,78,725**	**-8,500**
	Miscellaneous Receipts															
	(a) Subsidy	3,530	3,371	-159	4,002	4,025	22	3,721	3,723	2	0	0	0	0	0	0
	(b) Other Misc. Receipts	138	285	147	200	282	82	250	323	73	150	90	-60	200	204	4
2.	**Total Miscellaneous Receipts**	**3,668**	**3,656**	**-12**	**4,202**	**4,307**	**105**	**3,971**	**4,046**	**75**	**150**	**90**	**-60**	**200**	**204**	**4**
3.	**Total Receipts [1 + 2]**	**1,44,168**	**1,43,214**	**-954**	**1,63,450**	**1,61,017**	**-2,433**	**1,71,805**	**1,68,380**	**-3,425**	**1,72,305**	**1,65,382**	**-6,923**	**1,87,425**	**1,78,930**	**-8,495**
4.	Ordinary Working Expenses	97,060	97,571	511	1,08,970	1,05,996	-2,974	1,10,690	1,07,736	-2,954	1,22,760	1,18,830	-3,930	1,30,200	1,28,515	-1,685
5.	Appropriation to Pension Fund	23,700	24,850	1,150	29,225	29,225	0	34,500	34,500	0	35,000	35,000	0	44,100	45,798	1,698
6.	Miscellaneous Expenditure	1,072	1,116	44	1,028	1,183	155	1,217	1,315	98	1,650	1,440	-210	1,700	1,430	-270
7.	Dividend Payable	7,840	8,009	169	9,174	9,174	-1	8,495	8,723	227	0	0	0	0	0	0
8.	**Total Expenditure from Revenue (4+5+6+7)**	**1,29,672**	**1,31,546**	**1,874**	**1,48,397**	**1,45,577**	**-2,819**	**1,54,903**	**1,52,274**	**-2,629**	**1,59,410**	**1,55,269**	**-4,141**	**1,76,000**	**1,75,743**	**-257**
9.	**Internal Resource Generation(3-8)**	**14,496**	**11,668**	**-2,828**	**15,053**	**15,440**	**386**	**16,902**	**16,106**	**-796**	**12,895**	**10,113**	**-2,782**	**11,425**	**3,187**	**-8,238**

- 1 -

6. As may be seen from the above comparative data, there have been shortfalls in achieving the internal revenue generation target in all the years, excepting 2014-15 where the internal resource generation was Rs. 15,440 crore against a target of Rs. 15,053 crore.

7. In the above context, the Committee desired to be apprised of the reasons for shortfalls in meeting the target during the four years of last five fiscals. In response, the Ministry submitted as under:

<u>2013-14</u>

The internal resource generation is Rs. 11,668 cr as against a target of Rs.14,496 cr with a shortfall of Rs. 2,828 cr due to

- Earnings shortfall in passenger (Rs. 968 cr due to less than targeted non-suburban non-PRS passengers) and goods (marginal shortfall of Rs. 94 cr)

- shortfall in clearance of traffic outstandings (Rs. 330 cr)

- receipt of lesser subsidy from the government (Rs. 159 cr)

- higher expenditure on OWE (Rs.511 cr), Miscellaneous expenditure (Rs.44 cr) and dividend payment (Rs. 169 cr)

- higher appropriation to Pension Fund (Rs. 1150 cr)

<u>2014-15</u>

The internal resource generation is Rs. 15,440 cr as against a target of Rs.15,053 cr exceeding the target by Rs. 386 cr.

<u>2015-16</u>

The internal resource generation is Rs. 16,106 cr as against a target of Rs.16,902 cr with a shortfall of Rs. 796 cr due to

- Earnings shortfall in passenger (Rs. 1,093 cr due to less than targeted non-suburban non-PRS passengers), goods (Rs. 2,645 cr due to less than targeted loading and average freight lead) and sundry (Rs. 301 cr)

- higher Miscellaneous expenditure (Rs.98 cr) and dividend payment (Rs.227 cr)

<u>2016-17</u>

The internal resource generation is Rs. 10,113 cr as against a target of Rs. 12,895 cr with a shortfall of Rs. 2,782 cr due to

- Earnings shortfall in passenger (Rs. 1,720 cr due to less than targeted non-suburban passengers), goods (Rs. 4,561 cr due to drop in average freight lead) and other coaching (Rs. 688 cr)

- shortfall in clearance of traffic outstandings (Rs. 162 cr)
- shortfall in Miscellaneous receipts (Rs. 60 cr)

<u>2017-18</u>

The internal resource generation is Rs. 3,187 cr as against a target of Rs. 11,425 cr with a shortfall of Rs. 8,238 cr due to

- Earnings shortfall in passenger (Rs. 1,482 cr due to less than targeted non-suburban passengers), goods (Rs. 445 cr mainly due to less than targeted loading of Iron Ore), other coaching (Rs. 1,186 cr) and sundry earnings (Rs. 5,312 cr mainly due to less than targeted revenue from land monetisation)
- shortfall in clearance of traffic outstandings (Rs. 76 cr)
- higher appropriation to Pension Fund (Rs. 1698 cr)."

8. When the Committee desired to know the target fixed for 2018-19 and measures taken or optimum achievement of the target, the Ministry stated that in 2018-19 BE, the internal resource generation target was Rs. 13,490 crore. Throwing light on the overall revenue target, a representative of the Railway Board submitted in evidence:

"For 2018-19, the targeted revenue is Rs. 2,00,740 crore. This amount was based on attaining the revenue in 2017-18 which is roughly about Rs. 1,87,000 crore. So, now, as you rightly pointed out, we need to push more now into both land monetisation in terms of increasing and utilising it. Our incremental load has been phenomenal. We will have to maintain and also probably try to exceed that incremental thing and also in terms of more utilisation of my coaches, in terms of more special trains or premium trains etc. The effort required for additional generation is going to be much more for meeting the target because I will have to carry the shortfall of 2017-18 also to be met in 2018-19."

III. PASSENGER AND FREIGHT EARNINGS

9. The Committee were informed that about 92 percent of the Railways' total receipts came from Passenger and Freight earnings. As such, these two segments have all along been the focus area for revenue mobilisation. Higher passenger and goods earnings have been attempted to be achieved by targeting progressively higher volume of passenger and freight traffic and resorting to periodic revision of fare and freight rates.

10. Asked to state the initiatives taken to enhance passenger earnings, the Ministry submitted that following measures were taken for the purpose:

- Enhancing load of more popular trains,
- Extension/ increasing frequency of existing trains,
- Increase speed of trains,
- Introducing trains with limited stoppages,
- Attaching extra coaches in the existing trains,
- Also regular analysis and review are undertaken on quota utilization, occupancy and patronage of trains and accordingly recommend for augmentation of trains having better revenue,

- Ticket checking drives are also conducted with a view to improve window sales.
- Running of new trains like Humsafar Express, Tejas Express, Antodaya Express, Mahamana Express have been introduced on higher fare on cost recovery basis.
- Augmentation of ticket selling capacity through operation of Automated Ticket Vending Machines (ATVMs), ticket booking through mobile phones, utilizing the services of ticketing agents like Jan Sadharan Ticket Booking Sewaks (JTBS), Station Ticket Booking Agents (STBA), Yatri Ticket Suvidha Kendra (YTSK) etc.
- Running of special trains during festivals and holidays, running of Suvidha trains, etc. Suvidha trains (Introduced in June 2015) are run to meet peak demand during festivals/holidays. They have variable fare structure consisting of 5 slabs wherein the fares go up for every 20% of slabs with minimum fares at 30% higher than the normal base fares of mail/exp trains and maximum goes up to 3.9 times the normal mail/exp fares for the class. The basic fares for unreserved second class (2S) in these trains are the same as applicable to unreserved second class of Superfast Mail/Express trains.
- Special trains on special fares- (Introduced in April 2015) Fares on these trains are 30% more than the normal mail/exp fares. These trains are run over and above the time tabled trains to meet additional demand.
- The new AC EMU and Anubhuti coaches have been introduced with special fare structure.

- Introduction of special measures to increase passenger earnings through schemes like booking of tickets under Tatkal Quota, Premium Tatkal Quota, Flexi-fare system etc.

11. The Chairman, Railway Board responding to a specific query submitted in evidence:

> "Our fundamental problem remains that we are losing about Rs. 35,000 crore in passenger services, primarily because we did not raise fares in almost a decade and half. Ultimately, we will have to look at rising fares and making money out of that, because an operating ratio of 98.5 percent is neither here nor there."

12. Supplementing his colleague, the Member (Traffic), Railway Board deposed:

> "...On the passenger side, as very rightly mentioned by the Chairman of Railway Board, we have not undertaken fare rationalization over a period of time. However, we continue to try to increase the numbers in the reserved segment. The reserved segment gives us 60 per cent of revenue whereas the total number of passengers is just about six per cent. So, we have been working on that. We have been running long-distance and special trains, almost about 36,000 trains trips. On the reserved segment, the growth has been 6.25 per cent. We have also got a very robust growth of about two per cent in the suburban sector. We have also introduced about a hundred services in Mumbai area alone. So, in the suburban and PRS segments the numbers have gone up. The passengers have come back to us. Almost

about five crore passengers are back to the Railways compared to last year. This has resulted in achieving passenger revenues of about Rs. 48,643 crore against Rs. 46, 280 crore last year, a gain of about Rs. 2,400 crore without any fare increase."

