the House for five minutes. I am sorry that this has happened.

MR. DEPUTY CHAIRMAN: All right. I adjourn the House for five m nutee.

The House then adjourned for five minutes.

The House reassembled at thirty-six minutes past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SIIRI BHUPESH GUPTA (West Bengal): Sir, I want to draw your attention to a matter which is serious and important. The House was to have met at half-past tw.>. Evidently we had not met because the Minister was not present in the House then. Immediately after the Minister comes he House begins its meeting seven ninutes later than the usual time. lo not blame you, Sir, but it is an inheard of thing in parliamentary iractice. I think that such a thing hould never be allowed. Apart from nat the Minister should be brought to 00k. I think, Minister or no Minis- »r, we must meet at the scheduled me, and then you may adjourn the iouse if necessary. Therefore, a great regularity in parliamentary practice is today taken place, and I wish to «ord my emphatic protest against is kind of thing.

SHRI JASWANT SINGH (Rajas-an): Sir, there is another thing and is this. While supporting the observ-ons of my friend here, Mr. Bhupesh ipta, I wish to remark that actually S House had started at half-past 0. The Deputy Chairman actually ne and occupied the Chair, but the use had to be adjourned in the ;ence of the Minister which is a y serious matter.

HRI BHUPESH GUPTA: I apolo-*1* to you, Sir, because it might *look 1* you had done it. I was not here. 1 came here. You were perfectly right, you were one hundred per cent. right, and the Minister was one hundred and ten per cent, wrong. That u how it should go down

THE DEPUTY MINISTER OF RAILWAYS (SHRI S. V. RAMASWAMY): I very humbly apolog se to the House. - thought that the other Bill would go on for some time after half-past two. I very humbly apologise.

SHRI BHUPESH GUPTA: Who mis-directed, who misled the Minister m this manner?

SHRI S. V. RAMASWAMY: It is not misdirection. We make enquiries to adjust our work.

MR. DEPUTY CHAIRMAN: That thing should not happen again.

SHRI S. V. RAMASWAMY: It will not happen.

SHRI DAHYABHAI V. PATEL (Gujarat): Like the ndian Ralways, the Ministers are always late.

SHRI BHUPESH GUPTA: Next time if we do not come—some of us—the House should adjourn. Let us see. Let us live and learn.

MR. DEPUTY CHAIRMAN: Now the motion.

RESOLUTION *RE* REPORT OF THE RAILWAY CONVENTION COMMITTEE

THE DEPUTY MINISTER OF RAIL-WAYS (SHRI S. .V. RAMASWAMY): Sir, I beg to move:

"That this House approves the re-commendations contained in the Report of the Parliamentary Committee appointed to review the rate of dividend which is at present payable by the Ralway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance vis-a-t?is the

[Shri S. V. Ramaswamy.] General Finance which was presented to Parliament on the 30th November, 1960."

As the House is aware, the five-year period 1955-56 to 1959-60 covered by the Railway Convention Committee, 1954, was extended by a further year up to the 31st March, 1961 by resolutions passed by the two Houses of Parliament in April-May, 1959 so that the period covered by the Convention Committee's recommendations may synchronise in future with the Plan periods. In order to formulate the principles that would govern the separation of Railway Finance from General Revenues beyond the 31st March, 1961, a Committee of both Houses of Parliament was set up by a resolution which was endorsed by this House on the 28th April, I960 after it had been supported by the Lok Sabha on the 22nd April, 1960. Some copies of the Memoranda and the notes submitted by the Railway Board for the consideration of the Committee, as wall as of the review by the Financial Commissioner, Railways, have been placed in the Parliament Library for reference of Members.

The Committee, after reviewing the actual working of the Railways under the principles adopted on the recommendations of the last 1954 Committee, have noted that the Railways have consistenly met their dividend and other obligations.

