

12.15 hrs.

**SUPPLEMENTARY DEMANDS
FOR GRANTS (RAILWAYS),
1986-87**

[English]

THE MINISTER OF STATE OF THE MINISTRY OF RAILWAYS (SHRI MADHAVRAO SCINDIA): I beg to present a statement (Hindi and English Versions) showing the Supplementary Demands for Grants in respect of the Budget (Railways) for 1986-87.

12.16 hrs.

**STATEMENT RE : FINANCIAL
POSITION OF RAILWAYS**

[English]

THE MINISTER OF STATE OF THE MINISTRY OF RAILWAYS (SHRI MADHAVRAO SCINDIA): MR. SPEAKER, Sir, the House will recall that while presenting the Budget Estimates for 1986-87, the then Minister of Transport, Shri Bansi Lal, had envisaged an originating loading target of 267 million tonnes of revenue earning goods traffic for the current year. The House will be glad to know that upto the end of September 1986, the Railways have carried about 128.4 million tonnes of revenue earning traffic which exceeds the target for this period by about one million tonnes. This represents an increase of about 8.4 million tonnes of originating traffic compared to the corresponding period of last year. The loading would have been even better had there not been less materialisation of certain programmed bulk commodities. I have every hope that with concerted effort, the Railways will end the financial year clearing at least 270 million tonnes of revenue earning traffic which would be an improvement of as much as 12 million tonnes as compared to the last year and 3 million tonnes over the target set. The

trend under Passenger and Other Coaching is also improving and I anticipate that the net traffic receipts may be about Rs. 106 crores above the Budget Estimates.

There is a continuous thrust to increase the productivity of the system by better utilisation of assets. I am glad to inform the House that to end of August 1986, the leading efficiency indicator, that is, Net Tonne Kilometres Per Wagon Per Day to (Broad Gauge) has risen to 1260 compared to 1189 achieved in the corresponding period of the previous year.

Working Expenses

While the position of traffic lifted as well as the productivity of the system is quite satisfactory, the Working Expenses have come under a very heavy strain because of the post-budget increase in staff costs. The outgo resulting from the implementation of Pay Commission's recommendations alone is estimated at Rs 462 crores. The Dearness Allowance instalment sanctioned by the Government from the 1st of April 1985, implies a liability of Rs. 25 crores. An additional amount of about Rs. 33 crores has been paid to the Railway staff on account of Productivity Linked Bonus. These three factors account for an additional requirement of Rs. 520 crores under Ordinary Working Expenses.

Contribution to the Pension Fund was increased to Rs. 280 crores in the current year's Budget compared to Rs. 260 crores provided in the year 1985-86. However, keeping in view the increase in disbursement arising out of liberalisation of Pension Rules, the Railway Convention Committee have recommended enhancement of this contribution to Rs. 350 crores in the current year itself. Therefore, it is necessary to provide an additional sum of Rs. 70 crores as contribution to Pension Fund.

Thus, even without taking into consideration any further increases in dearness allowances that may be sanctioned during the current year, the staff costs of the Railways are likely to increase by Rs 590 crores over the Budget Estimates.

[Shri Madhavrao Scindia]

Expected Financial Results 1986-87

The House will thus notice that in spite of an additional anticipated earnings of Rs. 106 crores, generated through more traffic effort, there will still remain an adverse impact of about Rs. 484 crores on the financial position of the Railways resulting in a shortfall of Rs. 415 crores compared to a surplus of Rs. 69 crores shown at the time of the Budget. The House will appreciate that this situation, resulting from a steep push up of staff costs mainly arising out of Pay Commission's recommendations, is due to factors beyond the control of the Railways.

Economies

I want to assure the House that we are already engaged in a very intensive drive to scale down the revenue expenditure to the maximum extent possible, taking care, however, that it does not in any way affect the maximising of revenue. In the current year, due to an all out effort for traffic maximisation, the Railways are expected to net Rs 421 crores from additional traffic over the earnings realised in 1985-86. For a traffic effort of this level, the normal increase in ordinary working expenses would have been about Rs. 300 crores. Nevertheless, we resolved that in the national interest, Railways should make a supreme effort to absorb most of the increased cost by even greater productivity and economies. An honest and sincere effort is being made to achieve this end.