13. The Committee pointed out that though the Railways were claiming that passenger fare had not been hiked for many years, as a matter of fact through flexi fare system, higher fare for special trains etc., there had been an increase in passenger fares. In response, the Ministry clarified as under:

"Basic passenger fares in most of the categories of trains have been last increased during June 2014. After this basic fares for most of the categories of trains have not been increased. However, to improve the passenger earnings, decrease in the recurring loss in passenger business, to provide better facilities at stations as well as in the trains, continuance of the social service obligation by Indian Railways with low/concessional fare to the poor and disadvantaged passengers the following have been implemented during last two years:-

i) Introduction of flexi fare system in higher category of trains i.e. Rajdhani, Shatabdi and Duronto trains.

ii) In view of special attempts/arrangements are made for running of special train services during peak period, higher fare have been fixed for running of special trains.

iii) Suvidha trains are introduced on variable fare structure during the peak seasons depending on the demand pattern.

iv) Minimum fare over non-suburban section have been increased from Rs. 5 to Rs.10.

v) Platform ticket rate has been increased from Rs.5 to Rs 10.

vi) Recently, in case of new trains such as Humsafar and Antyodya due to higher capital cost and various additional facilities provided, dynamic fare structure has been introduced. In Humsafar trains, the fare has been fixed at 1.15 times the basic fare of AC 3-Tier Superfast Mail/Express for the first passenger block of 50% and thereafter a 10% increase for every 10% increase in the passenger block for the remaining 50%.

vii) The fares of fully unreserved Antyodaya trains have also been fixed 15% higher in base fare than that of Mail/Express trains.

Above increase have no impact on all the train services. Therefore increase in fare is limited to only certain categories of trains and limited passengers."

14. The Committee desired to know whether the introduction of the flexi fare system in the premium trains had actually facilitated generation of more revenue from passenger services. In reply, the Ministry submitted as under:

"The flexi fare scheme has been introduced in Rajdhani; Shatabdi & Duronto trains w.e.f. 09.09.2016. Actual total earnings (inclusive of flexi fare) during last three years from flexi fare trains are as under:

Years	Actual earnings inclusive of flexi fare
2015-16	3916.45 crore
2016-17	4281.77 crore
2017-18	4763.70 crore

15. The Committee then asked whether it was a fact that the Railways were mulling to convert some AC-II tier coaches in the premium trains into AC-III tier coaches as 2AC seats were not being booked upto the optimum due to the introduction of the flexi fare scheme. In reply, the Ministry stated as under:

"There is only marginal difference in the earnings from AC-3 tier and AC-2 tier in normal Mail/Express trains. Therefore, to accommodate more passengers with equivalent earnings fully air conditioned Humsafar train with fully 3 AC service has been introduced."

16. Asked to state the monitoring mechanism put in place to check leakage/pilferage of revenue, the Ministry deposed as under:

“Indian Railways have well established mechanism of stipulated internal check of receipt and earnings through the relevant returns returns/vouchers in Accounts offices supplemented by internal audit of basic records at originating points viz stations, Stores Depots & other field offices etc. Field inspections are also carried out to check and control over pilferage of earnings/receipts. The accounts and statement of earnings and expenditure are also subjected to verification and audit by office of C&AG of India. Pilferages/Leakage of revenues, if any detected during the course of internal check/audit/inspections, are recovered and accounted for accordingly.

(i) Conducting of regular and surprise checks against ticketless travel, which are intensified during peak rush periods.

(ii) Vigorous drives such as Ambush Checks, Fortress Checks are conducted in association with Railway Protection Force and Magistrates under the Action Plan framed by Railway Board.

(iii) Intensive Check Posts have been set up at important stations of each division of Zonal Railways to curb ticketless travelling in unreserved segments.

(iv) With a view to curbing entry of without ticket passengers in ticketed areas and to reduce ticketless travel, instructions have been issued for ensuring effective manning of all designated/functional gates at stations.

(v) Travelling public are urged to avoid ticketless travel through publicity campaigns launched by Zonal Railways through posters/notices/announcements at railway stations and advertisements in newspapers.”

17. The Committee then desired to have the detailed information on the amount recovered during the last three years by conducting checks/raids on revenue pilferage through various means. In response, the Ministry furnished the following information:

"Under charges detected and recovered by Accounts and Audit during last three years is as under:

(Amount in Crores of Rs.)

Year	Total Earnings	Under Charges detected by Accounts & Audit	Amount Recovered (Inclusive of Previous Unrecovered)
2014-15	157071.57	620.58	246.26
2015-16	163790.95	121.65	530.31
2016-17	165299.04	268.88	179.89

The amount realized from persons travelling without ticket/with improper ticket/Unbooked luggage for Financial Year 2015-16, 2016-17, 2017-18 is:

Year	Amount realized from persons travelling without ticket/with improper ticket/Unbooked luggage (in Rs. Crore)
2015-16	921.76
2016-17	992.12
2017-18	1184.08

18. As regards freight earnings, the Committee were informed that during 2016-17, internal resource generation decreased *vis-a-vis* 2015-16 partly due to drop in freight earnings for low

incremental loading and drop in average freight lead. During the year 2016-17, IR loading grew by a mere 0.42%. Average freight lead dropped to 561 km from 594 km achieved during previous year (2015-16). Coal which constitutes about 50% of Railways' loading reported a drop of 18.7 million tonne over 2015-16. The poor loading in coal was due to over capacities in power sector and operation of new power plants near coal mines. Leads all across the commodity baskets have been decreasing as production centres have come closer to the places of consumption (also with pit-head plants, merit order system, reducing cost of power transmission, etc).

19. The Committee desired to know the specific initiatives made to increase the share of Railways in transportation market. In reply, the Ministry submitted as under:

> "IR has initiated various steps to increase the share of Rail in transportation market. The strategy adopted to increase share of Railways in freight movement is multi-pronged. It includes directed and focused investments to increase transportation capacity in congested sections and also tariff and non-tariff policy initiatives aimed at attracting more traffic (including new traffic) streams to Railways. Some of these are as under:
>
> Steps initiated to maximize freight earnings by attracting more freight traffic include:
>
> - Mini Rake Loading – Distance restriction eased from 400km to 600km- The mini rake policy for covered wagons has been liberalised by increasing the distance for mini rake operations.

- Policy guidelines on Merry go Round (MGR) System - With a view to facilitate transportation of coal from mines to power houses near pit heads, the policy has been rationalised. The freight rates for MGR have been kept very competitive which is about 82% lower than the normal freight rate. Impact of this policy is very encouraging.
- Port Congestion Charge - @10% on all traffic originating from Ports discontinued - With withdrawal of Port Congestion Charge from 13.04.2016, freight on imports have become cheaper by 10%. This policy is helping manufacturing sector and consumers because cheaper raw material provides boost to domestic production/manufacturing.
- Liberalised Automatic Freight Rebate Scheme in Empty flow Directions has been issued w.e.f.01.01.2017 by modifying earlier TEFD Scheme. Under this scheme loaded traffic in empty flow direction is being charged at LR1 (with certain conditions), which amounts to average discount of 30 – 40%. Some of the notable changes are- criteria for empty flow has been upgraded to 10 loaded rakes from 5 rakes earlier, loading allowed for intermediate points and all the division of destination zone. This will help to decrease empty flow movement of rakes.
- Withdrawal of Dual Freight Policy for Export Iron Ore - The charging of iron ore for domestic consumption

as well as export were made at par. This policy was implemented from 10.05.2016

- Expanding the freight basket – 43 Additional commodities at Freight All Kind (FAK) rates w.e.f. 02.09.2016. FAK rates are approximately 30% cheaper than Class-100. The policy aims at attracting traffic to rail from other competing modes of transport. This will give boost to containerisation of traffic, thereby increasing railway's share in freight movement. One more commodity i.e. Bulk cement (cement in loose form in tank container) has been added in the list of de-notified commodities. Now 44 additional commodities have been brought under FAK rate.

- Re-introduction of short lead concession and reduction in minimum distance for charge from 125 km to 100 km. To attract short lead traffic to railways, graded concession has been provided on base freight rate. The concession granted for different slabs as follows:

Distance Slab (in Km)	**Freight Concession**
0 – 50	15%
51 – 75	10%
76 – 90	5%
91 – 100	Nil

- Rationalization of Coal Tariff – Rationalization of Coal Tariff has been done with reduction in freight for long lead power houses. In order to make long distance power plants competitive in the Merit Order, the rationalization of coal tariff has been implemented with effect from 24th Aug, 2016 by the Ministry of Railways. The coal tariff rationalization has resulted in reduction in rates on long leads due to reduction in distance slabs beyond 700 km. Besides changing slabs for charging, Coal Terminal Surcharge @ Rs. 55 per tonne at both loading and unloading point has been imposed beyond 100 km. The base freight for Coal & Coke has further been rationalized from 15.01.2018. Now the Coal Terminal Surcharge (CTS), the levy of Busy season charge and development charge on Coal & coke traffic has been dispensed with.

- Station to Station Rates-The policy guidelines have been issued on 29.09.2016 which offers up-to 30% concession for incremental traffic between station to station. It is hoped that this policy will go a long way in helping zonal railways to attract additional traffic to rail. The policy aims at win-win situation for railways and industry both.
- Bridge surcharge was notified for traffic passing through Digha Railway Bridge and Monghyr Railway Bridge on River Ganga. Surcharge @ ₹10 per tonne on Goods traffic and ₹25 on 1AC & 2AC, ₹15 on 3AC, CC & Sleeper classes and ₹5 on Second Ordinary & M/E

per passenger respectively on Passenger traffic passing through these Bridges were notified.

- Withdrawal of levy of congestion charge for stone traffic transported from Eastern Railway to Bangladesh via Darsana/ Benapole. This shall generate loading and earning to IR.
- Policy on Long Term Tariff Contract with key freight customers has been issued on 30.3.2017. The customers entering into long term contracts with railways shall bring assured traffic to railways and they get assurance of certainty in tariff rates as well as freight rebate on fulfillment of certain conditions. At present, 22 Agreements have been signed on different zonal Railways with Major customers. The major companies who have entered into contract with Zonal Railways under this scheme are TATA Steel, Ultra-tech Cement, India Cement, Jindal Steel and Power, J.K. Cement, Ambuja, ACC etc.
- Weighment of Bagged consignment policy has been rationalised. Definition of 'standard bag' has been modified which includes uniform loading, which may be manual loading or automated loading. This will help us in attracting bagged consignment from road. Around 1 million tonne additional traffic is expected.
- Liberalisation of Booking of traffic for Two Point/Multi Point Destination:

Under this policy, any Two Point Rakes can be loaded at Trainload class rate under certain conditions.

