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**STANDING COMMITTEE
ON RAILWAYS**

(1994-95)

TENTH LOK SABHA

MINISTRY OF RAILWAYS

**OPENING OF NEW LINES ON INDIAN
RAILWAYS**

**(Action Taken by Government on the recommendations/observations
contained in the Fourth Report of Standing Committee on Railways)**

NINTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

September, 1994/Asvina, 1916 (Saka)

NINTH REPORT
STANDING COMMITTEE ON
RAILWAYS
(1994-95)
(TENTH LOK SABHA)

MINISTRY OF RAILWAYS (RAILWAY BOARD)
OPENING OF NEW LINES ON INDIAN RAILWAYS

*Action Taken by the Government on the recommendations/
observations contained in the Fourth Report of the Standing
Committee on Railways (1993-94) (Tenth Lok Sabha)*



Presented to Lok Sabha on 07 DEC 1994
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LOK SABHA SECRETARIAT
NEW DELHI

September, 1994/Asvini, 1916 (Saka)

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STANDING COMMITTEE ON RAILWAYS
(1994-95)

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INTRODUCTION

1. The Chairman of the Standing Committee on Railways (1994-95) having been authorised by the Committee to submit Report on their behalf, present this 9th Report on Action Taken by Government on the recommendations/observations contained in the Fourth Report of the Standing Committee on Railways (1993-94) (Tenth Lok Sabha) on 'Opening of New Lines on Indian Railways'.

2. The Fourth Report was presented to Lok Sabha on 23 February, 1994 and contained 15 observations and recommendations. The Government furnished their replies indicating action taken on the recommendations/observations contained in that Report on 20 July, 1994.

3. The Committee considered and adopted the 9th Report at their Sitting held on 15 September, 1994.

4. An analysis of the Action Taken by the Government on recommendations/observations contained in the Fourth Report (Tenth Lok Sabha) of the Committee is given in Appendix II.

NEW DELHI:
September 23, 1994

Asvin 1, 1916 (Saka)

SOMNATH CHATTERJEE
Chairman,
Standing Committee on Railways.

CHAPTER I REPORT

This Report of the Standing Committee on Railways (1994-95) deals with the action taken by the Government on the recommendations contained in the Fourth Report of the Standing Committee on Railways (1993-94) on the Ministry of Railways (Railway Board)—'Opening of New Lines on Indian Railways' which was presented to Lok Sabha on 23 February, 1994.

2. The Action Taken Notes have been received from Government in respect of all 15 recommendations contained in the Report. These have been categorised as follows:

- (i) Recommendations/observations which have been accepted by the Government:

Paras 53, 54, 56, 57, 58, 59, 60, 61, 62, 63 and 67

- (ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from the Government:

NIL

- (iii) Recommendations/observations replies to which have not been accepted by the Committee:

Paras 64, 65 and 66

- (iv) Recommendations/observations in respect of which final replies of Government have not been received.

NIL

3. Some of the Action Taken Replies of the Ministry of Railways (Railway Board) are dealt with hereunder:

A. Completion of Project-Oriented Lines

Recommendation (Para 55)

4. The Committee's examination revealed that two important project-oriented lines, namely, Talcher-Sambalpur (172 route kms.) and Koraput-Rayagada (164 route Kms.) which were sanctioned in the years 1984-85 and 1981-82, respectively were not completed by the original target dates, namely, 31.3.93 and 31.3.91, respectively resulting in heavy cost escalation. The reasons for time over-runs as given by the Ministry of Railways were not found convincing. The Committee emphasised that both the new-line projects should be completed without any further delay. They also desired that all the project-oriented lines be completed on priority basis.

5. The Committee also noted that Chitradurg-Rayadurg a project-oriented line, as per the latest schedule was required to be completed by 1993-94 but only 65% work had been completed at the last quarter of the year 1993-94. The Committee were apprehensive how the remaining 35% work would be completed by the target date. They urged upon the Government to ensure that this project did not suffer further from time over-run and cost escalation.

6. In their Action Taken reply, the Ministry of Railways have stated that Talcher-Sambalpur was delayed on account of delay in handing over of forest land by the State Government and Koraput-Rayagada due to geological problems in the tunnels which could not be foreseen. They have further stated that the work is currently progressing on both these projects. According to the Ministry, Talcher-Sambalpur will be completed by December, 1995 and Koraput-Rayagada is expected to be completed by December, 1994. They have also stated that all the project-oriented lines are being executed on priority basis as desired by the Committee.

7. As regards Chitradurg-Rayadurg, the Ministry of Railways have stated that the work has been completed and the line has been opened for goods traffic in March, 1994. It would be opened for passenger traffic in July, 1994.

