

THE RAILWAY PASSENGER FARES  
(REPEAL) BILL, 1961

MR. CHAIRMAN: We will now take up the Railway Passenger Fares (Repeal) Bill, 1961.

THE DEPUTY MINISTER OF  
FINANCE (SHRIMATI TARKESHWARI  
SINHA): Sir, I beg to move:

"That the Bill to repeal the Railway Passenger Fares Act, 1957 and to make certain provisions consequential thereto, as passed by the Lok Sabha, be taken into consideration."

Parliament has already passed a Resolution accepting the recommendations contained in the Report of the Railway Convention Committee, 1960 and one of the recommendations is that Railway Passenger Fares Tax should be merged at the existing rates with Railway Passenger Fares with effect from 1st April, 1961 and that States should be given an annual subvention of Rs. 12.5 crores in lieu of the proceeds of the tax payable to them. The Bill seeks to implement this recommendation by repealing the Railway Passenger Fares Act, 1957 and omitting the provisions relating to distribution of proceeds of the tax from the Estate Duty and Tax on Railway Passenger Fares (Distribution) Act, 1957.

Doubts have been raised as to whether this measure is fair to the States. I may say that they can have little cause for complaint, as even after abolition of the tax, they will continue to get grants at the same levels as they have been getting from the proceeds of the tax.

Sir, I move.

*The question was proposed.*

SHRI SURESH J. DESAI (Gujarat): Mr. Chairman, Sir, as the hon. Deputy Finance Minister has stated, this Bill is in pursuance of the recommendation of the Railway Convention Com-

mittee which was accepted by this House. The Railway Convention Committee has stated that the Railway Passenger Fares Tax should be merged with the Railway Passenger Fares. The Bill, on the whole, is a simple one, but there are certain implications of the Bill which require careful examination.

Firstly, Sir, the States will be receiving less than what they normally would have received in the next five years. Under the existing arrangements, Sir, the whole proceeds of the tax minus one quarter of one per cent. which was attributable to the Union Territories was granted to the States. Now, Sir, instead of that a lump sum of only Rs. 12.5 crores will be granted to the States annually. This sum of Rs. 12½ crores has been arrived at on the basis of the actual receipts for the two complete years, 1958-59 and 1959-60. When the hon. Deputy Finance Minister moved the Bill in the other House, she stated—and she has stated here also today—that the question of the States receiving less because of the merger of this Passenger Fare Tax with the Passenger Fares as such did not arise, because the States would be getting their subvention at the same level as they had been getting before. The only thing is, she said, that instead of this allotment from the proceeds, they will be getting from the general collection of passenger fares.

Sir, things are not as simple as they look. The Railway Convention Committee themselves, referring to the report of the Financial Commissioner of Railways, stated thus:

"In his opinion, any substantial bridging of the gap between the net Railway surplus and the needs of the Development Fund in the next quinquennium so as to reduce the quantum of temporary loans from General Revenues will be feasible only if the entire proceeds of the passenger tax collection in

the period 1961—66—expected to be about Rs. 70 crores—can be made available to the Railways.”

The Railway Convention Committee, as they mention here, calculated the receipts for the next five years to be Rs. 70 crores. At the rate of Rs. 12½ crores per year, Sir, it will come to Rs. 62½ crores for the next five years. So, the States are already being deprived of Rs. 7½ crores. But that is on the existing basis. The passenger traffic, as was evident from the Railway Budget, is increasing and it increased by 25 per cent. during the Second Five Year Plan. In the Third Five Year Plan it may well increase by about 35 to 40 per cent. If the expected increase in goods traffic of about 75 per cent. is also taken into consideration, the passenger traffic will also increase by about 35 to 40 per cent. According to that, Sir, it is not merely the Rs. 7½ crores which the States will be losing but actually they will be losing every year something like Rs. 5 crores. I am not against the Railways getting more money. The Railways certainly require more money for their development and for the movement of goods traffic for the Third Five Year Plan. I would not mind even if they are given more allocation than Rs. 1,255 crores in the Third Plan. I would even desire it. But what is the use of taking away the money, which the States were normally getting, and giving more to the Railways? In fact, Sir, the hon. madame Deputy Finance Minister herself has stated in the other House: “it is only for Railway purposes, namely, that the Railways should earn more, that the provision has been made elastic”. Now, Sir, at first she says that the States will be getting the same sum which they normally would have got. Then further she says that it is only for Railway purposes, namely, that the Railways should earn more, that the provision has been made elastic. There is a little contradiction here. Therefore, Sir, what I would suggest is that let the Railways earn more; we do not mind that. But