All the covered wagons have now been permitted for such booking. Earlier only BCN wagons were permitted. Similarly, earlier, list of two point/multi-point destination terminals were notified by Railway Board. In the liberalised regime, any two points not more than 200 km apart in Busy Season and 400 km in Lean season can be booked as two point rake and customers get trainload rate benefit. For multi-point destination terminal, distance restriction for two terminals is 200 km in both the season.

Liberalised system enables customer to book parcel size consignment at trainload rate.

- Dispensation from mandatory weighment

  Exemption from weight men, in case of loading of "Standard Bags of uniform size" in container, has been granted. This step is expected to further lower operational time and improve fluidity.

20. In response to a specific query, the Member (Traffic), Railway Board deposed in evidence:

> "...I would like to mention that on the freight side we had done an incremental loading of about 52.7 million tonnes which is about five times more than the incremental loading that we have been doing during the last five years, by gaining just about five million tonnes incremental to 1100 million tonnes we already

had reached. This year, we have achieved 1161.66 million tonnes; Month on month, every single month during this year, the loading has been highest compared to that month anywhere in the past. We have also had the best ever coal loading till now of 555 million tonnes during this year; the best ever iron ore loading of 140 million tonnes; the highest ever loading of cement of 114 million tonnes; highest ever loading of container cargo, which was also impacted earlier because of the Exim imbalance. The other goods which we wanted to promote has been about 85 million tonnes. All this has resulted in us giving a total freight revenue of Rs. 1,17,000 crore against Rs. 1,04,000 crore that we achieved last year. These are the approximate figures. This is a gain of about Rs. 13,000 crore on the freight side."

21. The Chairman, Railway Board supplemented:

"...we are building up the infrastructure like the Dedicated Freight Corridors on the Eastern Side and the Western Side which will be ready by March, 2020..."

22. Asked to furnish the details of the target dates for the completion of the Eastern and Western DFCs, the Ministry apprised as under:

DFC is getting commissioned at a fast pace as per following target schedule:-

Commissioning Targets – EDFC

S.No.	Section	Target
1.	Khurja-Bhaupur (343 kms)	November-2018
2.	Bhaupur-Mughalsarai (402 kms)	August-2019

3.	Sonnagar-Mughalsarai (126 kms)	October-2019
4.	Khurja-Dadri (46 kms)	December-2019
5.	Pilkhani-Sahnewal (179 kms)	March-2020
6.	Khurja-Pilkhani (222 kms)	March-2020

Commissioning Targets - WDFC

S.No.	Section	Target
1.	Rewari-Marwar (432 kms) *	December-2018
2.	Marwar-Palanpur (207 kms)	September-2019
3.	Makarpura-JNPT (738 kms)	March-2020
4.	Rewari-Dadri (127 kms)	March-2020

* Ateli-Phulera part of the section (192 Km) will be commissioned by 15th August, 2018.

On complete commissioning of Dedicated Freight Corridors, Indian Railways will be able to offer higher transport output with faster transit time and increase in average speed of trains. This would improve the supply chain for the industries/logistics players etc. in its catchment areas leading to additional freight volumes/revenue generation to the Railways. Running of planned double stack container trains and heavy haul will also add to the carrying capacity and help increase Railway's market-share with additional revenue generation for Railways."

23. The Committee then asked about the position of coal loading *vis-a-vis* total freight loading during the last five years and steps taken for rationalisation of coal tariff. In reply, the Ministry submitted as under:

POSITION OF COAL LOADING IN COMPARISION TO TOTAL LOADING DURING
LAST 5 YEARS

(In Million Tonnes)

Commodity/ Year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Coal	496.37	508.10	545.65	551.67	533.35
Total	1009.89	1053.56	1097.58	1104.17	1108.79
% share of coal loading	49.15	48.23	49.71	49.96	48.10

In order to make long distance power plants competitive in the Merit Order, the Rationalisation of coal tariff has been implemented with effect from 22nd Aug.2016 by the Ministry of Railways.

The coal tariff rationalization has resulted in reduction in rates on long leads due to reduction in distance slabs beyond 700 km. For example the percentage reduction in freight rates for distance between 1501 to 2000 km is in the range of 4% to 13%, while beyond 2000 km the reduction is in the range of 9% to 15%.

This rationalization has benefitted states like Gujarat which are located at a long distance from the coal mines. To give an example, the freight rates between Korba and Sikka Power House i.e. distance of 1855 km before changes in distance slabs was Rs.2344 per tonne. After rationalization of distance slabs the same has become Rs.2166 per tonne i.e. Rs 177 per tonne less or a reduction of 7.6% as compared to the earlier freight rates. Even after levy of Coal Terminal Surcharge of Rs 110 per tonne (Rs 55 each at loading & unloading ends) the net effect is reduction in freight rate by 3%.

Moreover, to attract short lead traffic to railways, graded concession has been provided on base freight rate. The concession granted for different slabs is as follows:

Distance Slab(in Km)	Freight Concession
0 – 50	15%*
51 – 75	10%
76 – 90	5%
91 – 100	Nil
** This rate has been revised downward from w.e.f.01.04.2017*	

24. In response to another query regarding initiatives taken to improve parcel earnings, the Ministry apprised as under:

a) "Modification in policy of 'Comprehensive Parcel Leasing Policy (CPLP) -

"With a view to provide value-added assured service to the rail customers and thereby improve the utilization of the parcel space of Brakevan /Parcel Vans of passengers' carrying trains, a scheme namely 'Comprehensive Parcel Leasing Policy (CPLP)' was introduced by the Railways. Under the scheme, parcel capacity of the entire unit of Brakevan/Parcel Van is leased out to the private parties by the Railways by inviting bids through open tenders.

Earlier, the reserve price for leasing of parcel space was equivalent to the freight at par with the normal tariff rate applicable for booking of non-leased piecemeal parcel traffic as per category of train/ service.

To make the parcel leasing scheme more liberal and market-oriented and thereby improve utilization of the parcel space of

Brakevan of mail/express trains, powers have been delegated to the zonal railways for revision of reserve price even downwardly considering road rates.

b) Policy modification in 'Parcel Cargo Express Trains (PCET) - Under 'Parcel Cargo Express Trains (PCET)' scheme, entire parcel capacity of train is leased out between specific originating – destination stations on round trip to the private operator by inviting bids through open tenders. To make the scheme more liberal, customer-friendly and market-oriented and thereby increase Railway's earnings, powers have been delegated to the zonal railways for revision of reserve price even downwardly subject to minimum reserve price i.e. '1.0 times of Scale-P' for round trip.

c) Initiatives taken to improve parcel earnings (Non- Leased Parcel Traffic)

In order to improve the utilization of Brake Vans of trains and augment parcel traffic on Indian Railways, powers have been delegated to the zonal railways to decide the charging of non-leased parcel traffic carried in Brake Vans of trains subject to:

(i) Utilization of Brake Vans is below 25%;
(ii) No demand for leasing of Brake Vans of such trains during last 3 years; and
(iii) Train is running within the same zonal railway's jurisdiction."

25. The Committee asked whether there were any outstanding dues to be recovered by the Railways under Traffic Suspense from the Power Houses and State Electricity Boards and efforts made by the Railways to recover the amount. In reply, the Ministry stated that as on 31 March, 2018, an amount of Rs. 604.66 crore was outstanding

against the Power Houses/State Electricity Boards. The Ministry inter-alia also apprised as under:

> "Accrual and clearance of outstanding dues is a continues process. The clearance of outstanding dues is pursued by Railway administration regularly by holding meetings with the concerned parties. As a result, position of the outstanding dues has improved consistently during last three years except the following hard core items.-
>
> (i) PSEB-Rs.446.95Cr.:-Punjab State Electricity Board is disputing levy of 15% 'To Pay' surcharge on Railway Receipts (RRs) issued against the Advance Freight Payment Scheme in those cases where sufficient deposit was not available. The matter is sub-judice.
>
> (ii) RSEB Rs.39.55 cr.:- RSEB has also disputed the Railways dues on similar grounds and contended to follow the decision in PSEB case.
>
> (iii) DVB Rs.114.28 Cr.:- An amount of Rs.114.28Cr.for the period over 25.02.1997 to 31.03.2006 is outstanding against DVB/IPGCL.
>
> The recovery of outstanding dues is being pursued with concerned authorities. Further a committee has been constituted on NR to examine the issue de-novo."

IV. NON-FARE EARNINGS

26. As regards revenue earnings from Non-fare sources, the Ministry submitted as under:

“Ministry of Railways have formed a new cross functional Directorate of Non-Fare Revenue Directorate to focus on revenue generation from different areas apart from Fare (Freight and Fare) sources. The Ministry of Railways has engaged Professional Media Market Evaluation Agency (PMMEA) through RITES, for exploring the opportunities of non fare revenue sources and enhancement of revenue. Major Initiatives undertaken are as under:

(i) TRAIN ADVERTISING: The Policy for Advertisement on trains has been issued on 10/01/2017. The objective of this policy is to augment advertising revenue of Indian Railways by allowing internal and external advertisement on passenger train coaches. Advertisement through vinyl wrapping of train exterior (including windows of AC coaches) and inside the coaches is allowed for a period of 10 years. Notice Inviting Tenders (NITs) for all important trains are likely to be issued in May, 2017.