8. The Committee have been informed that work on two important project-oriented lines, namely Talcher-Sambalpur (172 route kms.) and Koraput-Rayagada (164 kms.) which were lagging behind their target schedules has now been progressing well and the same are expected to be completed by December, 1995 and December, 1994 respectively. However, from the action taken reply in their observation at para 64 of the Report, the Committee find that a sum of Rs. 4 crore was diverted from Talcher-Sambalpur project in 1993-94. The Committee would like the Ministry of Railways to ensure that this amount is fully compensated and there is smooth availability of funds for timely execution of Talcher-Sambalpur project. They also hope that the problems faced by the Railways for timely completion of the above two project-oriented lines have been overcome and these projects would be completed as per their revised schedule. They also desire that all the on-going new line projects be completed without further loss of time.

B. Freezing of New-Line Projects

Recommendations (Paras 57 and 59)

9. In para 57 of their Report the Committee had observed that four developmental new-line projects, namely Howrah-Amta, Kapadvanj-Modasa, Nangal Dam-Talwara and Eklakhi-Balurghat had been frozen after spending about Rs. 56.99 crores. They, therefore, concluded that apart from blocking scarce capital resources, the above investment had been sunk without any returns. In majority of cases the projects were frozen on the plea of low operational priority and constraints of resources. The Committee failed to understand as to how the sanctioned projects were

suddenly frozen on the pretext of low operational priority. They opined that the priority of any project involving capital investment should be determined at the time of sanction and the availability of funds should be ensured accordingly.

10. In para 59 of the Report, the Committee expressed their displeasure over the manner the Railway Board had taken decision to freeze some of these projects in the past. The Committee desired that the feasibility of project should be examined from all possible angles before it was sanctioned. They viewed that it was incumbent upon the Government (Railway Board) to ensure the availability of funds once the project was sanctioned. The Committee also pointed out that the Railways present policy of sanctioning new projects keeping previous ones incomplete and frequent prioritisation of projects was not based on sound economic policy as this practice, in most of the cases, had led to cost-escalations and time over-runs. The Committee, therefore, felt that there should be a well thoughtout policy and yardsticks in regard to slowing down or freezing of any new-line project especially when the work has already been started. The Committee emphasised that once a line is sanctioned after its priority had been established, it should be completed in a time-bound manner.

11. In their Action Taken reply, the Ministry of Railways (Railway Board) have stated that 'prioritisation and freezing of projects had become necessary due to their being a large shelf of on-going projects and the limited availability of funds with which to progress them'. According to the Ministry of Railways, distributing the funds to all the projects would result in none of the projects getting completed and consequent time and cost over runs in all projects. They have stated that the lines are prioritised as per their operational/strategic importance and also the need to complete those projects where the work is nearing completion, so that the nation can start reaping the fruits of its investment. This has resulted in temporarily freezing some projects, which could be adequately funded once some of the more important on-going projects get completed. The Ministry have, however, stated, that the guidelines issued by the Standing Committee on Railways would be kept in view while sanctioning further projects.

12. Explaining their position further, the Ministry of Railways have stated:

"While extreme restraint is exercised in taking up new projects in view of the huge shelf, it was essential to take up certain lines required for certain projects, or development of backward areas. The work on these lines would be regulated for a few years which would be utilised for final location survey, land acquisition, environment clearance, compensatory afforestation etc. which are not capital intensive activities but do take sometime in completing legal and official formalities of the government. By the time the projects are

ripe to be executed, some of the on-going lines would be completed and it would be possible to fund these lines.¹⁵

15. They have also stated that the Railways are faced with a dynamic situation where owing to change in traffic requirements, priorities have to be adjusted. The Ministry of Railways have further stated that as desired by the Standing Committee on Railways, the frozen projects were re-examined for revival, keeping in view the availability of resources and the needs of all the on-going projects with regard to their strategic/operational priority. In consequence, the work of Eklakhi-Balughat which was frozen since 1986-87 has been revived and Rs. 1 crore are being provided in 1994-95 for starting the work. Revival of other projects would also be considered and as soon as the resource position improves and some of the on-going projects get completed, work can be resumed on them.

14. The Committee note that pursuant to their recommendation, the frozen projects were re-examined by the Ministry of Railways for revival and one project, namely, Eklakhi-Balughat new railway line project, which was frozen in 1986-87, has been revived with the provision of Rs. 1 crore for the year 1994-95. However, the other frozen projects, namely, Howrah-Amta, Kapadvanj-Modasa and Nangal Dam-Talwara in which crores of rupees have already been invested still remain to be revived. The Committee desire that adequate funds should be provided for the project which has been revived. They urge upon the Ministry of Railways to take early action to fix the inter-project operational priority in respect of all the frozen new line projects keeping in view their socio-economic viability and expedite their revival and allocate adequate funds for early completion thereof.

C. Slow progress of work on New Line Projects and Social Profitability of less Remunerative New Line Projects.

Recommendations (Paras 60 and 61)

15. The Committee's examination revealed that in ten new-line projects sanctioned during 1978-90, the percentage progress of work had been rather slow ranging from 3% to 43%. Important projects were-Guna-Dawah (348 kms.), Lakshmikantapur-Nankhana (47 kms.), Nangal Dam-Talwara (84 kms. frozen), Jammu Tawi-Udhampur (56kms.), Beas Gofindwal (27 kms.), Eklakhi-Balughat (87 kms.), Kapadvanj-Modasa (60 kms. frozen) and Godhra-Indore and Dewas-Maksi (316 kms.) As all these were important projects from the locational standpoint, the Committee stressed that work on all the frozen projects should be revived forthwith and a time-bound programme chalked out to complete the work on all these projects.