The review made by the Committee has indicated that the principles underlying the separation of Railway Finance from General Finance, the main feature of which is a contribution by the Railways to the general exchequer has, on the whole, worked quite satisfactorily during the six-year period covered by the 1954 Convention. The Committee, in paragraphs 13—15 of their Report, have advocated continued retention of the present mode of contribution by the Railways to General Revenues through payment of annual dividend at a fixed percentage rate which will include an element of contribution over and above interest charges. They have, however, taken note of the increasing cost of raising money, and have recommended a rate of 4| per cent, on the capital-at-charge for the quinquennium 1961—66, against 4 per cent, hitherto paid. It may be recalled that the 1949 Convention Committee, on whose recommendation the principle of payment of dividend at a percentage rate with reference to capital-at-charge was first adopted, went fully into the composition of the railways' capjtal-at-charge. This has also received the attention of the present Committee. I may explain that, even if allowance is made for the foreign borrowings by the Government of India for investment in the Railways, to which the Committee have referred, the effect on the average borrowing rate will not be very large. The first of the World Bank Joans for the Railways carried only an interest of 4 per cent; the loans negotiated from the Development Fund, of a value of Rs. 54[1]7 crores carry only an interest of 3-5 per cent. Altogether, allowing for the fact that slightly under 10 per cent, of the present capital has been notionally obtained from the World Bank at a higher rate, the overall average rate of borrowing would still be of the order of 3-7 per cent, only against the figure of 3-58 per cent, computed without taking the aforesaid loans into account. The adoption of a dividend of 4-25 per cent, will thus allow a margin of contribution to General Revenues even over such adjusted average rate of interest of 3-7 per cent. As indicated in the Committee's Report, even a dividend rate of 4-5 per cent, was considered; this was strictly on the basis of the increase i average rate of interest by about 0-4 per cent, or so since the 1954 Convention Committee made their recommendation for a 4 per cent, dividend. The Committee also had before them, however, the information supplied by the Railway Board, in which attention was drawn to the various contributions of a sizeable character which the Railways are increasingly making towards the general welfare of the country, in their role as a public utility service; and it was after taking all these aspects into consideration that the Committee had finally recommended a dividend rate of 4·25 per cent.

The Committee have endorsed the continuance of two principles adopted in pursuance of the 1954 Convention Committee's recommendations, namely, that a moratorium for a period of five years be allowed in respect of dividend payable on the capital invested on all new lines and a reduced payment made to General Revenues— limited to the average rate of interest —on the element of over-capitalisation included in the Railways' Capital Account which, on the basis of the principles worked out in consultation with the Ministry of Finance and the Comptroller and Auditor General, is now assessed at about Rs. 120 crores. The details of this figure are given in the information supplied to the Committee. The Committee have extended the principles recognised by the 1954 Convention Committee to the North-East Frontier Railway, with its own very special features, the capital of which, they have recommended, should not reasonably be expected to produce any return over and above the interest charges since this railway, which works at a loss, is maintained and operated in the larger interests of the country. The Committee have further recommended that not only dividend will not be payable on the capital-at-charge of strategic lines—as accepted by the Railway Convention Committee, 1954 —but the annual loss of working of strategic lines should be borne by the General Finance and not by Railway Revenues as, in fact, was laid down at the very inception of separation of Railway Finance in **1924-25.**

I should make a passing reference to the Committee's clarification of the 1954 Convention Committee's recommendations in regard to deferred dividend on new lines, namely, that such deferred dividend would be paid from the sixth year onwards if the net income of the new lines leaves a surplus over and above what is required for the payment of the current dividend.

Another important recommendation of the Committee is in regard to the merger of the Passenger Tax levied on passenger fares since September, 1957—the proceeds of which are allocated from the General Finance to the different States—into the fares from 1st April, 1961. At the same time, in order that the States may not be affected, it has been recommended that they should continue to receive from the Indian Railway the fixed payment of Rs. 12-50 crores every year for the period 1961—66, based on the average of the past collections for the two years 1958-59 and 1959-60.