(ii) OUT OF HOME ADVERTISING POLICY (OOH): The new Out of Home Advertising Policy has been issued on 10/01/2017. The objective of the policy is to allow monetisation of all Railway Assets through advertising. In addition to the existing identified sites, advertising at areas unexplored, i.e. area along tracks, Road Over Bridges, Level Crossing Gates etc. are being offered for contract period of 10 years. All forms of advertising, including digital are being allowed to make the optimum use of advertising potential. NITs have been already been issued of 5 Zonal Railways on 28.02.2017 and 7 Zonal Railways on

23.03.2017. The NITs of remaining 4 Zonal Railways are likely to be issued in May,2017.

(iii) CONTENT ON DEMAND: Policy for new Content on Demand and Rail Radio Policy has been issued on 10/01/2017.The objective of this policy is to allow monetization of entertainment based services on trains and stations utilising passengers' spare time. Entertainment services will be provided through audio (Public Address systems) on trains and video systems (personal devices of the passengers) on trains and platforms. Provision of content such as movies, shows, educational programs will be made available both in paid and unpaid formats for a period of 10 years. Request for proposal (RFP) is under preparation by the nodel Agency RailTel which is likely to be issued in June,2017.

(iv) RAILWAY DISPLAY NETWORK: RDN is a unique project envisaging the networking and centralised control of about 2 lakhs Digital Display Screens (LED pixel screens and LCD Screens) of different types, sizes and shapes, spread across 2175+ A1 to D Railway stations across the country. The network primarily meant for displaying information related to passenger amenities, comfort, convenience and safety will also be used for transmission of information of national importance including disaster management. The display infrastructure created will be utilized for commercial adverting in defined time frames and format to generate substantial revenues. This system will create one of the World's largest networks of connected Digital Information system. RFP is under preparation by the Nodel Agency RailTel, which is likely to be issued in June, 2017.

(v) INTEGRATED MOBILE APP BASED SERVICES: Railways will launch an integrated mobile app for availing all travel-related services such as planning for a journey, ticketing, train related queries, hiring taxis, and porters, e-catering, content on demand, complaints related to the journey, booking retiring rooms, and lounges at stations among other travel related facilities. The app aims to provide a one stop solution for various services and can be used for all travel related services like booking tickets, ordering food from a favourite restaurant, booking tour packaged and finding hotel rooms of passengers' choice outside the stations. The integrated App for Passenger ticketing would help the passengers to book both reserved and unreserved tickets including Season Tickets and as well as purchase Platform tickets by downloading a single Railway App. Expanding the mobile App for ticketing to stations would further help in reducing queues at the booking offices, eliminating use of paper tickets and promoting digital payment while reducing cash handling at stations. The Integrated App will offer all user friendly features and integrating all services provided by Indian Railways. The Integrated App will also generate non fare revenue by utilization of passenger related data available with the Indian Railways as the App will use the affiliate sale partnership model to make available services and products needed by passengers. IRCTC will be launching this App in July 2017, which is being made by CRIS.

27. When the Committee desired to hear the views of the Chairman, Railway Board, he submitted in evidence:

"…At the same time, we are taking a number of other steps to generate additional revenue. There are two projects on which we are working right now. One is content on demand, that is providing entertainment system to the passengers on about 2600 mail and express trains. That is on the verge of getting finalized. The second is the rail display network in which we put big screens on all the major stations of categories A, B, C and D and through that we will generate advertising revenue. These two projects are under finalization."

28. The Committee queried about the concept of the entertainment project. In response, the Chairman, Railway Board deposed:

"It means that on every seat there will be a screen, or even if a passenger is carrying a cell phone or other personal equipment, he will get an entertainment system. That is what we are going to implement. We will not be spending any money on that and that will be revenue-positive."

29. Regarding monetization of land and Station development programme, the Chairman, Railway Board apprised the Committee as under:

"Among other major steps, one is monetization of land. We are doing it through Rail Land Development Authority. The target for this year is about Rs. 8,000 crores. The second step is station development. We want to improve around 600 stations without spending money on them. We are going to do it through one of our corporations that is Indian Railway Station Development Corporation. It was formed some time back but there were a lot of issues. Those issues have since been sorted out. We have moved a Cabinet Note for sorting out those issues. We hope that in this financial year we will be making a major beginning in the direction of station development. In the bargain, we will develop the stations as well as get some revenue."

30. Regarding development of Railway colonies, the Chairman, Railway Board submitted:

"Another step is development of colonies. There are large staff colonies all over the country and most of those colonies are in a very bad shape. We don't have internal resources to improve the condition of houses in those colonies. So, we have decided to monetize some of the colonies on trial basis. By doing that, we will be able to provide better housing to our employees, and also generate some revenue."

31. The Committee enquired about the modalities of generation of revenue through modernization of railway colonies. In response, the Chairman, Railway Board clarified:

"We will monetize them. We will get a builder who develops the colony and builds new houses. Some houses come to us, some houses he gets for sale and we also get some money."

32. On revenue generation through PPP projects, the Chairman, Railway Board apprised:

"The next step is public-private partnership projects. In the last financial year, on the various connectivity projects which we had, almost Rs. 3,000 crores were spent on rail connectivity projects out of which Railways' investment was only Rs. 344 crore. Otherwise, in normal course, we would have spent the full amount of money."

33. Referring to a news item wherein it had been mentioned that a lot of starters and individuals had already evinced interest with the Zonal Railways to use Railway platforms for marriage receptions, the Committee desired to know whether the idea was pursued. In response, the Chairman, Railway Board deposed:

"Any railway station in any town or a city is basically the centre of that urban or rural area, especially in villages and all it is basically the hub of the village. We are looking at such stations. Recently we went to Farooqnagar station and we realised that it is a station where one train goes in the day. We are integrating that station with the village around so that people can come there and use the Wi-Fi, the students can come there and use the Wi-Fi, people can celebrate marriages there. This is a concept on which we are working. We will try to do one station in the next two to three months and then we will take it forward. It can work."

34. The Committee then asked about the efforts made by the Railways to mop up substantial revenue from disposal of Scrap, Commercial Development of Vacant Land, Redevelopment of Stations, Advertisements etc. In reply, the Ministry furnished the following detailed information:

<u>Disposal of scrap</u>

In Railways, a well organized system exists for disposal of scrap. Indian Railways have completely switched over to e-auction w.e.f. June/2013. Now, payments are also received online which has further eased the selling activity.

Stores Depots/Divisions are conducting e-auction at a frequency of 7-10 days. During the year 2017-18, greater impetus was given to field inspections by senior officers of Engineering, Mechanical, Electrical and Stores department with a view to promptly identify, mobilize and offer the scrap material available in the railway system. As a result thereof, total sales in 2017-18 was of Rs.3143 crores which is 15.6% higher than the sakes of Rs.2718 crores in 2016-17.

Month end closing balance of scrap was also regularly monitored in the Board's office. The closing balance at the end of financial year i.e. March/2018 was 104 crores equivalent to 12 days average sales which is a very nominal quantum considering the fact that auctions are held at an interval of 7-10 days.

Further, in Stores Depots dealing with scrap disposal, CCTV cameras have been installed for surveillance and to prevent leakage of revenue.

<u>Commercial development of vacant land and redevelopment of stations</u>

In the Union Budget 2018-19 it has been announced that redevelopment of 600 major railway stations is being taken up by Indian Railway Stations Development Corporation Limited. Redevelopment of stations is planned through leveraging of commercial development of vacant land/air space in and around stations. At present Ministry of Railways formulated a revised scheme for station redevelopment on fast track. A Cabinet-note has been initiated in this regard.

Advertisements etc.

In order to earn revenue through sources other than fare and freight, Indian Railways has set up a Non-Fare Revenue Directorate in the Railway Board to explore avenues for enhancing earnings from non fare sources. Accordingly, new policies were framed and issued. The policies are: Out of Home advertising, Mobile Assets Advertising, Rail Display Network, App Based Cabs, various innovative and Policy on Unsolicited Proposals.

35. Asked to state the quantum of revenue earned during the last three years from each of the above sources, the Ministry submitted as under:

Disposal of scrap

Performance in the field of scrap disposal in the last three years is given below:

Year	**Value of scrap disposal (in crores)**
2015-16	Rs.2801
2016-17	Rs.2718
2017-18	Rs.3143

Advertisements etc.

Prior to the creation of NFR Directorate and the issue of new policies for Non Fare Revenue generation, non fare revenue was earned from Advertisement and Publicity contracts which were finalized by the Zones. The earnings from commercial publicity in the past three years has been as under:

Year	
2015-16	Rs.263.48 crore
2016-17	Rs.219.68 crore
2017-18	Rs.203.40 crore (Provisional)

As the policies have been issued in 2017 and are still under implementation with two tenders still under finalization by RailTel, full potential of NFR Directorate will be utilized once the contracts are in place. As per Non Fare Policy guidelines, centralized tendering was envisaged. However, since centralized bidding by RITES was not found successful, bid management processes were delegated to the Zones. Implementation of the policy is ongoing process and once awarding of tenders by Zones, all over Indian Railways for various policies of NFR is complete, full potential of NFR will be realized."

36. In response to a specific query, the Ministry stated that to ensure that all sources of non fare revenue are tapped and newer streams are explored, New and Innovative Ideas and Concepts for Generation of Non Fare Revenue (NINFRIS) has been issued to promote all new ideas and concepts relating to passenger conveniences and ensure enhancing of non fare revenue. The scheme empowers DRM in the Divisions for executing innovative ideas/concepts for NFR generation.

37. Asked to state the specific steps taken by the Railway Board to impress upon the Railway PSUs to leverage their performance so as to contribute substantially to the Railway Funds, the Ministry apprised as under:

(i) Railway Board signs Memorandum of Understanding (MoU) with all its PSUs every year and fixes their financial and non-financial targets to ensure healthy growth.

(ii) Ministry of Railways provides all possible support to its PSUs in getting projects at national and International level.

(iii) Ministry provides support, as required, to its PSUs towards removal/mitigation of constraints incurred during execution of projects.