in any case the States should also get what they were getting from the tax so far. The States have also their developmental needs and if they are not met, the States will be levying further taxation. And that would mean that the Railways have not increased their freights and fares this year, but they have shifted the responsibility to the States. The burden of levying more taxation is being shifted to the States. And what will happen, Sir, is that the States will be levying further taxes for their own needs and after a year or two the Railway Minister will come here with proposals for increasing the passenger fares. After all, the people who pay are the same, whether they pay it to the States or to the Centre. There will be double burden on the people. The States will levy taxation and on the other hand, after a year or two, the people will have to pay enhanced passenger fares also. The hon. Deputy Finance Minister stated in the other House that the Railways are put to a loss on passenger traffic while they earn on goods traffic. As far as the statistics are concerned, as presented in Vol. II of the Annual Report of the Railway Board, I do not find any statistics substantiating this remark. It is only a conjecture, it may be true or it may not be true. The rate of per passenger per mile is 2.96 nP, whereas in the case of freight the rate per ton per mile on the broad gauge is 6.10 nP, that is, three times more. The freight rate per ton per mile is three times more than the one in respect of passenger fares but the goods earnings are only twice more on the broad gauge. The goods earnings are Rs. 255 crores whereas passenger earnings are Rs. 125 crores. So the Railways are getting quite enough from the passengers also. Even granting that the Railways are losing in respect of passenger traffic, the Railways should have come straightway with a proposal to increase the fares this year instead of making this subtle move and take away from the States what the States were getting, not only getting but hoping to get more in the

[Shri Suresh J. Desai.]  
next five years of the Third Plan.

My second point is that the drafting of the Bill is defective. So far, the tax was collected and the distribution was effected according to the formula that was recommended by the Second Finance Commission, approved of by the President and approved of by Parliament also by legislation. The whole thing is repealed now, and instead of payment according to the formula, a lump sum payment is to be made to the States. How will this lump sum be distributed in the next financial year, because the formula is repealed, and the Act authorising this payment is also repealed? What will be the authority under which Government will be distributing this lump sum? The formula was arrived at by the Second Finance Commission after due consideration, was approved by the President and the formula was approved by Parliament and a legislation was enacted. The whole formula is now being repealed. If Government want to distribute this sum of Rs. 12½ crores under executive action it means that they will be bypassing the Parliament. It is the privilege of Parliament to give the formula and to authorise Government to make payment of this lump sum to the States. The recommendations of the third Finance Commission will be operative only from the 1st April, 1962. There is, therefore, a gap in between. There should have been some saving provision that for the next financial year the proceeds will be distributed according to the formula which was in force so far. There is no such saving clause at all. In fact, there is a complete void and the Government are left with no authority nor a formula to make the distribution of this Rs. 12½ crores to the States. In the other House, the hon. Deputy Minister stated that this could be done under the General Clauses Act. I have gone through the General Clauses Act but there is no provision there which empowers Government to do this. There is only one section, section 6(C) which deals with,

"any right, privilege, obligation or liability acquired, accrued or incurred under any enactment that was repealed . . ."

but, Sir, this is not a continuing liability. The tax is repealed; the formula is repealed and there is no obligation on the Government. On the other hand, section 7 of the same Act says,

"In any Central Act or regulation made after the commencement of this Act, it shall be necessary for the purpose of reviving either wholly or partially any enactment wholly or partially repealed expressly to state that purpose."