16. Further the Committee noted that the rate of return on capital investment in respect of new-line projects had been increased from 12.00% in 1992-93 to 14.00% in 1993-94. In this context, the Committee viewed that Railways had a great social responsibility to perform. They emphasised the need to evaluate social benefits accrued with the completion of those projects which economically appeared to be less remunerative. They

further observed that the Railways should not fail to discharge their social obligations.

17. In their action taken reply, the Ministry of Railways have stated that a complete review of the requirement of funds for the ongoing projects would be made and Planning Commission would be approached to provide additional funds for enabling completion of these projects in a time bound manner.

18. The Committee find that the above reply of the Ministry is quite vague. It does not indicate when the review of on-going new-line projects will be conducted and the manner in which the matter would be taken up with the Planning Commission for additional funds. The Committee would like to be apprised of the review undertaken by the Ministry and the outcome of the proposal for additional funds.

19. The reply of the Ministry of Railways is silent about their social obligations and evaluation of social benefits which would accrue with the completion of economically less remunerative new line projects. The Committee, therefore, desire to know in clear terms the social benefit criteria adopted by the Railways in sanctioning and taking up various new railway line projects.

D. Uneconomic Lines

Recommendation (Para 62)

20. The Committee had expressed their unhappiness that six railway lines constructed after 1977-78, namely, Dewas-Vasai Road, Shahdara-Saharanpur, Hassan-Mangalore, Ernakulam-Ailleppey, Jakapara-Daitari and Tupkadih-Talgaria had become uneconomic, for they were yielding less than the expected return on the basis of which they were sanctioned. They, therefore, desired that the Railway administration should make concerted efforts to bring about operational improvements for fuller utilisation of these lines so as to improve their economics.

21. In their Action Taken reply, the Ministry of Railways have stated that as desired by the Committee, an intensive marketing drive for carrying more traffic on these lines will be launched and all efforts will be made to improve the productivity of these lines.

22. The Committee feel concerned to note that the reply of the Ministry does not indicate their programme of action in regard to marketing drive proposed for capturing more traffic to improve the productivity of uneconomic railway lines. The Committee desire that the specific measures taken by the Railway Board to guide the Railway Administration in different zones for bringing about operational improvements in all the above six uneconomic railway lines may be intimated to them. They also desire that the Railways should make a review to find out whether any of these railway lines still remains uneconomic.

E. Joint review of New-Line Projects by Ministry of Railways and Planning Commission

Recommendation (Para 63)

23. The Committee's examination revealed that the plan support from the Planning Commission for the Railways had decreased substantially. Keeping in view the present state of pending projects and the resource constraints, the Committee recommended that the Ministry of Railways (Railway Board) and the Planning Commission should jointly review the progress of various new line projects and based on scientific analysis of such a review, sufficient funds should be earmarked for the future annual as well as Five Year Plans.

24. In their Action Taken replies, the Ministry of Railways have stated that they have agreed to the recommendation of the Committee and would approach Planning Commission suitably.

25. From the reply of the Ministry, the Committee gather an impression that no concrete action has so far been taken by the Ministry of Railways to implement their recommendation. The Committee, therefore, call upon the Ministry of Railways to take up the matter with the Planning Commission expeditiously and apprise them of the action taken or proposed to be taken in this regard.

F. Diversion of funds from on-going Projects

Recommendation (Para 64)

26. The Committee were against the diversion of funds from the on-going new line projects which were already suffering from fund constraints to other projects like Konkan Railways.

27. In this regard, the Ministry of Railways have furnished their comments as follows:

"In consultation with Chief Ministers of Maharashtra, Goa, Karnataka and Kerala, it was decided to increase the authorised capital of the Konkan Railway Corporation from Rs. 400 crores to Rs. 600 crores in June, 1994. The shares of Railways amounted to Rs. 102 crores of which Rs. 51 crores was to be provided during 1993-94, to meet current liabilities on account of works in progress keeping in view the target date of completion of this project of national importance benefitting 4 States. An amount of Rs. 51 crores (approx.) was re-appropriated from various plan heads. This included a sum of Rs. 4 crores only from new line work of Talcher-Sambalpur where savings were anticipated."

28. The Committee do not appreciate the diversion of Rs. 4 crores from the Project, namely, Talcher-Sambalpur railway line which had already been badly suffering from time/cost over-runs. The Committee fail to understand how the Railways anticipated savings from a project under

execution in respect of which the project-cost had already been revised from Rs. 46.39 crore to Rs. 220.00 crore, i.e. about five times increase. The Committee feel that this was commercially an imprudent decision of the Railways. They cannot but express their strong disapproval of such funds diversion.