(iv) However, dividend being paid by profit making PSU to Ministry of Railways and contributing substantially to Railway finances, are being paid now to General Exchequer due to merger of Railway Budget with General Budget."

V. ORDINARY WORKING EXPENSES (OWE)

38. The Committee were informed that the following key steps were taken to rationalize and contain the Ordinary Working Expenses (OWE) of the Railways:

(i) Imposing of Spending Limits lower than the Budget Grant.

(ii) Rigorous monitoring of expenditure w.r.t the monthly budget proportions based on Spending Limits.

(iii) Saving on Electric traction cost by utilising deemed licensee status of Railways and procuring electricity from market.

(iv) Optimising the fuel consumption, Energy Audit.

(v) Improvement in inventory management.

(vi) Tight control over expenditure in areas such as contractual payment, overtime allowance, purchase of material etc.

(vii) Prioritization of expenditure on works for better use of available resources.

(viii) Better asset utilization.

(ix) Improving staff productivity by better man-power planning.

(x) Implementation of the guidelines on expenditure control & management circulated by the Ministry of Finance on the Railways also.

(xi) Austerity and economy measures in areas such as hospitality, publicity, advertisements, inaugural ceremonies, seminars and workshops, contingent office expenses etc.

39. From a statement furnished to the Committee it was observed that OWE had increased to Rs. 1,30,200 crore in 2017-18 (RE) and Rs. 1,38,000 crore in 2018-19 (BE) from Rs. 33,389 crore in 2004-05. In that context, the Committee queried about the effectiveness of the measures initiated by the Railways to rationalise and contain OWE. In reply, the Ministry submitted as under:

> "The Ordinary Working Expenses (OWE) representing the revenue expenditure, are vital to running of the railways for earning the railway revenue. About 55% of the OWE constitute staff cost, 20% fuel for traction purposes, 12% stores and contractual payments for repairs & maintenance activities and 7% on payment of finance component of lease/hire charges. Balance is also spent on important activities such as security, staff welfare & amenities etc. The OWE is affected by many factors such as price escalation, implementation of successive Central Pay Commissions (CPC), staff restructuring & cadre reviews, staff up-gradation such as MACP, employment drives, additional DAs, activities increase etc.
>
> The increase in OWE is directly related to the increase in traffic activity. The Committee may appreciate that the gross traffic receipts during the period from 2004-05 to 2018-19 has increased by 324% at a CAGR of 10.9%, as against an increase of 313% registered in OWE, representing a CAGR of 10.7%, whereas the pressure on OWE warranted much more increase as the period saw implementation of two CPCs, a high inflation era during the last decade and steep rise in activity. Nonetheless, the expenditure control measures have continuously been applied on the Railways in the right perspective without which

the growth in OWE would have been much more than what it has been.

It will be interesting to note that the OWE in 2015-16 was Rs. 1,07,736 cr, which increased to Rs.1,38,000 cr in 2018-19 (BE) i.e. by Rs. 30,264 cr. Considering that about Rs.15,000 cr is the annual impact of implementing the recommendations of the 7th CPC on pay and allowances, the increase in OWE excluding the same works out to Rs. 15,264 cr in two years which is merely 7.1% in each of the two years. Further, measures like purchase of electricity via open access approach will also lead to rationality of working expenses."

40. Asked to differentiate between OWE and Miscellaneous Expenditure, the Ministry apprised as under:

"The Ordinary Working Expenditure (OWE) is expenditure on all the various types of activities which relates to day to day operations and maintenance on the zonal railways, whereas Miscellaneous Expenditure is not directly related to the running of the railways which consists of expenditure on Railway Board, RDSO, Railway Audit, RRBs, Centralized Training Institutes, etc. Both OWE and Miscellaneous expenditure form part of revenue expenditure of Indian Railways."

41. Observing a sudden shortfall in Miscellaneous receipts from Rs. 4046 crore in 2015-16 to Rs. 90 crore in 2016-17 and Rs. 200 crore in 2017-18, the Committee desired to be apprised of the reasons therefor. In response, correcting the earlier information on Miscellaneous Receipts, the Ministry submitted as follows:

Miscellaneous receipts of Indian Railways comprise of subsidy received from the Government on dividend payable, receipts from Railway Recruitment Boards, penalties recovered from contractors, receipts from Railway Museums from sale of souvenirs etc. The subsidy received from General Revenues however constitutes most of the miscellaneous receipts as would be seen from the table below:

(Rs. in crore)

Items	2014-15	2015-16	2016-17 BE	2016-17 RE	2017-18 BE
Subsidy received/receivable from General Revenues	4024.46	3722.68	4300.80	0.00	0.00
Other misc. Receipts	282.25	323.42	150.00	150.00	500.00
Total Misc. Receipts	4306.71	4046.10	4450.80	150.00	500.00

The subsidy received/receivable is however linked to dividend paid/payable by Railways to General Revenues. In 2016-17 RE, the Government, based on a recommendation of Railway Convention Committee, decided to waive dividend payable by Railways during 2016-17. Accordingly, MoF has not agreed for payment of subsidy due in 2016-17. Further w.e.f. 2017-18 BE, Railway Budget was decided to be merged with Union Budget and the capital-at-charge on Railways was wiped off relieving Railways of any dividend liability from 2017-18. Accordingly, the miscellaneous receipts of Indian Railways have suddenly dropped in 2016-17 RE and 2017-18 BE.

VI. RAILWAYS' EFFICIENCY INDICES

42. In response to the Committee's query regarding measures taken/proposed to improve Railways' efficiency indices like Operating Ratio, Capital Output Ratio and Staff Productivity, the Ministry submitted as under:

Measures taken/proposed to improve Railways efficiency indices like 'Operating Ratio', 'Capital Output Ratio' and 'Staff Productivity' are elaborated below:

<u>Operating Ratio</u> (O.R.):

The Ministry is constantly taking measures to improve the O.R. to a reasonable level. The endeavour comprises of a combination of initiatives aimed at maximising revenue receipts and minimising controllable revenue expenses. For this, on the passenger service front, initiatives like enhancing the passenger carrying capacity of trains, increasing the speed of trains, running of trains on cost recovery basis and introduction of dynamic fare in Rajdhani and Satabdi trains have been taken.

On the freight transport front, a number of non-tariff policy measures on mini-rake loading, Merry go Round (MGR) System, discontinuation of Port Congestion Charge on all traffic originating from Ports, Liberalised Automatic Freight Rebate Scheme in Empty flow Directions, Withdrawal of Dual Freight Policy for Export Iron Ore, Expanding the freight basket, Re-introduction of short lead concession and reduction in minimum distance for charge from 125 km to 100 km., Rationalization of

Coal Tariff, Station to Station Rates, Policy on Long Term Tariff Contract with key freight customers, Weighment of Bagged consignment, Liberalisation of Booking of traffic for Two Point/Multi Point Destination, Exemption from weighment of "Standard Bags of uniform size" in container, Modification in policy of 'Comprehensive Parcel Leasing Policy (CPLP), Policy modification in 'Parcel Cargo Express Trains (PCET) , initiatives to improve parcel earnings (Non- Leased Parcel Traffic) have been taken.

Thrust is also being given on tapping of non-fare revenue sources. Towards this, vacant land not required by Railways for immediate operational needs is utilized in interim period for commercial development through Rail Land Development Authority (RLDA). Presently 54 sites measuring 189 hectare appx having revenue potential of about Rs.114,000 crore have been entrusted to RLDA which were identified by railways and RLDA. Out of home advertisement policy to allow monetization of railway assets by means of conventional advertising, advertising on trains and at areas not hitherto used i.e. area along track, road over bridges, level crossing gates etc have also been framed. Also content on demand allowing monetization of entertainment based services on trains and stations and App based cab services & integrated Mobile App based services etc have been initiated.

To reap the benefits of past investments at the earliest, projects are also being prioritized with ring-fenced allocations for time-bound completion. Last mile projects are also being funded to the full extent for early completion so that they contribute to the revenues. Focus is being given on capacity enhancement works under Doubling, Traffic Facilities and Electrification to give a boost both to freight and passenger traffic in the years to come and thereby to Railways' revenues.

Currently, two major network expansion projects – Dedicated Freight Corridors (DFC), Eastern & Western, of around 3300 km. are being constructed to augment freight transportation capacity of Indian Railways and to increase rail freight share. Due to the massive transport capacity that would be created by the DFCs and with the released capacity available for passenger traffic, there would be overall positive impact on the revenue generation of IR. With the shifting of freight traffic to DFC, substantial capacity on existing network would be released for increase the services and improvement in the services. Three more freight corridors are also planned to give further boost to the freight transportation capacity of the Railways.

Amongst the components of IR's revenue expenditure about 90% comprising items like staff cost, pension, lease charges, fuel prices and safety is inelastic. The scope of effecting savings under such heads through expenditure management is therefore negligible or limited. The Railways are however trying their best to keep the revenue expenditure to the bare minimum.

<u>Capital-Output Ratio:</u>

Capital Output Ratio is the amount of capital employed to produce one unit of output i.e NTKM. It is the continuous endeavour of the Railways to improve upon the efficiency indexes. However, it may be appreciated that the entire capital investment of Indian Railways is not on remunerative projects. A number of railway projects are unviable but are executed and operated on socio-economic and strategic considerations. Some capital investments on welfare activities or those sanctioned for safety, operational improvements cannot directly be correlated to the generation of incremental traffic/NTKMs or revenue. Further Railway projects usually have a long gestation period. A large shelf of projects and thin spread of resources also contribute to delays in project completion. In addition, issues relating to land acquisition, environmental clearance, contractual management like contract failure, arbitration, law & order related issues like bandhs and internal security and climatic vagaries like floods, landslides, breaches, cyclones etc also lead to delays in completion of projects and adversely impact the capital-output ratio. Infrastructure projects like laying of New lines viz. UdhamSingh Nagar-Srinagar-Baramula, DFC etc. have longer period of completion. During the project execution period, substantial investment has to be made while traffic output would be available only on completion of such projects.