However, with the implementation of the recommendations of the IVth Pay Commission, involving an increase in staff costs of about Rs. 462 crores, the financial picture has changed drastically and the Railways are now likely to end with a net shortfall of Rs. 415 crores, after payment of full dividend to General Revenues.

Need to avoid large deficit

The House is also aware that the Government is keen to keep the quantum of deficit financing to the minimum. Any substantial loss on the railway system would tend to increase the quantum of deficit financing as a whole in the country.

It is against this background that it has become necessary to propose some adjustments in railway tariffs at this time, in order to raise some additional resources and thereby helping to minimise the burden on the General Budget.

As the House is aware, the railway freight tariffs are telescopic in nature that is, keeping in view the reduction in the share of fixed costs, the freight rates are tapered down with the increase in distance. The degree of this taper needs review from time to time in the light of the pattern of traffic, changes in technology, cost of operation etc. I have, therefore, proposed a slight flattening of the taper which would give an additional revenue of Rs. 313 crores in the current year as also serve the purpose of rationalising the freight structure on the Railways. In regard to parcel and luggage traffic, I propose to increase the rates by 15% which will yield an additional revenue of about Rs. 7 crores. These proposals will be effective from 1.12.1986.

The House will recall that in the Budget Estimates for the current year there was no increase in freight tariffs whatsoever. In respect of passenger traffic as much as 90% of the travelling public were not subjected to any increase. There was a marginal increase in respect of Second Class Mail and Express passengers and a larger increase in respect of upper class passengers. However, as about 98% of the passengers who travel by rail are from lower and middle income groups, I have decided that in order to avoid hardship to them, I would not make any increase whatsoever in passenger fares.

With the implementation of these proposals which will yield additional earnings of Rs. 320 crores in the current year, Railways will be left with an uncovered gap of Rs. 95 crores in the current year. A Memorandum is being circulated to the Hon'ble Members, containing details about the proposals. It will be our constant endeavour during the course of the year to bridge this gap to the maximum extent possible through further intensification of the traffic effort.

Memorandum Explaining the Proposals for Adjustments in Freight Structure and Parcel and Luggage Rates (to be effective from 1.12.1986)

Freight Structure

For reasons explained in the speech of the Minister of State for Railways, a new rationalised Goods Freight Structure is proposed to be introduced with effect from 1.12.1986.

The freight structure was last revised from 1.4.1983, in the light of the recommendations of the Rail Tariff Enquiry Committee. Although the Rail Tariff Enquiry Committee had recommended that the tariff rates should be revised once a year so that the rates keep pace with the changes in the prices of major inputs in the production of railway transport, there has been no major change in the freight rates in the last three years except levy of Supplementary Charge of 10 per cent from 154.85 on Goods Traffic, other than Salt, moving beyond 500 kms. However, implementation of the recommendations of the Pay Commission has now imposed a heavy burden on the Railways due to which it has become necessary to bring about changes in the freight structure.

The railway freight tariffs are telescopic in nature, that is, keeping in view the reduction in the share of fixed costs, the freight rates are tapered down with the increase in distance. The degree of this taper needs review from time to time in the light of pattern of traffic; changes in technology, cost of operations, etc. This taper is, at present, very steep. For instance, the rate per tonne per km at 2500 kms. is only 44 per cent of the rate at 100 kms. Though some reduction is justified on traffic going to longer distances, there is a need to flatten the taper.

With this object in view, it is proposed to revise the taper of class rates of all commodities as indicated below :

Revision of Taper of Class Rates

Distance in Kms.	Index of Rate per Quintal per Kilometre	
	Existing taper	Proposed taper
100	100	100
200	77	80
300	68	73
400	64	69
500	61	69
600	64	69
700	62	69
800	60	67
900	59	66
1000	58	66
1100	57	64
1200	55	63
1300	55	63
1400	54	62
1500	53	62
1600	52	61
1700	51	60
1800	50	59
1900	49	58
2000	48	57
2510	44	52

The change in taper is illustrated in the graph given in Annexure which is laid on the Table of the House. [Placed in Library. See No. LT-3159/86]

The rates will continue to be calculated for the following blocks of distances :

Kilometres	
1-100	one block
101-250	5 kms. blocks
251-800	10 kms. blocks
801-2400	25 kms. blocks
Beyond 2400	50 kms. blocks

Parcels and Luggage : The rates for Parcels and Luggage are proposed to be increased by 15 per cent with effect from 1.12.1986.