The other important recommendations of the Committee are in the matter of financing the Depreciation Reserve Fund and the Development Fund. The Freight Structure Enquiry Committee, which had gone into the question of how much appropriation should be made from the Railway Revenues to the Depreciation Reserve Fund, had indicated that the appropriation should have progressively increased beyond Rs. 45 crores which was the annual contribution fixed from 1955-56, in enhancement of the amount of Rs. 35 crores suggested by the 1954 Committee and should have reached Rs. 66 crores in 1960-61. Based on the calculations of what would be estimated on the anticipated replacement of Railways' asssts in the Third Plan period, the Committee have recommended a total Contribution to the Depreciation Reserve Fund of Rs. 350 crores in the period 1961—66. This comes to an average contribution of Rs. 70 crores per year, which works out to 3·8 per cent, of the average capital-at-charge in the period 1961—66.

[Shri S. V. Ramaswamy.]

With reference to the overall average age of 40 years for all Railway assets—which would be sufficient aUowance, considering that most of the Railways' principal assets have lived more than 40 years—a limited contribution to the Depreciation Reserve Fund of the order of 2-5 per cent, would be justified on a straight line basis; but allowing for the increase in the cost of replacements as well as for contingencies like obsolescence due to technological development,- a contribution which works out to 3-8 per cent, of the average capital-at-charge, is considered reasonably adequate. The figure of Rs. 350 crores in five years is based on the specific data furnished by the Railway Board of the cost of all the principal items of Railway equipment that are expected to require replacement in the five-year period.

As regards the Development Fund, on the basis of the forecast of railway finance for the next quinquennium on the present level of fares and freights, the Committee have recommended that it will be necessary to continue the provision made on the recommendations of the 1954 Committee, for temporary loans from General Revenues to finance the Development Fund whenever the Railways' surplus is not sufficient to meet the anticipated expenditure from the Fund. In this connection, the Committee have also carefully considered a suggestion made by the Comptroller and Auditor General for restricting the scope of the Development Fund to users' amenities and labour welfare works as was the position before the 1949 Convention Committee's recommendations were adopted. Having regard, however, to the fact that the enlargement of the scope of the Fund made on the recommendations of the 1949 and 1954 Committees takes due note of the needs of a developing economy, the present Committee have considered that a change is not necessary. The Committee, however, have endorsed a proposal, based on a further suggestion of the Comptroller and Auditor General, to wipe out the Railway Development Fund's outstanding liability to the General Revenue on 31st March, 1961 mainly by an *ad hoc* adjustment to the extent justified from Development Fund to capital and by repayment of any liability still remaining from the balance in the Revenue Reserve Fund which will be about Rs. 53 crores on 31st March, 1961. It only remains for me to refer to the Committee's recommendation for postponement of the setting up of an Amortisation Fund until Railway Finances permit it and their recommendation for a minimum annual provision of Rs. 3 crores for Railway Users' Amenities. I may explain to the House that the Committee took due note of the fact that there have been suggestions for increasing the allocation of Rs. 3 crores for Users' Amenities. Increases above the minimum allocation will be considered in due course in the light of the overall provision finally allowed for Railways in the Third Plan. As regards amortisation of capital, it will be appreciated that strictly on an average life of 40 years with reference to capital, the Railways would contribute only Rs. 231 crores in the five years 1961—66 to the Depreciation Reserve Fund, whereas the contribution of Rs. 350 crores recommended by the Committee allows for inclusion of another Rs. 119 crores to meet the increased costs at which replacements have to be done, which o'herwise would have gone to capital. This additional amount of Rs. 119 crores also thus helps in keeping down capital and thus serves the same purpose as a formal amortisation of capital to the same extent.

In conclusion, may I point out that there is no real conflict of interests between Railway Finance and General Finance. The Committee's recommendations constitute merely a satisfactory working arrangement formulated for the next five years in the interest of the country as a whole taking into account the requirements of both Railway Finance and General Finance during the Third Five Year Flam

With these introductory remarks, Sir, I commend the Resolution to the House.

The question was proposed.