However, to improve project management and to reap the benefits of investment at the earliest, projects have been prioritized based on their remunerativeness, operational urgency and the last mile projects have been ring-fenced with adequate outlays for timely completion. This approach has resulted in acceleration in commissioning of new lines & electrification etc. Capacity enhancement projects under Doubling, Traffic Facilities and Electrification are also getting priority allotments for their early completion so that they contribute towards enhancement of throughput as also revenue.

Staff Productivity:

Railways have historically been a labour intensive organization. From 1970's onwards, major technological advancements have taken place on Indian Railways. Keeping this in view training on the railways is given highest priority. This also includes continuous training to up-grade the skill and technical knowhow of the workforce.

About 3,00,000 employees are trained annually on Indian Railways which roughly works out to 24% of total staff strength. Indian Railways spend around Rs. 290 crore annually on training.

Time to time work-study is conducted to study any shortfall and identify the areas which need to be strengthened. Necessary corrective action is taken i.e. revision of training modules, training period and review of training facilities etc. to maintain and improve the qualities of Human resources in Indian Railways. Railway employees are sent for training or transferred periodically to maintain the bench-mark/indices.

Benchmarking offers us a solution for substantially increasing the Staff Productivity of Indian Railways in a scientific and systematic manner. After establishing the "Benchmarks", the factors that enabled the achievement of such "Best-in-class" performance require to be studied and emulated in all activity centers to achieve all-round improvement in Productivity & Quality. Such continuous review of 'Benchmarks' are compulsorily maintained in Indian Railway in training of Manpower to provide best services.

VII. CONSTRAINTS IN INTERNAL RESOURCE GENERATION

43. As regards the constraints faced by the Indian Railways in their endeavour towards internal resource generation and the specific support/patronage required, the Ministry deposed as under:

"Indian Railways caters to a vital infrastructure of the country and serves as the lifeline of the nation. It needs huge capital infusion on a continuous basis for capacity building so as to act as a growth engine of the economy. Railways' capital expenditure is met from multiple sources which include Gross Budgetary Support by the Government, internal resources generated by Railways and Extra Budgetary Resources such as Market borrowing and Partnerships with stakeholders. On account of the huge Public Service Obligations borne by Railways, the capacity of Railways to generate adequate internal resources is adversely affected. Internal resource generation has also come under pressure due to spurt in expenditure (mainly staff cost due to implementation of periodic pay commissions) without commensurate growth in revenues. Nevertheless, through various short term and long term measures as enumerated above, Railways has been continuously striving to generate adequate internal resources for capital investment.

However, it is pertinent to mention here that the core business of Railways i.e. Passenger and Freight contribute about 93% of Railways' total revenue receipts. Freight services in general and passenger service particularly the upper class segments are confronting steep competition from other modes restricting Railways' options on tariff measures. In the lower class segment of the passenger services, the affordability issue has also to be kept in view in the interest of society. Thus while the Railways are trying to recalibrate their policies and accelerate capital investment with targeted investment in the throughput enhancement projects which should in the medium and long run may make the Railways competitive vis-a-vis the other means of transport, the Railways need the support of the Hon'ble Committee in ensuring :

- sufficiently higher Gross Budgetary Support to Railways from the Government,
- compensation of the Social Service Obligations being borne by the Railways for providing certain coaching and freight services below cost in the larger interest of society. (In 2016-17, this was around Rs. 30,000 cr and in RE 2017-18 the same is projected at around Rs. 34,000 cr.)

The Government should bear any gap in resources in meeting Railways' revenue expenses by taking over a specific liability of the Railways like pension, the impact of which is now in the range of Rs. 45,000 cr to Rs. 50,000 cr annually."

44. On the issue of Social Service Obligations, the Committee were informed that as per their recommendation in an earlier Report, the Railway Board had approached the Ministry of Finance on several occasions for formation of an inter-ministerial body for Social Service

Obligations assessment. However, response from the Ministry of Finance was still awaited.

45. The Ministry elaborated as under:

> "In order to avoid delay, Ministry of Railways sought assistance of NITI Aayog for an objective and independent determination of the value of Social Service Obligations and to take the matter forward for determination of a policy by the Government for the same.
>
> It was advised by NITI Aayog that assistance of National Institute of Public Finance and Policy (NIPFP) may be sought as they have already done subsidy computation for the Ministry of Finance. Railway Board accordingly requested NIPFP on 26.04.2017 for their assistance in developing of a mechanism for computing Social Service Obligations.
>
> NIPFP has submitted its final report on November, 2017. As per the report all such losses where it is justified for Indian Railways to demand compensation from the concerned Ministry/Department may be treated as SSO."

46. On the pension liability issue, the Chairman, Railway Board deposed in evidence:

> "...In fact, as we have brought out before the Committee earlier also, pension has been a major liability on the Railway system. The appropriation in 2017-18 itself is more than Rs.45,000 crore from my ordinary revenues. If you see 2016-17 and 2017-18, the difference is roughly around more than Rs.5000 crore. I would like to submit that the pension orders of all the

pensioners who have retired prior to 1.1.2016 have to be revised. We have already done a huge chunk of revision but the liability is going to continue to grow. The more is the impact of this pension liability on the revenues, the internal resource generation is getting affected."

47. The Chairman, Railway Board further submitted:

"...For us, it has been mandated that the expenditure has to be met out of the income. It is only the Ministry of Railways which bear its pension liability and for everyone else the pension liability is borne by the Ministry of Finance. I would also like to submit here that when it comes down to deciding the salary structure and the pension structure, the Ministry of Railways has no say in that. The decision is taken by the different Ministry and at the apex level of the Government. But for the impact, irrespective of whether it is Rs.2,000 crore, Rs.5000 crore, Rs. 10,000 crore, it is the Ministry of Railways which is expected to generate those additional resources."

48. On the issue of inadequate investment in Railways, the Member (Traffic), Railway Board apprised the Committee as under:

"...For the last many decades, in fact the kind of investment that was required by the Railways was not done..."

49. Supplementing his colleague, the Chairman, Railway Board submitted:

"...In fact, we would like to have more money for our infrastructure, various types of infrastructure, both fixed as well as moving infrastructure. You will realise that we require a lot of money for maintenance from the depreciation side. Due to lack of money, our infrastructure has deteriorated...".

PART-II

OBSERVATIONS/RECOMMENDATIONS

1. **The sources of internal resource generation for the Indian Railways are Passenger and Freight earnings and non-fare revenues like disposal of scrap, advertisements commercial development of vacant land, redevelopment of stations, content on demand, railway display network, integrated Mobile App-based services etc. The quantum of internal resource generation varies from year to year depending on the receipts *vis-a-vis* expenditure. In this context, the Committee are deeply concerned to find that during the last five years i.e. from 2013-14 to 2017-18, there have been shortfalls on the part of the Railways in achieving the internal revenue generation target except in 2014-15. To illustrate, the extent of shortfalls in meeting the targets during 2013-14, 2015-16, 2016-17 and 2017-18 was Rs. 2828 crore, Rs. 769 crore, Rs. 2782 crore and Rs. 8238 crore respectively. Reasons for such shortfalls have been attributed mainly to less earnings in passenger and goods services, higher expenditure in Ordinary Working Expenses (OWE) and Miscellaneous expenditure, higher appropriation to**

Pension Fund, shortfalls in clearance of traffic outstandings etc. While taking note of the financial burden on the Railways in terms of implementation of periodic Pay Commission recommendations and higher appropriation to Pension Fund, the Committee are not inclined to condone increase in OWE and Miscellaneous Expenditure and delay in clearance of traffic outstandings. As it has always remained a challenge for the Railways to generate enough surplus for investing in modernization and expansion of rail network, the Committee exhort the Ministry to intensify their efforts in optimally meeting the annual internal resource generation targets.

2. **As about 92 percent of the Railways' total receipts come from passenger and freight earnings, these two segments have all along remained the focus area for revenue mobilization. In this context, the Committee note that with a view to leverage passenger earnings, the Ministry are taking a number of measures which *inter-alia* include enhancing load of more popular trains, extending/increasing frequency of existing trains, introducing trains with limited stoppages, attaching extra coaches in the existing trains, running of new and special trains, according importance to the suburban sector and**

introducing about hundred services in Mumbai alone etc. The Committee are glad to note that as a result of such measures, almost about five crore passengers are back to the Railways during 2017-18 *vis-a-vis* 2016-17 and thus resulting in earning revenue of around Rs. 2400 crore more during the corresponding period. The Committee would like the Railways to uninterruptedly persist with the measures already put in place besides exploring other innovative ways, so as to ensure more earnings from passenger services in the coming years.

3. According to the Chairman, Railway Board, the Railways are losing about Rs. 35,000 crore in passenger services primarily because passenger fares have not been increased in almost a decade and half, though fares have been raised in certain category of train for limited passengers. Taking into account the whopping loss of revenue in passenger services coupled with an operating ratio of 98.5 percent, the Committee are of the considered opinion that the Railways have ultimately to undertake gradual/periodical fare rationalization, besides embarking upon other requisite measures to increase passenger earnings.

4. The Committee note that a flexi fare scheme has been introduced w.e.f. 9th September, 2016 in the premium trains like Rajdhani, Shatabadi and Duronto subsequent to which there is a steady increase in the earnings of the Indian Railways from passenger services during the last three years. For example, the actual earning inclusive of flexi fare was Rs. 3916.45 crore during 2015-16 which increased to Rs. 4281.77 crore during 2016-17 and further to Rs. 4763.70 crore during 2017-18. While taking note of the gradual increase in the actual earnings from passenger fares including flexi fare, the Committee would like to impress upon the Ministry to make a segregated assessment of the actual revenue benefits accrued through the introduction of the flexi fare system, which is sometimes reportedly at par with Air fares in economy Class, so as to enable the Railways to take requisite corrective measures as and when warranted, to retain the dedicated Train passenger base.