The words are clear, "expressly to state that purpose." In the Bill which is before the House, the said purpose is not mentioned at all. This is a serious defect. It is not merely a drafting defect but a serious defect. If the sum of Rs. 12½ crores is distributed next year by executive action, it will mean nothing but bypassing the Parliament. Thank you, Sir.

DR. A. SUBBA RAO (Kerala): The previous speaker has fully explained that the States are going to lose, or at least they are not going to benefit by accepting the recommendations of the Railway Convention Committee. We cannot go into this because the recommendations have already been accepted. Now that we are repealing this measure, we do not have any basis for distributing this sum of Rs. 12½ crores. After considering all questions, the second Finance Commission came to a certain conclusion and we fixed a certain percentage. It is incumbent on our part now to refer this question to the Finance Commission so that we may give a chance to the respective States to press their claim. Only a fixed amount is to be distributed to the States over the next five years. If we continue the old recommendations, every year a little more would go to the States than what they were getting

before. The statistics show that passenger fares are on the increase from year to year and according to the Bill, the States would get only a fixed amount. I would request that this question be referred to the Finance Commission so that the States can again press their claim that the population should be taken into consideration in allotting the share. We are also putting new lines all over the country and the collection on account of passenger fares is bound to increase in those States. There is, therefore, a basis for reconsidering the basis of allotment and I hope that this will be referred to the Finance Commission so that distribution might be done according to the needs of the respective States.

SHRI N. M. LINGAM (Madras): Sir, as the hon. Mover of this Bill has pointed out, this is a very simple measure. My friends opposite have raised two questions. One is that with the increase in passenger traffic in the next quinquennium it is unfair to fix the quantum of revenue that the States would be getting by means of this Bill. For instance, it has been said that the revenue anticipated by the Finance Commission in the next quinquennium is of the order of Rs. 70 crores which is in excess of the amount that will accrue to the States according to the present Bill by about Rs. 5 or Rs. 6 crores. Sir, it is true that the States will lose a certain amount of revenue by the passage of this measure but then having regard to the trend in passenger earnings the loss to the States will not be appreciable. A sum of Rs. 5 crores or Rs. 6 crores for 16 States is not going to make a big difference to their revenue. Then there is the question of simplification of accounting procedure and saving money on collection of the tax under the existing practice. Under the existing practice a sum of about Rs. 7 lakhs to Rs. 8 lakhs is spent towards collection and it involves also complicated accounting procedure. Now all that is simpli-

fied. With regard to the small loss that the States will inevitably incur as a result of the passage of this measure, it is to be hoped that the Finance Commission when dealing with the allocation of revenue among the various States will take this question into consideration.

There is only one point on which I would like clarification from the hon. Minister and that is this. Under article 269 of the Constitution this is one of the taxes to be collected by the Centre and distributed to the States. It comes under sub-clause (d) taxes on railway fares and freights. What we are now doing is to merge the passenger fares tax in the passenger fares. Clause (2) of article 269 says :

"The net proceeds in any financial year of any such duty or tax . . . shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law."

We have not so far formulated any principles of distribution of a tax of this nature among the States and the Bill is silent on this point. I would like to know how the Government propose to distribute the proceeds of this levy among the various States. I do not think the House need be apprehensive of the financial hardships the States would be put to by the passing of this measure because the revenue that they will forego is small and that is going to be adjusted; it will be made good by the Award of the Finance Commission. The only point the House is interested in knowing is how the revenue that is accruing to the States is going to be distributed by the Centre.

SHRIMATI TARKESHWARI SINHA: Mr. Chairman, hon. Members who have spoken have raised certain points and the first hon. Member who spoke also quoted from what I said in the other House. The first point that he made was that necessarily the States would be losing. This is a very very presumptive

[Shrimati Tarkeshwari Sinha.]

argument. We cannot say that the States will be losing because as the House knows the figure of Rs. 12·5 crores represents the average of the collections of the tax for 1958-59 and 1959-60. The hon. Members know that this tax was levied only in 1957 and therefore, while working out the average figure the Railways took care to take the average of two years during which the Act was in operation and only after going through the accounts of that period they came to this conclusion that it works out to an average of Rs. 12·5 crores,—the amount they have given as a subvention to the States. So the argument that the States would be losing is very very presumptive at this juncture. The States under this subvention are being paid on the same level as they were getting before.