SHRI SURESH J. DESAI (Gujarat): Mr. Deputy Chairman, Sir, I regret I cannot congratulate the Railway Convention Committee, 1960, on the work that they have done. I do not mean to say that they have not carefully con-sidared the various matters that were referred to them. But one very im-portant, major aspect of the question they have not taken into consideration the aspect of placing the finances of the Railways on a business-like and efficient footing. As hon. Members are aware, there is a huge investment in the Railways. Railways enjoy a sort of monopoly also. The problem before the Railways is two-fold. On the one hand, the Railways have to provide efficient service at as cheap a cost as possible and to enlarge it; on the other the Railways have to manage their finances in a business-like manner. Now, there is nothing new in this problem, Sir. Every business enterprise has to face this problem; any public limited company also has to sell its goods in a competitive market, has to pay dividends and has to meet the developmental expenses from the reserves which they build up; there is nothing new in this problem which the Railways have to face. But this particular aspect of the question has not been taken into consideration by the Railway Convention Committee, the aspect of managing the finances of the Railways in a business-lika manner.

Now speaking of the recommendations . . .

DIWAN CHAMANLALL (Punjab): It was not the purpose of the Committee to go into this larger issue.

SHRI SURESH J. DESAI: I think perhaps you did not quite follow what I said. I say, while making their recommendations the Committee ihould have kept in view this parti-cular aspect of the question that, after all, the finances of the Railways must be maneged in a business-like manner. You see the distinction. I do not mean to say that they should have considered the question of Rail-way Finances as a whole, but only this particular aspect. When I deal with the specific recommendations, you will be able to follow the point. What I mean to say is that this particular aspect of belter management of the finances of the Railways should have been kept in view while making the recommendations and while considering the matters that were referred to this Committee. I hope you see the distinction.

Now coming specifically to the re-commendations, Sir, we find that the rate of dividend has been increased from 4 per cent, to 4:25 per cent. Against that so many liberal concessions have been given to the Railways; I should say not merely liberal but too much liberal concessions have been given to the Railways.

Firstly, in the matter of strategic lines, it is said:

> "The capital-at-charge of strategic lines is at present also exempt from payment of dividend as accepted by the Convention Committees of 1949 and 1954."

Further, regarding the loss on the working of strategic hnes, the Committee—

> "recommend that the annual loss on the working of the strategic lines should be borne by the General Revenues."

Now there is nothing objectionable in that; certainly it is a good suggestion that they have accepted. Secondly, there is the recommendation with regard to the North-East-Frontier Railway and it is said:

> "it has been suggested that the capital-at-charge of the North-East-Frontier Railway, other than the clearly strategic portion thereof, should be regarded as not wholly

[Shri Suresh J. Desai.] productive and only the interest at the average rate of borrowing of the Government should be paid thereon by the Railways to General Revenues."

I say there is nothing objectionable in this also; this is also a good recommendation.

Then we come to the Depreciation Reserve Fund, the rate of contribution to the Depreciation Reserve Fund. As the hon. Members are aware, the Railway Convention Committee of 1954 had recommended an increase in the rate of contribution to the Depreciaiion Reserve Fund from Rs. 30 to Rs. 35 crores per annum. Later on the matter came before the Parliament and with its approval it was increased to Rs. 45 crores. Now it is being increased to the average rate of Rs. 70 crores per year, and in the year 1965-66 it will .be Rs. 75 crores. Now, Sir, the backlog of replacements and rehabilitation has been already finished; most of it has already been done. So what is the use of increasing the rate of contribution to the Depreciation Reserve Fund to Rs. 75 crores? An increase from Rs. 35 crores to Rs. 75 crores is rather too much when the backlog of replacement has already been completed. I will be coming to that point again. However, even granted that this may be done. Then comes the question of Merger of Passenger Fare tax in railway fares. Having granted all the aforesaid concessions. Sir, again the Railway Convention Committee have agreed to merge the passenger fare tax in railway fares. Now for the next fiv» years, Sir, it has been estimated that the revenue from this passenger fare tax will be about Rs. 70 cro-es, in the period 1961—66, and the Railways will be giving to the various States at the rate of about Rs. 12'50 crores per year, that is, about R". 62-50 crores for the next five yea^s. This means that about Rs. 7-50 crores will remain with the Railways. It may be Rs. 7-5 crores; but it may rise to Rs. 10 ^crores; it may be Rs. 12 crores also. Now the question is this. On ihe one hand the States are in bad need of money; they have also to raise resources for their development programme. And secondly, once this passenger fare tax is merged in railway fares, then again there will be a scope for a further passenger fare tax also. The incidence of all this will fall on the passengers and the public will have to make a higher and higher payment for their travel on Railways. That is, the incidence, whether you call it a passenger fare tax or you merge it in railway fares and you again put a further tax— after all, the incidence of all this will be that the public will have to pay higher and higher. The Rail-3 P.M. ways should assure that after merging this passenger fare tax with the railway fare they will not come forward with any fresh proposals of increase in fares and freight rates or the Government of India will not come forward with any fresh proposals of tax on passenger fare.