G. Cost-over-runs in the Construction of New Railway Lines

Recommendation (Para 65)

29. The Committee noted with concern that there had been huge differences between the original costs and the revised costs in respect of many new line projects initiated after 1977-78. In most of the cases the revised cost had been 200 to 700 per cent of the original cost. The Committee held that frequent cost revision and cost escalation of this magnitude did not speak of sound economic and systematic planning of the Railways. They, therefore, called upon the Railways to work in more systematic and scientific manner.

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

"Most of the increase in cost is due to escalation since estimates are sanctioned based on current price at the time of sanction without any provision for cost escalation on account of increase in rates over a period of time. Some of the increase is also on account of improvement in standards required to handle unforeseen increase in traffic or due to obsolescence of the technology originally provided in the sanctioned scheme, or even due to increase in land cost due to court orders etc. which only get reflected in the revised estimates. There have of course been some cases of under estimation also but these are not common. However, in view of the opinion expressed by the Committee instructions are being reiterated to the Railways to ensure realistic estimation of costs."

31. After considering the reasons given by the Ministry of Railways for cost over-runs in respect of various new line projects, the Committee have come to a conclusion that the Railways are deficient in cost-control planning. In most of the cases the project costs have stupendously escalated due to time over-runs which the Committee feel is the result of managerial inefficiency. The reasons like 'unforeseen increase in traffic' and 'obsolescence of technology' are supportive of the view that the Railways have failed to prepare realistic Corporate Plan which could guide them to effect their project planning on a scientific basis. Increase in land cost due to court orders cannot also be a major cause for cost escalation in all these projects. The Committee recommend that the Ministry of Railways should review their existing cost control mechanism and come out with a scientific cost control planning for effective management of their plan investments. They would also like to be apprised of the action taken by the Ministry of Railways in this regard.

II. Setting up of Monitoring Cell in Railway Board

Recommendation (Para 66)

32. The Committee desired that there should be a separate monitoring cell in the Railway Board to exclusively deal with the progress of new-lines construction so that factors causing cost/time over-runs could be timely identified and suitable measures taken to rectify them. They also desired that review of projects should not be used as tool for frequent change in priority and diversification of funds.

33. In their action taken note, the Ministry of Railways have furnished the following comments:

"Specific monitoring for review of the progress of new lines is done at the level of the Member (Engineering) assisted by Adviser (Works) and Executive Director (Works) through monthly progress reports and quarterly review meetings. All possible measures are taken for removing hindrances in execution within of course the funds available during these meetings/reviews. Review of projects is normally done only at the Annual Works Programme meetings with the full Board and the General Managers of the Railways. Diversion of funds is not commonly done but is sometimes necessitated to match the requirement of projects progressing well from projects on which progress is held up due to some reasons beyond Railways control. The guidelines given by the Committee in this regard would be kept in view while processing any reappropriation proposals."

34. The Committee feel that the present monitoring system is inadequate and less effective, for it failed to ensure the targetted results in regard to completion/commissioning of many important new line projects. The Committee, therefore, reiterate their earlier recommendation that there should be a separate monitoring cell in the Railway Board to regularly watch the progress of construction of new lines and to take timely corrective measures where found necessary or expedient to do. They would like to be appraised of the action taken by the Ministry of Railways in this regard.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendations (Paras 53 and 54)

The Committee note that two high powered Committees, viz. National Transport Policy Committee and Railway Reforms Committee have recommended for a clear-cut policy for the construction of new railway lines in the country. With a view to ensuring deployment of scarce funds prudently for the balanced socio-economic development of the country, they have suggested the order of priorities in which the works on new railway lines may be sanctioned and taken up. As per their suggestions the project-oriented lines should be accorded highest priority, second priority should be given for the lines to serve as missing-links, strategic lines should have third priority and the fourth priority be given to the developmental lines. This order of priority has been agreed to by the Ministry of Railways (Railway Board) which forms the basis of their policy in regard to opening of new railway lines in the country.

Having examined the performance of Railways in the field of construction of new railway lines as a measure to expand the network capacity, the Committee find that since 1977-78 a total of 46 new railway lines (which include 9 project-oriented lines, 4 lines to serve missing-links, one strategic line and 22 developmental lines) have been constructed and opened for traffic. The Committee feel that the prioritisation of lines as recommended by the NTPC and RRC has not been followed in letter and spirit. The Committee cannot appreciate the lackadaisical attitude of the Ministry of Railways (Railway Board) in implementing the recommendations of high powered Committee like NTPC and RRC.

Reply of the Ministry of Railways (Railway Board)

This Ministry would like to assure the Committee that these guidelines are being followed and will continue to be followed in future also.