SHRI JASWANT SINGH (Rajasthan): What about the increase in passenger traffic?

SHRIMATI TARKESHWARI SINHA: I am just coming to that.

DR. W. S. BARLINGAY (Maharashtra): The States will gain.

SHRIMATI TARKESHWARI SINHA: I will try to reply to all the points that have been raised.

Now, he raised the point as to why this tax was at all merged with the fares. Sir, I explained the necessity for this step and I said that the Railways should be allowed a little bit of elasticity so that if they want to earn more they can do so. As the hon. Member himself pointed out, the Railways have been losing consistently on the passenger side. The operational cost on the passenger side is very high compared to their earnings from passenger fares. They have been losing on this side. Therefore I do not think that there should be any apprehension in this House that the Railways by earning more will necessarily cause the States to lose. This argument at this juncture does

not have any reality; it has no real basis. The States have been given what they were earning in the shape of passenger tax for the last two years. The average for the two years has been worked out and is being given to them. But that should not prevent the Railways—if by maintaining elasticity, they earn more. I should like to quote from paragraph 22 of the Railway Convention Committee Report where the Financial Commissioner for Railways has expressed this very opinion very strongly:

“He has stated that the tax was introduced in September, 1957, when the results of the year 1956-57 showed a sizeable net Railway surplus (Rs. 20·22 crores) which had not been maintained in subsequent years and could not also be anticipated during the next quinquennium.”

This was the position at that time and it is this that has given cause to this recommendation of the Government Committee because they felt very strongly the genuineness of the argument given by the Financial Commissioner of Railways. He has also further said that this levy has limited the scope for raising passenger fares and therefore has become completely inelastic. I actually stressed this point in the House to bring this fact to the notice of hon. Members. It is not my contention that the Railways will necessarily lose but my only contention is that there should be more elasticity for the Railways to earn more if they can. But that does not mean that they will immediately go and tax the consumers. That can only be a presumption at this moment. That does not exist at present and there is hardly any necessity to argue about things which may or may not come about.

There was another aspect. The Railway Convention Committee accepted this approach of the Railways and recommended this merger, for approval by Parliament and the House

had a full opportunity of discussing this point threadbare when the Report itself was under discussion here. The Committee said that this would simplify the existing arrangement for collections and the cost of collection would also be reduced. That reduction in cost will be nearly Rs. 8 lakhs per year. Our Railways will be immediately getting Rs. 8 lakhs because of this reduction. I do not think that the House should have any grudge against such reduction in expenditure. The House has been very much concerned about it for a long time and Members want to bring about a reduction in operational expenditure everywhere. It may be Railways, it may be civil expenditure, it may be anything. We should rather feel happy that the Railways are simplifying their procedure. I must make it clear to the House that the States are not losing. The presumption of the argument has no basis just now, because the States are not losing. The argument does not exist. It has certainly enabled the Railways to reduce their operational costs and thus save Rs. 8 lakhs.

Then, he has raised this point about how it will be governed. I would like to invite his attention to the General Clauses Act, section 6, which lays down certain rules and regulations as to how, if any Act is repealed by Parliament, the obligations and liabilities of that Act will be maintained. I would like to invite the attention of the House to sub-clauses (b) and (c) which state:—

“6. Where this Act or any Central Act or Regulation made after the commencement of this Act, repeals any enactment hitherto made or hereafter to be made, then unless a different intention appears, the repeal shall not—

(b) affect the previous operation of any enactment so repealed or anything duly done or suffered thereunder : or (c) affect any right, privilege, obligation or liability acquired, accrued or in-

curred under any enactment so repealed.”

That makes it clear that till the Finance Commission submits its proposals to the Government—probably that will come in the beginning of 1962—this measure will be governed by the General Clauses Act.