Then, Sir, I come to the question of financing the Development Fund by means of temporary loans from the General Revenues. Along with this question, I would like to take up the question of Amortisation Fund also. When you allow all these concessions to the Railways, for their further development the Railways should not go to the general exchequer for loans also. If they have to go to the exchequer for further loans, where is the point in giving all these concessions? On the one hand, you increase the rate from 4 per cent, to 4J per cent, and on the other hand you allow more and more loans from the °ral exchequer for development expenses. What is the point in raising the rate of dividend from 4 per cent, to 4J per cent, giving *so* many concessions, and also allowing them to take all the loans from the general exchequer?

Then, the question of amortisation is indefinitely postponed. Sir, the | Committee themselves have said:

"While the Committee appreciate that the financial position of the Railways during the next quinquennium will not be favourable for the creation of an Amortisation Fund, they nevertheless feel that this question should not be lost sight of inasmuch as in the context of the repatriation of all the dollar loans, it will assume importance."

The Railways have to re-pay Rs. 140 crores of dollar loans—technically, it is not the Railways but it is the Government of India—but we have to repay Rs. 140 crores of dollar loans which have been taken for the Railways. Actually, the Railways should be setting aside a certain sum of money each year for payment of this dollar loan. On the other hand, hot only we do not set aside any sum, but go on allowing the Railways to get more and more loans from the general exchequer. In that case the question of amortisation, I think, is indefinitely postponed; and repayment of dollar loan becomes extremely difficult.

Sir, coming to the Appendix, we find on the one hand, there has been an under-estimation of the receipts and on the other there has been an over-estimation of the expenditure side so that the net surplus becomes .automatically very small. I refer to Appendix I. The goods traffic receipts are expected to increase by only about Rs. 100 crores in five years, from Rs. 320 crores in 1961-62 to Rs. 429 crores in 1965-66. With all the planning that is being done in the country, with all the big plants and factories that are coming up in the public and private sectors in the country, the goods traffic will rise in five years by only Rs. 100 crores. This is not plausible. There is a definite under-estimation on the receipts side. On the other side, as I mentioned before, the rate of contribution to the Depreciation Reserve Fund is being raised from Rs. 45 crores to Rs. '75 crores in 1965-66. This is an over-«estimation of the rehabilitation and replacement needs of the Railways. On the one side there is an over-estimation, while on the other side there is an under-estimation.

There is no wonder that the net receipts surplus is shown to be only Rs. 11-44 crores. Against that the developmental expenditure is being shown at Rs. 115 crores. Again, •more and more loans will have to be taken by the Railways. As I said, the concessions which have been given to the Railways are so liberal that there is no incentive for the Railways to put their finances in a businesslike manner. I do not at all mean to say that certain concessions should not have been given or the Committee have not considered very carefully the matters which were referred to them. But while making their recommendations or arriving at the recommendations they should have considered this basic aspect of the Railway finances. After all, wherefrom is the Government of India going to repay this dollar loan of Rs. 140 crores? All these questions should have been considered by the Committee while making the recommendations and that is why I cannot congratulate the Railway Convention Committee on the work that they have done. Thank you, Sir.

SHRI K. SANTHANAM (Madras): Mr. Deputy Chairman, Sir, I rise to support the Resolution with some important reservations. This Convention was started in 1924. It has been a useful improvisation because it has enabled the Railways to function wi'h stability and autonomy while remaining under the control of Parliament. On the o'her hand, the General Revenues also have benefited with a certain degree of s'ability.