[Ministry of Railways (Railway Board) D.O. No. 94-SCR-X/IV(NL)
dated 20.7.1994]

Recommendation (Para 55)

The Committee's examination has revealed that two important project-oriented lines, namely, Talcher-Sambalpur (172 route kms.) and Koraput-Rayagada (164 route kms.) which were sanctioned in the years 1984-85 and 1981-82 respectively have not been completed by the original target date, namely, 31.3.93 and 31.3.91, respectively resulting in heavy cost escalation. The reasons for time over-runs as given by the Ministry of Railways

are hardly convincing in nature as the Committee do not see much logic behind them. The Committee can only emphasise that both the new-line projects should be completed without any further delay. They also desire that all the project oriented lines be completed on priority basis.

Chitradurg-Rayadurg a project-oriented line which as per the latest schedule is required to be completed by 1993-94 but only 65% work has been completed at the last quarter of the year 1993-94. The Committee fail to understand how the remaining 35% work would be completed by the target date. They would like the Government to ensure that this project does not suffer further from time over-run and cost over-run.

Reply of the Ministry of Railways (Railway Board)

Talcher-Sambalpur was delayed on account of delay in handing over of forest land by the State Government and Koraput-Rayagada due to geological problems in the tunnels which could not be foreseen. However, work is now progressing well on both these projects. Talcher-Sambalpur will be completed by December, 1995 and Koraput-Rayagada is expected to be completed by December, 1994. All project-oriented lines are being executed on priority basis as desired by the Committee.

Comments of the Committee

(Please see paragraph 8 of Chapter I of the Report)

Recommendations (Paras 56 and 57)

The Committee have been informed that presently there are 26 on-going new line projects at different stages of their completion. Out of 26 on-going new-line projects, six are project-oriented, six are under missing links, and 13 are developmental and one is operational. This is not in consonance with the scheme of priority recommended by NTPC and RRC. The Committee cannot but express their displeasure over the lack of planning on the part of the Ministry of Railways (Railways Board) and recommend that policy guidelines once approved and adopted should be strictly followed. Arbitrariness and *ad-hocism* in the decision-making process is bound to lead to uneconomic and unproductive results.

The Committee are constrained to note that four developmental new-line projects, namely, Howrah-Amta, Kapadvanj-Modasa, Nangal Dam-Talwara and Eklakhi-Balurghat have been frozen after spending crores of rupees. An investment to the tune of Rs. 56.99 crores has been sunk without returns. Freezing the projects half-way has resulted in blockage of scarce capital resources.

Surprisingly, two projects, namely, Dudhnoi-Depa and Migrendisa-Dittockeherra were sanctioned in 1992-93 involving the project cost of Rs. 20.17 crores and Rs. 131.50 crores respectively but frozen just in the very first year of their implementation. The Committee note that in majority of cases the projects were frozen due to low operational priority and constraints of resources. They fail to understand how the sanctioned

projects are suddenly frozen on the pretext of low operational priority. In their opinion the priority of any projects involving capital investment should be determined at the time of sanction and accordingly the availability of funds should be ensured.

The Committee note that the projects are sanctioned by the Planning Commission after taking into account a large number of factors including social benefits accruing to the people of the area despite their non-viability in terms of rate of returns. However, the Railway Board arbitrarily decides to keep those important projects pending after categorising them as low priority projects having little utility. The Committee fail to appreciate this attitude of the Railways.

Reply of the Ministry of Railways (Railway Board)

Prioritisation and freezing of projects has become necessary due to their being a large shelf of on-going projects and the limited availability of funds with which to progress them.

Distributing the funds to all the projects would result in none of the projects getting completed and consequent time and cost over-runs in all projects. Now, the lines are prioritised as per their operational/strategic importance and also the need to complete those projects where the work is nearing completion, so that the nation can start reaping the fruits of its investment. This has resulted in temporarily freezing some projects, which could be adequately funded once some of the more important on-going projects get completed. However, the guidelines issued by the Committee would be kept in view while sanctioning further projects.

While extreme restraint is exercised in taking up new projects in view of the huge shelf, it was essential to take up certain lines required for certain projects, or development of backward areas. The work on these lines would be regulated for a few years which would be utilised for final location survey, land acquisition, environment clearance, compensatory afforestation etc. which are not capital intensive activities but do take sometime in completing legal and official formalities of the government. By the time the projects are ripe to be executed, some of the on going lines would be completed and it would be possible to fund these lines. However, the observations of the Committee has great merit and these would be kept in view while sanctioning fresh projects in the coming years.

Moreover, it has to be emphasized that the Railways are faced with a dynamic situation where owing to change in traffic requirements, priorities have to be adjusted, e.g., if a cement plant comes up in an area, and we have to suddenly handle the raw materials and the finished product, we may require a certain line serving this plant more urgently and we will have to reprioritise since the total availability of funds is extremely limited.

[Ministry of Railways (Railway Board) D.O. No. 94-SCR-X/(NL) dated
20.7.1994]

Comments of the Committee

(Please see paragraph 14 of Chapter-I of the Report)

Recommendations (Paras 58 and 59)

The Committee feel that either the operational viability in respect of all the above frozen projects has not been properly examined before according sanction or the Railways showed arbitrariness in regard to changing the operational priority of these projects at the later stage. It is not a healthy and commercially prudent practice, because the money spent on these projects has not only been blocked giving no return but also affected adversely the resource availability for various other viable and important projects.