Another Member raised the point of distribution itself. The question of distribution at the present juncture does not arise, because it is the responsibility of the Finance Commission to distribute the proceeds of any tax. Because this is given as a lump sum, as a subvention to the States, it is now the responsibility of the Finance Commission to decide the way in which this Rs. 12·5 crores is to be distributed. So, we have to await the recommendations or the proposals of the Finance Commission. They will necessarily go into the whole picture and decide the respective merits of the case of each State and decide the amount to be distributed to each State. Till then this measure will be governed—this measure is going to come into operation from the 1st April, a few days hence—by section 6 of the General Clauses Act.

SHRI N. M. LINGAM: Under the Constitution it has to be distributed according to such principles of distribution as may be formulated by Parliament by law, and not by the Finance Commission overriding Parliament.

SHRIMATI TARKESHWARI SINHA: The Finance Commission has got the responsibility of distributing any tax that accrues to the States and, therefore, this is the responsibility of the Finance Commission, which Parliament has given to it.

SHRI N. M. LINGAM: But it has to distribute the taxes in accordance with the principles laid down by Parliament.

SHRIMATI TARKESHWARI SINHA: True. Parliament is approving this sum . . .

SHRI AKBAR ALI KHAN (Andhra Pradesh): May I read the relevant article for the benefit of the hon. Minister:—

“The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.”

SHRIMATI TARKESHWARI SINHA: When the Act levying the tax is repealed, there is no question of the Act. There is no question of violating article 269(2), because the Act has already been repealed.

SHRI N. M. LINGAM: Article 269 stands.

SHRIMATI TARKESHWARI SINHA: Article 269 always stands. It is a constitutional provision. But this Act would not operate under this particular provision, because the Act is going to be repealed. This sum of Rs. 12.5 crores which is going to the States as a subvention, is the responsibility of the Finance Commission, which has been authorised by Parliament by law to distribute the proceeds to the respective States.

SHRI SONUSING DHANSING PATIL (Maharashtra): On a point of clarification, does the hon. Minister envisage this position when she says that there should be a degree of elasticity as far as the Railways are concerned? Now, you are assigning a definite portion of these fares to the States. So, do you not contemplate a position whereby the net collection of the proceeds will be more than the amount which you are giving to the States? It would be more, and under the Constitution, I would like to know

whether you are entitled to hold back the surplus amount, or in case of a deficit, whether you are under an obligation to make up that deficit.

SHRI TARKASHWARI SINHA: That is an internal arrangement. In place of giving that tax to the States by the Railways themselves, they have now been given this lump sum, worked out on the average of the earnings of the Railways for the last two years. It does not violate at all the constitutional obligation to the respective States *vis-a-vis* the Government of India.

SHRI N. M. LINGAM: It does violate in the sense that the Railways may or may not lose on passenger traffic, as the hon. Minister has said. In fact, they are losing because the operating costs are going up. It is just possible to envisage an increase in the revenues of the States by this levy because passenger traffic is going up and this is a tax on passenger fares. As long as more passengers travel, the tax proceeds will also go up. All that we do is to merge the tax with the passenger fares. It is possible legitimately to envisage an increase in the tax and by fixing the quantum of amount of this tax to be distributed to the States, we are, I am afraid, going against article 269 of the Constitution, because under that article every pie collected has to be distributed to the States. Secondly, as has been pointed out already, the principles have to be determined by Parliament and the Finance Commission has no power to decide the matter. Parliament's permission is necessary.

SHRIMATI T. NALLAMUTHU RAMAMURTI (Madras): How can we adduce arguments prior to the Act that is going to be repealed? It is like putting the cart before the horse.

SHRIMATI TARKESHWARI SINHA: I would like to repeat this argument just mentioned. How can article 269 be relevant when the Act which governs this taxation provision is already repealed? Where does the

question come in that we violate article 269? The distribution of Rs. 12.5 crores as a lump-sum subvention is made by the Railways because the Act levying the tax is repealed or is going to be repealed by Parliament. The question of distribution of the proceeds comes in only after the Act is repealed. Now, till the Act is repealed, the same old pattern is operating. This distribution arrangement will come into operation only after the Act is repealed by Parliament. And, therefore, when the Act levying that tax does not exist, the question of violating article 269 of the Constitution does not arise.