Sir, before I go to examine the specific recommendations of this Report, I wish to make a general observation. I <hink the time has come to consider whether the principle of this Convention should not be extended to all Central investments. Hitherto, the position was that the Railways

[Shri K. Santhanam.] constituted the bulk of the Central Government's capital investments. But that situation is changing. By the end of the Third Five Year Plan, there will be three sectors in which the Central investment will be more or less of the same order. One, is the Railways, the second, the Central industries and minerals which are already Rs. 600 to 700 crores, and another thousand crores of rupees will have been invested by the end of the Third Plan. Thirdly, the loans to the Slates will be reaching about Rs. 1,500 crores. Probably, they may be even Rs. 2,000 crores, the same as the Railways, by the end of the Third Five Year Plan. Sir, these three blocks of capital investments, I think, should be treated in more or less a similar fashion. Therefore, I think instead of the Special Railway Convention, the Central Government will be wise to substitute a General Financial Convention by which all Central investments will contribute not only the interest but also an element of special contribution to the General Revenues. For the rest they should make profits and develop themselves. This will benefit all the sectors of public investments and the present habit of charging varying interest rates to the States, about which there have been complaints, will also go. Similarly, there will be a clear idea as to what all the other industries will contribute, may be 4J per cent, or whatever may be the convention. All investment will contribute more or less in the same fashion, and each of these sectors will be entitled to keep the balance of their profits.

Coming to the Report itself, I think the Railway Ministry was wise to extend the period contemplated by the report of the previous Convention so that the present period will coincide with the Plan period. I wish the Central Government had done the same thing with the Finance Commission also. In the Finance Commission the period is projecting by one year into the Five Year Plan and, therefore, all the adjustments and calculations become rather disorganised. In this matter. I congratulate the Railways on their wisdom.

Regarding the two major recommendations of increasing the dividend rate from 4 per cent, to 4i per cent, and the Depreciation allotment to Rs. 70 crores, I think both of them are reasonable. In my view it would have been better if the dividend rate had been increased to Is per cent, and .he depreciation amount reduced by Rs. 5 crores, that is, to Rs. 65 crores. The increase of capital investment is from Rs. 967 crores in 1955-56 to Rs. 1,563 crores in 1960-61 and it is estimated to go up to Rs. 2,313 in 1965-66. Therefore, you will see that about Rs. 1,400 crores will be new investment in these 10 years and there is no justification for saying that even for this new investment you want such a high rate of depreciation as 3 or 3-8 per cent. The hon. Deputy Minister said that all the Railway stocks are 40 years old. The assets which have been acquired during the last 5 years and which are to be acquired in the next 5 years, that will constitute the bulk of the capital investment, will be less than 10 years old and for them I do not see any justification for having a rate of 3 • 8 per cent, for depreciation. Therefore, it could have been well reduced to Rs. 65 crores and Rs. 5 crores added to the dividend hut this is a matter of opinion. On the whole, I think there is not much to complain about these recommendations of the report.

There is one aspect of this report which I consider to be wholly unconstitutional. I think the Railway Convention Committee had no business to go into the passenger tax at all because according to article 269, that tax does not belong to the Central Government at all. The Central Government is a mere agency. "The net.

proceeds in any financial year —I am reading a portion of article 269—"of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not torm part of the Consolidated Fund of India,"—note that the passenger tax proceeds do 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." Therefore, the proceeds of the passenger tax do not form part of the Consolidated Fund of India and the Central Government has no authority or power over this except to distribute it according to the law passed by Parliament. I cannot see how the 'Convention Committee can recommend the merger of this tax with the passenger earnings because the latter form part of the Consolidated Fund while the proceeds of the passenger tax do not form part of the Consolidated Fund. This is wholly unconstitutional and I think if any State goes to the Supreme Court, it will certainly get a verdict in its favour. Even if the States, in their present position, do not go to the Supreme Court, the Railway Ministry should not be responsible for this and I hope the Central Government will not permit this wholly unconstitutional procedure.