The Committee have been informed that the decision regarding freezing of a sanctioned project is taken at the level of Railway Board after conducting review regarding the progress on the project and the availability of funds. The Committee express their displeasure over the manner the Railway Board has taken decision to freeze the projects in the past. It would be in the fitness of things if the feasibility of a project is examined from all possible angles before it is sanctioned. It is incumbent upon the Government (Railway Board) to ensure the availability of funds once the project is sanctioned. The Committee are amazed to note that Railway Board go on sanctioning new projects knowing fully well that many of the on-going projects are not going to be completed because of lack of resources. Railways present policy of sanctioning new projects keeping previous ones incomplete and frequent prioritisation of projects is not based on sound economic policy as this practice in most cases has led to cost-escalations and time over-runs. The Committee feel that there should be a well thoughtout policy and yardsticks in regard to slowing down or freezing of any new-line project especially when the work is already started. The Committee hardly need emphasise that once a line is sanctioned after its priority has been established, it should be completed in a time-bound manner.

Reply of the Ministry of Railways (Railway Board)

As desired by the Committee, the frozen projects were re-examined for revival keeping in view the availability of resources and the needs of all the ongoing projects with regard to their strategic/operational priority. In consequence, the work of Eklahi-Balurghat which was frozen since 86-87 has been revived and Rs. 1 crore are being provided in 94-95 for starting the work. Revival of other projects would also be considered and as soon as the resource position improves and some of the on going projects get completed, work can be resumed on them.

[Ministry of Railways (Railway Board), D.O. No. 94-SCR-X/IV
(NL) dated 20.7.1994]

Comments of the Committee

(Please see paragraph 14 of Chapter-1 of the Report)

Recommendations (Paras 60 und 61)

The Committee's examination has revealed that in as many as ten new-line projects sanctioned during 1978—90, the percentage progress of work has been rather slow ranging from 3% to 43%. Important projects are—Guna-Etawah (348 kms.), Lakshmikantapur-Namkhana (47 kms.), Nangal Dam-Talwara (84 kms. frozen), Jammu Tawi-Udhampur (56 kms.) Beas-Gandwal (27 kms.), Eklakhi-Balughat (87 kms.) Kapadvanj-Modasa (60 kms. frozen) and Godhra-Indore and Dewas-Maksi (316 kms.) The Committee note that all these are important projects from the locational stand point. The Committee hardly need to stress that work on all the frozen projects should be revived forthwith and a time-bound programme chalked out to complete the work on all projects.

The Committee note that the rate of return on capital investment in respect of new-line projects has been increased from 12.00% in 1992-93 to 14.00% in 1993-94. In this context the Committee would like to mention that Railways have a great social responsibility, as such there is need to evaluate social benefits accrued by the completion of these projects which economically appear less remunerative.

The Railways should not fail to discharge their social obligations.

Reply of the Ministry of Railways (Railway Board)

As desired by the Committee, a complete review of the requirement of funds year-wise for the on-going projects would be made and Planning Commission would be approached to provide additional funds for enabling completion of these projects in a time bound manner.

[Ministry of Railways (Railway Board), D.O. No. 94-SCR-XIV
(NL) dated 20.7.1994]

Comments of the Committee

(Please see paragraphs 18 and 19 of Chapter-1 of the Report)

Recommendation (Para 62)

The Committee are unhappy to note that six railway lines constructed after 1977-78, which are—Dewas-Vasai Road, Shahdara-Saharanpur, Hassan-Mangalore, Ernakulam-Alleppey, Jakapara-Daitari and Tupkadih-Talgarla have become uneconomic for they are yielding less than the expected return on the basis of which they were sanctioned. The Committee desire that the Railways administration should make concerted efforts to bring about operational improvements for fuller utilisation of these lines so as to improve their economics.

Reply of the Ministry of Railways (Railway Board)

As desired by the Committee, an intensive marketing drive for capturing more traffic on these lines will be launched and all efforts will be made to improve the productivity of these lines.

[Ministry of Railways (Railway Board), D.O. No. 94-SCR-X/IV
(NL) dated 20.7.1994]

Comments of the Committee

(Please see paragraph 22 of Chapter 1 of the Report)

Recommendation (Para 63)

The Committee were informed that the Railways depend upon Planning Commission to generally provide hundred per cent budgetary support for the construction of new lines. The Committee note that against the proposed Rs. 2940 crore outlay, the Planning Commission approved only Rs. 900 crores for the construction of new railway lines during the Eighth Five Year Plan. The representative of the Ministry of Railways has brought to the notice of the Committee during evidence that the cost of the work in hand on new line projects is in the range of Rs. 1700-1800 crores whereas the annual allotment is far less, i.e., less than Rs. 200 crores. It was also brought to the notice of the Committee that plan support from the Planning Commission has drastically come down from 75% in Fifth Five Year Plan to 14% in the year 1993-94. Further, in the year 1993-94 due to resource constraints, the Ministry of Railways have decided to effect a cut of Rs. 15 crores in the plan expenditure in so far as the construction of new lines is concerned. The Committee feel dismayed to learn that the railway lines which are the arteries of our economy have not got due share in the allocation of plan outlay. Keeping in view the present state of pending projects especially the resource constraints the Committee recommend that the Ministry of Railways (Railway Board) and the Planning Commission should jointly review the progress of various new line projects and their future requirements in its totality. Based on scientific analysis of such a review, earmarking of funds should be made for the future annual as well as five year plans.