SHRI M. P. BHARGAVA (Uttar Pradesh): Mr. Chairman, if I am allowed to put the sequence of events, the House will appreciate . . .

MR. CHAIRMAN: Please do not make a speech now. Ask for a clarification of something.

SHRI M. P. BHARGAVA: I am just seeking a clarification. The Report was placed on the Table of the House on the 25th November. It was debated upon in the House. The House accepted the Report. That means the recommendation was accepted. Then, the Government of India accepted the recommendation and they took steps to bring this Bill forward to repeal the Railway Passenger Fares Act. Now, this will come into force on the 1st April, 1961. Any question of distribution comes in only on the 31st March, 1962. By that time the Finance Commission would have given their opinion on the question, which has been referred to them, about the distribution ratio. That will come before the House and before the actual distribution takes place, Parliament will be seized of the matter.

SHRIMATI TARKESHWARI SINHA: No. It is covered by the General clauses Act.

MR. CHAIRMAN: The question is:

"That the Bill to repeal the Railway Passenger Fares Act, 1957, and to make certain provisions consequential thereto, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN: We shall now take up the clause by clause consideration of the Bill.

*Clauses 2 and 3 were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRIMATI TARKESHWARI SINHA: Sir I move:

"That the Bill be returned."

*The question was proposed.*

SHRI JASWANT SINGH: Sir, I would like to say a few words.

MR. CHAIRMAN: We have taken ten minutes more than the allotted time.

SHRI JASWANT SINGH: Only two minutes, Sir. The argument of the hon. Minister has not been understood by us. I want to know whether these Rs. 12½ crores are to be distributed to the States. Do they form part of the tax on the passenger fares or not? Otherwise what justification is there for the Railways to distribute them? Up till now tax was being levied on passenger fares. Now the Railways want to have this exclusively according to the speech of the hon. Minister, and they have agreed to give the amount which is the average of two years to the States for distribution. This amount certainly forms part of the tax on the passenger fares, and as such according to article 269, unless Parliament approves, it will be *ultra vires* the Constitution. Secondly, the hon. Minister said that the States are not affected. We say that the States will definitely be affected, because it is admitted on all hands that the trend of traffic is rising every year, and if the passenger traffic rises, the taxes will increase; and if taxes in-



[Shri Jaswant Singh.]

crease, to that extent the States will be losing. Both on the constitutional ground as well on the point of the States losing, the argument of the hon. Minister is not very convincing.

**SHRI MAHESWAR NAIK** (Orissa): This is not the proper time to raise this thing.

**SHRI V. V. SARWATE** (Madhya Pradesh): Sir, I want one clarification. When this Act, the Railway Passenger Fares Act, 1957, was passed, it was with the avowed intention that the excess fares so proposed to be levied would be levied with a view to augmenting the finances of the local bodies in the respective States, that the Central Government was not to be the channel of distribution but it would spread the money to the respective States according to a fixed proportion, and that the States were to distribute it to their respective local bodies. This has been confirmed by one incident. One Municipal President, that is the President of the Kolhapur Municipality in the Bombay State, wrote to the Chief Minister of Bombay, claiming the amount so collected from the Centre by that State. The Government of Bombay replied to the President of the Municipality of Kolhapur that they accepted that that was the position, but since none of the States in the Union of India has so far distributed anything to the municipal or local bodies concerned, they did not want to be the first in the field to start this process. Therefore, if this particular Municipality or anybody interested, one of the beneficiaries, approaches the Central Government and obtains from them a direction to the various States to distribute these sums to the local bodies, then the Bombay Government will have no objection. I wish to know from the Government how much money has so far been collected and distributed according to that principle and what is the guarantee or safeguard proposed to be taken by the Government in view of the proposed merger of that excess fare in the railway fare itself, so that the augmen-

tation of the finances of the local bodies concerned may not be affected adversely.