SHRI N. M. LINGAM (Madras): It is only a recommendation. It will not come into force unless legislated upon by the Parliament.

SHRI K. SANTHANAM; They had no business to recommend and the Minister has moved the Resolution in which he has asked this House to accept that recommendation and it is presumed that when the two Houses accept the recommendation, they will proceed upon it.

DIWAN CHAMAN LALL: I do not want to interrupt the hon. Member when he is making a very good point but does he not realise that the moment this particular terminal tax is merged into the passenger fare, it no longer remains a terminal tax and it becomes part and parcel of the fare?

SHRI K. SANTHANAM: My hon. friend does not know. This tax is levied by a separate Act of Parliament under article 269. So long as that Act of Parliament is not repealed, it will continue. The proceeds cannot be credited to the Consolidated Fund. They will have to be distributed in accordance with the principles laid down in law. Probably the implication of this recommendation is that the Central Government should repeal that passenger tax and after repealing it, give a solatium of 12} crores of rupees a year to the States. I think this is not a proper procedure, because the States have got a right to demand from the Government of India to give them funds in accordance with article 269. The Central Government may accept the recommendation or not but it cannot be compounded. Therefore, I think this particular recommendation is altogether unconstitutional and I think the Central Government should reject it.

Again, as the Auditor General himself has pointed out, the financing of the Development Fund by loans is altogether un-.ound. I remember that the Deve'opment Fund was started in my time. At that time we had large profits and we thought that it should be used for development purposes. Therefore, it was decided that this should be used for certain, what are called, unproductive operational improvements, for labour welfare and for passenger amenities. Reallv speaking, operational improvement should go to capital. It is only the labour welfare and passenger amenities that reaMy come within the scope of the Development Fund. According to the calculations supplied to the Committee, these will need Rs. 65 crores in the Development Fund during the next 5 years Therefore. I suggest that the operational improve-— ~rts should automatica[1]lv be credit-

[Shri K. Santhanam.] ed to capital. After all what is the difference? It is not as if the amounts are treated as grants. The amounts are treated as a loan on which the average rate of interest is available. The difference will be about 4 per cent. For the sake of J per cent. I do not think they should perpetrate this anomaly of a Development Fund borrowing from the Central Fund. Wherefrom will they pay? Do they think that the scale of development expenditure will decrease in the Third, Fourth and Fifth Plan, so that they can repay that excess from the Development Fund to the exchequer? Nothing is going to happen. Just as through an ad hoc step they are debiting the balance to the capital, every Convention will have to do it. After all what they would have saved will be only *i* or J per cent, in these 5 years. This is a wholly anomalous and unnecessary step.

I am really sorry to note about the recommendation regarding the North-Eastern Frontier Railway. This Railway was created as a separate zone and thereby a greater amount of expenditure is being incurred. In one of the papers submitted to the Railway Convention Committee it is said that the N.E. Railway was created a new zone not on commercial . . .

SHRI S. V. RAMASWAMY: North-East Frontier Railway.

SHRI K. SANTHANAM: I am sorry, it is the North-East Frontier Railway. It said: "not on commercial principles but for strategic and operational reasons." I do lot know why commercial principles ihould have been defied and now hey are asked to pay less than the isual dividend. Again this idea of trategic railway, I thought, was lead with the partition of India. It 5 coming up anew. If there is to be ny strategic railway and any loss is » be incurred, then that loss should b to the Defence Budget, because hen the Defence authorities will be very careful in asking for such railways. Now they have only to ask for strategic railways and these people at the rate of Rs. 10 lakhs a mile will construct 100 miles and ask the general exchequer to pay the piper. Therefore, neither the Railway Ministry nor the Defence Ministry appears responsible for it and the general public are asked to pay. It is a wrong procedure. Either the Railway Ministry should take it up on themselves or in turn it should say to the Defence Ministry before constructing these lines, "You should bear the burden and adjust it in the Defence Budget". Between the two the General Budget should not be made to bear the burden.