Reply of the Ministry of Railways (Railway Board)

The Railway Board agree with the recommendations of the Committee and would approach Planning Commission suitably.

[Ministry of Railways (Railway Board), D.O. No. 94-SCR-X/IV
(NL) dated 20.7.1994]

Comments of the Committee

(Please see paragraph 25 of Chapter-1 of the Report)

Recommendation (Para 67)

The Committee note that at present there are as many as 55 demands from different parts of the country for the construction of a total of 7621 route kms. railway lines which involve an approximate cost of Rs. 12431 crores. Of these 55 demanded-lines, 39 have been surveyed. Work of survey is in progress on 11 lines and 5 lines are yet to be surveyed. The Committee would like the Government to prioritise the demands keeping in view their socio-economic viability and utility to the railway network and chalk-out a plan for taking them up to complete in a time bound manner.

Reply of the Ministry of Railways (Railway Board)

While the recommendations of the Committee are already being followed by prioritising the projects keeping in view their socio-economic viability and utility to the Railways, making out a plan to complete them in a time bound manner is not possible since the Railways have on hand new line projects requiring a total of Rs. 3000 crores for their completion, while the Planning Commission provides only Rs. 200 crores each year and this money has to be allocated as per the priorities already explained to the Committee viz. first to the projects required urgently on national strategic and urgent operational considerations, then to projects nearing completion so that these can be completed and the nation can start reaping the fruits of its investment and thereafter the balance funds are distributed to other projects in progress, in order to achieve whatever progress which is possible with the funds which can be provided.

The planning for completion of all the projects in a time bound manner will be possible only if adequate funds could be made available by the Planning Commission.

[Ministry of Railways (Railway Board) D.O. No. 94-SCR-X/IV (NL)
dated 20.7.1994]

CHAPTER III

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

—NIL—

CHAPTER IV

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

Recommendation (Para 64)

The Committee do not appreciate diversion of Rs. 15 crores from the on-going projects which are already suffering from fund constraints, to the projects like Konkan Railways.

Reply of the Ministry of Railways (Railway Board)

In consultation with Chief Ministers of Maharashtra, Goa, Karnataka and Kerala, it was decided to increase the authorised capital of the Konkan Railway Corporation from Rs. 400 crores to Rs. 600 crores in June, 1994. The share of Railways amounted to Rs. 102 crores of which Rs. 51 crores was to be provided during 1993-94, to meet current liabilities on account of works in progress keeping in view the target date of completion of this project of national importance benefitting 4 States. An amount of Rs. 51 crores (approx.) was reappropriated from various plan heads. This included a sum of Rs. 4 crores only from New Line work of Talcher-Sambalpur where savings were anticipated.

[Ministry of Railways (Railway Board), D.O. No. 94-SCR-XIV (NL)
dated 20.7.1994]

Comments of the Committee

(Please see paragraph 28 of Chapter-I of the Report)

Recommendation (Para 65)

The Committee note with concern that there are differences between the original costs and the revised costs in respect of many new line projects initiated after 1977-78. In some cases the revised cost has been double the original cost, in some cases it has been three times and in some other cases it has been as high as seven times. Frequent cost revision and cost escalation to this magnitude do not speak of sound economic and systematic planning. The Committee would like Railways to work in a more systematic and scientific manner.

Reply of the Ministry of Railways (Railway Board)

Most of the increase in cost is due to escalation since estimates are sanctioned based on current price at the time of sanction without any provision for cost escalation on account of increase in rates over a period of time. Some of the increase is also on account of improvement in

standards required to handle unforeseen increase in traffic or due to obsolescence of the technology originally provided in the sanctioned scheme, or even due to increase in land cost due to court orders etc. which only get reflected in the revised estimates. There have of course been some cases of under estimation also but these are not common. However, in view of the opinion expressed by the Committee, instructions are being reiterated to the Railways to ensure realistic estimation of costs.

[Ministry of Railways (Railway Board) D.O. No. 94-SCR-XIV
(NL) dated 20.7.1994]

Comments of the Committee

(Please see paragraph 31 of Chapter-I of the Report)

Recommendation (Para 66)

The Committee were informed that the progress report for each project is received every month in the office of Railway Board and the progress of work of new-line projects is reviewed three times in a year, i.e., first review in June-July, second in November and third in February. The Committee desire that there should be a separate monitoring cell in the Railway Board to exclusively deal with the progress of new-lines construction so that factors causing cost/time over-runs could be timely identified and suitable measures taken to rectify them. Review of projects should not be used as tool for frequent change in priority and diversification of funds.