**SHRIMATI TARKESHWARI SINHA**: Sir, this question should not be posed to me but should be posed by the respective States to the Finance Commission, and the Finance Commission should see as to how best to apportion it, what portion should go to the Centre and what portion should go to the municipalities or local bodies.

So far as the point raised by the hon. Member sitting opposite is concerned, namely that the passenger fare is increasing and that the Railways are not giving the amounts to the States, again I repeat that this is a very presumptive argument. For the last two years it has been a fact that the Railways have been losing and there is no question of the Railways earning more in order to bring their operational cost to a level where there should be no loss. Just now the present position is not unsatisfactory. The present position is this that the Railways have taken the average earning from the tax, and they have devised a formula whereby they are going to distribute Rs. 12.5 crores. And it is not the Railways which are going to distribute this amount to the respective States. It is the General Revenues. The Railways are going to transfer this amount to the General Revenues, and the General Revenues will be distributing this amount to the respective States on the recommendations of the Finance Commission. Thirdly, even accepting the contention that the Railways are likely to earn more, which is not really a fact at the present moment, in case they earn more—let us accept that argument for the time being—even then I say that the operational cost of the Railways will always go up simultaneously. The Railways have not been earning more on the passenger side because the operational cost on the passenger side is so high. How do we know that the Railways will start making a profit on that side? This assumption is very very premature.

The second point is, as I said earlier, that the proceeds of this will be distributed by the Finance Commission itself. The General Revenues will be giving those Rs. 12.5 crores as a lump sum to the States, and the Finance Commission itself will go into the entire question of how much amount should be allocated and distributed to each State. The problem is going to be placed before the Finance Commission whose recommendations will be accepted, and the recommendations will be made known to the hon. Members. Again I repeat, Sir, I do not know why I have not been able to explain this to hon. House that this Act after its repeal does not levy any tax, and therefore any violation of article 269 does not arise after this Act is repealed.

SHRI JASWANT SINGH: What is this sum of Rs. 12½ crores which is to be distributed? Is it not in lieu of the tax on passengers fares?

SHRIMATI TARKESHWARI SINHA: This lump sum, when it goes as a subvention, necessarily takes cognisance of the fact that some earnings will be coming from that tax originally levied. But now this will form part of the passenger fare itself. It will not be levied as a separate tax to be distributed to the States. It will form part of the passenger fare itself.

SHRI JASWANT SINGH: In spite of this would the States be entitled to ask the Centre to levy tax on passenger fares or not? Would they not be entitled to ask the Centre to do that?

SHRIMATI TARKESHWARI SINHA: This is a hypothetical question. How can I reply to that question?

MR. CHAIRMAN: The question is:

"That the Bill be returned."

*The motion was adopted.*

# THE APPROPRIATION (VOTE ON ACCOUNT) BILL, 1961

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): Sir, I beg to move:

"That the Bill to provide for the withdrawal of certain sums from and out of the Consolidated Fund of India for the services of a part of the financial year 1961-62, as passed by the Lok Sabha, be taken into consideration."

As the House is aware, this Bill arises out of a sum of Rs. 159.86 crores voted by the Lok Sabha on the 17th March, 1961, in accordance with the provisions of article 116 of the Constitution and Rs. 706.88 crores in respect of expenditure 'charged' on the Consolidated Fund of India as shown in the 'Vote on Account' Statement circulated to the hon. Members. As the House is aware, it is usual to seek the approval of Parliament for one month's supply pending the completion of the procedure for the voting of the Demands for Grants for the whole year and the passing of the connected Appropriation Bill. Accordingly provision has been made in the Bill to meet the estimated requirements for the month of April, 1961. These broadly represent 1/12th of the whole year's gross requirements as provided for in the Demands for Grants except in a few cases where the expenditure is not uniformly spread over the year and larger provision is required to meet the likely payments next month. In paragraph 4 of the Note to the Statement of "Vote on Account", the items where larger provision is required have been detailed together with explanations of the reasons for the additional requirements.

With these words, Sir, I commend my motion.

*The question was put and the motion was adopted.*

MR. CHAIRMAN: We shall now take up the clause by clause consideration of the Bill.