5. The Committee note that with a view to curbing leakage/pilferage of revenue, the Railways are resorting to a number of measures which *inter-alia* include field inspections to Stations, Stores and Depots, regular and surprise/ambush checks to detect ticketless travels, issue of instructions for

ensuring effective manning of all designated/functional gates at Stations etc. As a result of such measures, an amount of Rs. 956.46 crore has been detected as under charges and recovered by Accounts and Audit during the years 2014-15 to 2016-17. Further, an amount of Rs. 3097.96 crore has been realised from persons travelling without ticket/with improper ticket/unbooked luggages during the years 2015-16 to 2017-18. As there is possibility of some undercharges and ticketless travels remaining undetected, the Committee urge the Ministry to further strengthen the monitoring/inspection mechanism so as to ensure curbing the leakage/pilferage of revenue to the maximum extent.

6. As regards freight earnings, the Committee note that during 2016-17, internal resource generation decreased *vis-a-vis* 2015-16, partly due to drop in freight earnings for low incremental loading and drop in average freight lead. To tide over the situation, the Indian Railways have adopted a multi-pronged strategy and initiated various steps to increase share of Railways in transportation market. Such initiatives *inter-alia* include Mini Rake Loading, Merry-go-Round System, Port Congestion charge, Liberalised Automatic Freight Rebate

Scheme, Withdrawal of Dual Freight Policy for exporting iron ore, Expanding the freight basket, Rationalisation of Coal Tariff, Station to Station Rates, Policy on Long Term Tariff Contrat with key freight Customers etc. The Committee appreciate to note that as a result of such measures undertaken, the Indian Railways have achieved best ever coal, iron ore, cement and container cargo loadings in 2017-18, earning thereby a total freight revenue of Rs.1,17,000 crore which is Rs.13,000 crore more *vis-a-vis* the earnings of 2016-17. It implies that with timely and innovative measures freight earnings can be enhanced to a substantial extent. The Committee, therefore, recommend that the directed and focussed measures initiated to increase share of the Railways in seamless freight movement be persisted with unabatedly so as to mop up more revenue from goods services.

7. The Committee note that in order to make long distance power plants competitive in the Merit Order, the Rationalisation of Coal tariff has been implemented by the Ministry w.e.f. 22nd August, 2016. The Committee appreciate that such rationalisation has resulted in the reduction in rates on long leads due to reduction in distance slabs beyond 700

kms. It has also benefitted States like Gujarat which are located at a long distance from the coal mines. Moreover, to attract short lead traffic to the Railways, graded concession has been provided on base freight rate. Since coal constitutes about 50 per cent of the total freight loading of the Indian Railways, the measures initiated are in the right direction and the Committee desire the Ministry to continue to pay focussed attention towards ratioalisation of coal tariff so as to enable the Railways to retain and leverage its market share in transport.

8. The Committee observe that six Eastern Dedicated Freight Corridors (EDFCs) and four Western Dedicated Freight Corridors (WDFCs) are being commissioned by the Indian Railways in order to improve freight movement and earnings. The scheduled target dates for completion / commissioning of the ten Corridors range between November 2018 and March, 2020. As commissioning of the said DFCs will enable the Railways to offer higher transport output with faster transit time and increased average speed of trains, besides improving the supply chain for the industries / logistic players in the catchment areas leading to additional freight volumes /

revenue generation, the Committee urge the Ministry to make concerted efforts to complete the ten DFCs strictly as per their respective targetted time lines.

9. With a view to improving parcel earnings, the Ministry have carried out modifications in `Comprehensive Parcel Leasing Policy(CPLP)' and `Parcel Cargo Express Trains (PCET)'. Further, in order to improve the utilisation of Brake Vans and augment parcel traffic in Indian Railways , powers have been delegated to the Zonal Railways to decide the charging of non-leased parcel traffic, subject to fulfillment of certain conditions. The Committee recommend that the measures initiated be stepped up to improve the utilisation of the parcel space in the Brake Vans of mail/express trains and make both leased and non-leased parcel traffic more customer-friendly and market-oriented so as to ensure more revenue earnings for the Indian Railways.

10. The Committee are concerned to note that as on 31 March, 2018, an amount of Rs. 604.66 crore was outstanding under Traffic Suspense from the Power Houses/State Electricity Boards like Punjab State Electricity Board (PSEB),

Rajasthan State Electricity Board (RSEB) and the erstwhile Delhi Vidyut Board (DVB). The Ministry have contended that accrual and clearance of outstanding dues is a continuous process and the Railway Administration is regularly pursuing the matter with the parties concerned for clearance of the outstanding dues. As the Railways can ill-afford to delay the recovery of such a noticeable outstanding amount, the Committee impress upon the Ministry to strengthen their monitoring and coordination mechanism so that the pending amount is recovered from the State Electricity Board concerned within a definite time frame.

11. The Committee appreciate that the Ministry of Railways have formed a Non-Fare Revenue Directorate to focus on revenue generation from different areas apart from passenger and freight fares. Major initiatives undertaken in that direction include (i) Train Advertising, the objective of which is to augment advertising revenue by allowing internal and external advertisement on passenger coaches; (ii) Out of Home Advertising Policy(OOH), the objective of which is to allow monetisation of all Railway assets through advertising like Railway Tracks, ROBs, Level Crossing Gates etc., (iii) Content

on Demand, intended to allow monetisation of entertainment based services on Trains and Stations utilising Passengers' spare time; (iv) Railway Display Network (RDN), a unique project envisaging the networking and centralised control of about two lakh Digital Display Screens of different types, sizes and shapes spread across more than 2175 Railway Stations which would be utilised for commercial advertising in defined time frames and formats to generate substantial revenues; and (v) Integrated Mobile App based Services which aims to provide a one stop solution for various services and generate non-fare revenue by utilisation of passenger related date available with the Indian Railways. Another unique idea of raising non-fare revenues by the Railways is integrating some Railway Stations, especially in rural areas, with the villages around to allow the people to use Wi-Fi and celebrate marriage functions there. The Committee find that all the above innovative measures are under different stages of implementation. While commending the efforts of the Ministry, the Committee desire that the implementation of the above cited sources of non-fare revenues be expedited and newer streams explored so that the intended financial benefits are timely accrued to the Railways.

12. Commercial Development of vacant land, Station Development, Development of Railway Colonies and Public Private Partnership (PPP) are also some other sources of non-fare revenue earnings for the Indian Railways. The Committee note that the target of revenue earning from monetization of land, which is being done through Rail Land Development Authority (RLDA) is Rs. 8,000 crore during 2018-19. As regards development of Stations, the Committee find that 600 stations are being proposed to be developed through Indian Railway Station Development Corporation (IRSDC) to earn more revenue. So far as development of Railway colonies is concerned, the Ministry have decided to rope in builders to monetize some of the colonies on trial basis. The Committee also note that during 2017-18, almost Rs. 3,000 crore were spent on various PPP projects out of which the investment of the Railways was only Rs. 344 crore which implies that by spending too less on PPP rail connectivity projects, the Railways gained much. In view of the fact that all the above non-fare sources have high potential for substantial revenue generation for the Railways, the Committee call upon the Ministry to accord focused attention towards these areas for getting the much needed financial re

13. Disposal of Scrap is another way of generating non-fare revenues. The Committee find that during the years 2015-16 to 2017-18, the Railways earned Rs. 8,662 crore through scrap disposal. As scrap disposal is a prospective source of sizeable revenue generation, the Committee would like the Ministry to strengthen their monitoring mechanism and field inspections so as to promptly indentify, mobilize and dispose scrap in a transparent manner.

14. The Committee also recommend that the Railway Board should impress upon its PSUs to strive to leverage their performance in an impressive manner so as to contribute appreciably to the Railway Funds. The Ministry, on their part, ought to continue providing all requisite support/patronage to the Railway PSUs in getting national/international projects as well as mitigating the constraints faced by them during the course of execution of the projects/schemes.

15. The Committee are deeply concerned to note that the Ordinary Working Expenses (OWE) of the Railways has increased to Rs. 1,38,000 crore in 2018-19 (BE) from Rs. 33,389 crore in 2004-05. The Ministry have reasoned that

OWE is directly related to the increase in traffic activity and it is also affected by many factors such as price escalation, implementation of successive Central Pay Commission recommendations, staff restructuring and cadre reviews, employment drives etc. Nonetheless, with a view to containing OWE, the Ministry are taking a number of measures which *inter-alia* include rigorous monitoring of expenditure, saving on Electric traction, optimizing fuel consumption, better asset utilization etc. While taking note of the efforts of the Ministry to contain OWE despite some unavoidable compulsions, the Committee would however like the Railways to further intensify the expenditure control measures in the right perspective so as to rationalize and contain OWE which represents the revenue expenditure and is vital to running of the railways.

16. Subsidy received from the General Revenues constitutes most of the miscellaneous receipts of the Indian Railways. Subsidy received/receivable is linked to Dividend paid/payable by the Railways to General Revenues. The Committee note that due to the Ministry of Finance's decision not to pay any subsidy to the Railways from 2016-17(RE) onwards pursuant to the waiving of Dividend payable by the Railways and merger of

Railway Budget with the Union Budget w.e.f. 2017-18, the miscellaneous receipts of Indian Railways have suddenly dropped from Rs. 4046.10 crore in 2015-16 to Rs. 150 crore in 2016-17 (RE) and Rs. 500 crore in 2017-18 (BE). Now that subsidy payment has been discontinued for the reasons mentioned above, the Committee impress upon the Railways to look at other avenues like receipts from Railway Recruitment Boards, penalties from the contractors etc. so as to increase their miscellaneous receipts.