Reply of the Ministry of Railways (Railway Board)

Specific monitoring for review of the progress of new lines is done at the level of the Member (Engineering) assisted by Adviser (Works) and Executive Director (Works) through monthly progress reports and quarterly review meetings. All possible measures are taken for removing hindrances in execution within of course the funds available, during these meetings/reviews. Review of projects is normally done only at the Annual Works Programme meetings with the full Board and the General Managers of the Railways. Diversion of funds is not commonly done but is sometimes necessitated to match the requirement of projects progressing well from projects on which progress is held up due to some reasons beyond Railways control. The guidelines given by the Committee in this regard would be kept in view while processing any reappropriation proposals.

[Ministry of Railways (Railway Board) D.O. No. 94-SCR-XIV (NL)
dated 20.7.1994]

Comments of the Committee

(Please see paragraph 34 of Chapter-I of the Report)

CHAPTER V

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

—NTL—

NEW DELHI;
23 September, 1994

1 Asvin, 1916 (Saka)

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Railways.

APPENDIX I

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON RAILWAYS (1994-95)

The Committee sat on Thursday, the 15 September, 1994 from 1600 hrs. to 1645 hrs. in Committee Room No. 'D' Parliament House Annexe, New Delhi.

PRESENT

Lok Sabha

- Shri Somnath Chatterjee — *Chairman*
1. Shri A.R. Antulay
 3. Shri G. Madegowda
 4. Smt. Santosh Chowdhary
 5. Shri Dileep Singh Bhuria
 6. Dr. Kartikeswar Patra
 7. Shri Manku Ram Sodhi
 8. Shri Allola Indrakaran Reddy
 9. Shri B.K. Gudadanni
 10. Shri Anand Ahirwar
 11. Smt. Sheela Gautam
 12. Shri Phool Chand Verma
 13. Shri Mangal Ram Premi
 14. Shri Shrish Chandra Dikshit
 15. Shri Bristin Patel
 16. Smt. Girija Devi
 17. Shri Basudeb Acharia
 18. Shri S.S.R. Rajendra Kumar

Rajya Sabha

19. Shri Rahasbihari Barik
20. Shri Radhakrishnan Malaviya
21. Shri Sarada Mohanty
22. Shri Satish Pradhan
23. Shri Kailash Narain Sarang
24. Shri Ahmed Mohamedbhai Patel

SECRETARIAT

- Shri S.C. Gupta — *Joint Secretary*
Shri T.R. Sharma — *Deputy Secretary*
Shri R.C. Gupta — *Under Secretary*

ANNEXURE A

AMENDMENTS/MODIFICATIONS MADE BY STANDING COMMITTEE ON RAILWAYS IN THE DRAFT REPORT ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THEIR FOURTH REPORT ON 'OPENING OF NEW LINES ON INDIAN RAILWAYS'

Page No.	Para No.	Line	
3	5		<i>For existing paragraph substitute : 'The Committee have been informed that work on two important project-oriented lines, namely Talcher-Sambalpur (172 route kms.) and Koraput-Rayagada (164 kms.) which were lagging behind their target schedules has now been progressing well and the same are expected to be completed by December, 1995 and December, 1994 respectively. However, from the action taken reply to their observation at para 64 of the Report, the Committee find that a sum of Rs. 4 crore was diverted from Talcher-Sambalpur project in 1993-94. The Committee would like the Ministry of Railways to ensure that this amount is fully compensated and there is smooth availability of funds for timely execution of Talcher-Sambalpur project. They also hope that the problems faced by the Railways for timely completion of the above two project-oriented lines have been overcome and these projects would be completed as per their revised schedule. They also desire that all the on-going new line projects be completed without further loss of time.'</i>
6	14	12-13	<i>Delete 'in the order of priority so fixed'</i>
9	22	8	<i>Add at the end 'They also desire that the Railways should make a review to find out whether any of these railway lines still remains uneconomic.'</i>
11	31	3	<i>For 'do not have' read 'are deficient in'.</i>
11	31	10	<i>For 'cannot be a common cause' read 'cannot also be a major cause'.</i>
11	31	11-12	<i>Delete 'Projecting such a factor for cost over-runs in respect of all new line projects is, therefore, not tenable.'</i>

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN FOURTH REPORT OF THE STANDING COMMITTEE ON RAILWAYS (1993-94) (TENTH LOK SABHA) ON 'OPENING OF NEW LINES ON INDIAN RAILWAYS'

Total number of recommendations/observations	15
(i) Recommendations/Observations which have been accepted by the Government. (Vide recommendations/observations Paras 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63 and 67)	12
Percentage of Total	80%
(ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.	NIL
(iii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee and which required reiteration. (Vide recommendations/observations Paras 64, 65 and 66)	3
Percentage of Total	20%
(iv) Recommendations/observations in respect of which final replies of Government are still awaited.	NIL