17. The Committee appreciate that in order to improve the efficiency indices of the Railways viz. Operating Ratio, Capital Output Ratio and Staff Productivity, the Ministry are constantly embarking upon a number of measures which *inter-alia* consist maximizing revenue receipts and minimizing controllable revenue expenses; tapping of non-fare revenue sources; prioritization of projects based on their remunerativeness and operational urgency; continuous training and review of 'Benchmarks' to maintain and upgrade the skill/performance of the large workforce etc. As improvement in the performance indices of the Railways is critical to keep the system healthy and competitive, the Committee would like the Ministry to continue with their focused endeavour towards

containing OWE, maintaining Capital Output Ratio and enhancing Staff Productivity.

18. Railways' Capital expenditure is met from multiple sources which include Gross Budgetary Support, internal resources generated by the Railways and Extra Budgetary Resources such as market borrowings and Partnership with the stakeholders. According to the Ministry, for the past many decades, the kind of investment that is required by the Railways has not been done for which the Ministry have requested for more budgetary support for the maintenance and augmentation of both fixed as well as moving infrastructure. Taking into consideration the sustained efforts made by the Railways for internal resource generation from different sources, the Committee desire that the Railway Board should take up the matter with the Ministry of Finance for getting higher budgetary support for capital investment, especially for modernization and expansion of railway network.

19. The Committee are concerned to note that on account of the huge Social Service Obligation borne by the Railways, their capacity to generate adequate internal resources is adversely affected. To illustrate, during 2016-17 the Social Service

Obligation was to the tune of Rs. 30,000 crore which increased to Rs. 34,000 crore during 2017-18. It is pertinent to mention here that the Committee had examined this issue in one of their earlier Reports and advised the Railway Board to approach the Finance Ministry for formation of an inter-ministerial body for an objective assessment of the Social Service Obligation. Accordingly, the Ministry of Railways approached the Ministry of Finance on several occasions for the purpose. Since no response came from the Finance Ministry, the Railway Board approached NITI Aayog which in turn advised the Ministry of Railways to seek assistance from the National Institute of Public Finance and Policy (NIPFP) on the matter . Ultimately, the Ministry of Railways requested NIPFP on 26th April, 2017 for their assistance in developing a mechanism for computing the Social Service Obligation. The Committee express their displeasure at the sequence of events, especially the inordinate delay on the part of the Ministry of Finance in the formation of an inter-ministerial body for Social Service Obligation assessment. However, now that the NIPFP has submitted its final report, the Committee urge the Ministry of Railways to approach NITI Aayog and the Ministry of Finance to take the matter forward for determination of a policy by the

Government on the matter of Social Service Obligation of the Railways.

20. The Ministry have submitted that pension payment, the impact of which is at present in the range of Rs. 45,000 crore to Rs. 50,000 crore annually, has been a major liability on the Railway system. The Committee also find that it is only the Ministry of Railways which bears its pension liability whereas for all other Ministries/Departments of Government of India, such liability is borne by the Ministry of Finance. The Railway Board have therefore suggested that the pension liability of the Railways be taken over by the Finance Ministry as is being done in all other cases. The Committee find some merits in the contention of the Ministry of Railways as the huge impact of the pension liability is adversely affecting internal resource generation by the Railways. Taking into consideration the merger of Railway Budget with the Union Budget w.e.f. 2017-18 and impressing upon the Railways to improve their own performance in the internal resource generation, the Committee desire the Railway Board to take up the matter with the Ministry of Finance and other appropriate authorities so

that at least a part of the pension liability of the Railways, if not full, is borne by the Finance Ministry.

New Delhi:	**BHARTRUHARI MAHTAB**
02 August, 2018	CHAIRPERSON
11 Sharavana, 1940 (SAKA)	RAILWAY CONVENTION COMMITTEE

APPENDIX-I

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE THIRTY SECOND SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 26th April, 2017, from 1130 hrs. to 1250 hrs. in Committee Room-B, Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar
3. Shri Rahul Ramesh Shewale
4. Shri Bharat Singh
5. Shri K.C.Venugopal

Rajya Sabha

6. Shri Prem Chand Gupta
7. Shri Abdul Wahab
8. Shri Ranvijay Singh Judev

Secretariat

1. Sh. S.C. Chaudhary - Joint Secretary
2. Sh. D. R. Mohanty - Additional Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

1. Sh. B.N. Mohapatra - Financial Commissioner
2. Sh Mohd. Jamshed - Member(Traffic)
3. Ms. Nalini Kak - Addl.Member(Budget)
4. Sh Anirudh Jain - Addl.Member(Works)
5. Sh Rajeev Dutt Sharma - Addl.Member(Commercial)

6. Sh Achal Khare - Adviser(Infra)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to have a briefing on the subject "**Internal Resource Generation by Indian Railways".** Impressing upon the witnesses to keep the proceedings of the Committee **"Confidential",** the Chairperson asked the Member (Traffic) and Financial Commissioner, Railway Board to brief the Committee on various modes of Internal Resource Generation by Indian Railways highlighting *inter-alia* the Comparative Performance in last few years, future projections for revenue generation especially after the merger of Budgets and waiver of Dividend liability, measures taken to maximise internal resource generation and minimize Ordinary Working Expenses, bringing in more precision in quantifying and qualifying Railways' public service obligation etc. The Member (Traffic) and the Financial Commissioner, Railway Board accordingly briefed the Committee on various aspects of Internal Revenue Generation like Gross Traffic Receipts and Miscellaneous Receipts vis-a-vis Ordinary Working Expenses, Appropriation to Pension Fund, Miscellaneous Expenditure etc. and the measures taken/proposed to contain expenditure and increase revenue generation.

3. The representatives of the Ministry of Railways also responded to various queries raised by the Members. As some queries required detailed and statistical reply, the Chairperson asked the Member (Traffic) and the Financial Commissioner, Railway Board to furnish written reply thereon within 15 to 20 days. They assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings was kept on record.

The Committee then adjourned.

APPENDIX-II

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE FORTY SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 20th April, 2018 from 1130 hrs. to 1300 hrs. in Committee Room-G074, Parliament Library Building, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2. Shri K. Ashok Kumar
3. Shri Rahul Ramesh Shewale
4. Shri K. C. Venugopal

Rajya Sabha

5. Shri Ranvijay Singh Judev

Secretariat

1. Smt. Kavita Prasad - Joint Secretary
2. Sh. M.K. Madhusudhan - Director
3. Sh. D. R. Mohanty - Additional Director

Witnesses

Representatives of the Ministry of Railways (Railway Board)

1. Sh. Ashwani Lohani- Chairman, Railway Board
2. Sh. A.K. Parsad - Financial Commissioner, Railway Board
3. Mohd. Jamshed - Member (Traffic)
4. Sh. Vijay Kumar - Addl. Member (Budget)
5. Sh. Rajiv Dutt Sharma - Addl. Member (Comm.)
6. Sh. Sushant Kumar Mishra- PED (Infra.)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Ministry of Railways (Railway Board) to the sitting of the Committee, convened to take oral evidence of the Ministry on the subject **“Internal Resource Generation by Indian Railways”.** Impressing upon the witnesses to keep the proceedings of the Committee **“Confidential”,** the Chairperson asked the Chairman, Railway Board to briefly update the Committee on the various measures taken by the Ministry to leverage internal resource generation, constraints, if any, faced during the process, suggestions to overcome them etc.

3. The Chairman, Railway Board accordingly briefed the Committee highlighting *inter-alia* various major steps taken by the Ministry for generation of additional revenue which included Advertising, Commercialization of Vacant Railway land, Station redevelopment, Monetization of some staff colonies on trial basis, Public Private Partnership (PPP) projects, etc. The Chairman, Railway Board also underlined the problems/constraints faced which *inter-alia* included loss in passenger services, high operating ratio, major liability on pensionary outgo adversely affecting internal resource generation etc. The representatives of the Railway Board also responded to various queries raised by the Members on the subject matter. The Chairperson asked the Chairman, Railway Board, to furnish written replies to those queries, which remained unanswered, within a period of 15 to 20 days. The Chairman, Railway Board, assured to comply.

4. The Chairperson thanked the witnesses for appearing before the Committee and for furnishing the available information that the Committee desired in connection with the examination of the subject.

The witnesses then withdrew.

A verbatim copy of the proceedings has been kept on record.

The Committee then adjourned.

APPENDIX-III

RAILWAY CONVENTION COMMITTEE (2014)

MINUTES OF THE FIFTIETH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 02nd August, 2018 from 1030 hrs. to 1100 hrs. in Room No. 215, Chairperson's Chamber, Parliament House Annexe Extension, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

Members

Lok Sabha

2 Shri K. Ashok Kumar
3 Shri Kamalbhan Singh Marabi
4 Shri Bharat Singh
5 Shri Rahul Ramesh Shewale
6 Shri L.K. Vaghela

Rajya Sabha

7 Shri T.K. Rangarajan
8 Shri Sanjay Seth

Secretariat

1	Smt. Kavita Prasad	-	Joint Secretary
2	Shri M. K. Madhusudhan	-	Director
3	Shri D. R. Mohanty	-	Additional Director

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee which was convened to consider and adopt four Draft Reports on the subjects (i) Maintenance of Rolling Stock; (ii) Internal Resource Generation by Indian Railways; (iii)Action Taken by Government on the Sixteenth Report (Sixteenth Lok Sabha) on 'Track Upgradation & Modernisation'; and (iv) Action Taken by Government on the Twentieth Report (Sixteenth Lok Sabha) on 'Vigilance in Indian Railways'. Giving an

overview of the important Recommendations contained in the Draft Reports, the Chairperson solicited the views/suggestions of the Members.

3. The Committee then took up for consideration the said Draft Reports and adopted them after some discussion.

4. The Chairperson thanked the Members for their valuable suggestions and active participation in the deliberations of the Committee.

5. The Committee, then, authorized the Chairperson to finalize the Reports in the light of the factual verifications, if any, received from the Ministry and present the same to both the Houses of Parliament.

The Committee then adjourned.