I do not agree with Mr. Desai about the Amortisation Fund. In a developing economy, there is no question of amortisation. Every year you borrow or you take as loan many hundreds of crores and go on spending. What is the fun of saying, 'I will repay Rs. 5 or Rs. 6 crores'. You can say that you will take Rs. 95 crores instead of Rs. 100 crores. We have found that neither for the States nor for the Railways nor for anybody else it does any good. So long as we go on borrowing there is no meaning in having amortisation or sinking funds. Therefore, though they have rejected the proposals for amortisation, I think their sympathy is misplaced. Thank you.

DR. H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, the Report of the Railway Convention Committee, 1960, which was expected to give some relief to railway finances, has recommended changes which will throw a greater burden on them. Before I deal with any particular aspect of that recommendation, I should like to point out what the net effect of these recommendations would be and what they would lead to. It has already been pointed out by the Deputy Minister of Railways in a speech which he read out so fast that few of us could have followed it . .

SHRI BHUPESH GUPTA (West engal): To make up for lost time.

DR. H. N. KUNZRU: . .. that as a result of the increased contribution 1 the Depreciation Reserve Fund id to the General Revenues, the railways' surplus at the end of the third Five Year Plan will amount to bout Rs. Hi crores only, but the xpenditure from the Development fund in order to fulfil the Third 'Ian objectives would amount to Rs. 15 crores.

SHRI K. SANTHANAM: Rs. 11 1/2 rores per year.

DR. H. N. KUNZRU: It is the total f five years. Even if the contribu-ion remained what it is now, the let surplus would have amounted to mly Rs. 34-18 crores in the Third f'ive Year Plan and it would still lave fallen short considerably of the imount required for the Develop-nent Fund in order to fulfil the pur->ose of the Third Five Year Plan. Taking the figures given in the Report, f a contribution of 4J per cent is to 3e made to the General Revenues, he net surplus in five years will, as *[* said, amount to Rs. 11£ crores. If ;he expenditure from the Development Fund is to be Rs. 115 crores, low is the deficit of about Rs. 105 :rores to be met? Even if we take into account the additional revenue that the Railways will derive, if the passenger tax that is now levied for the benefit of the States is altered in its character and added to the passenger fare, that is, if the passenger fares are raised, the Railways will get only about Rs. 7£ crores more. There will, thus be a deficiency of about Rs. 100 crores or nearly Rs. 20 crores a year. Can we borrow a sum of that magnitude from the General Revenues? And if we ask for loans of this magnitude for five years, will not the Finance Ministry say, "You ask us for this loan. But what guarantee can you give us for its repayment?" What will happen in these circumstances? Either the Railways will have to say to the Government or to the Planning Commission that the objectives of the Third Five Year Plan cannot be fulfilled, or they will have to raise their earnings. Now, the Mudaliar Committee known as the Railway Freights Structure Enquiry Committee pointed out in paragraph 149 of its report that according to its enquiries— and it was helped in its enquiry by high placed railway officials—the total gap between revenue and expenditure will be of the order of Rs. 300 crores in the five years of the Plan period, that is to say, the Second Five Year Plan, I suppose. The Committee, therefore, recommended that steps should be taken to increase traffic and at the same time also to increase the earnings. The Government did not go as far as the recommendation of the Mudaliar Committee, but in 1958 they increased the rates by an amount estimated to yield about Rs. 9'26 crores in a full year. They increased the rates on parcel traffic also and these were expected to yield about Rs. 2 crores. Thus the Railways' earnings were increased by about Rs. 11J crores. It is obvious to my mind that no Finance Ministry would be prepared to lend Rs. 100 crores to the Railways without any guarantee for the repayment of that loan. Government will, in those circumstances, ask the Railways to increase the rates and fares. The fares will be raised when the present tax levied for *ihe* States is merged in the passenger fare. But there may, in the opinion of the railway experts, be still some room for an increase in the passenger fares. In any case, it is certain that the rates will be increased and increased substantially. The increase will be of the order of Rs. 20 crores a year. The increase will be of such a magnitude as to yield about Rs. 20 crores a year. This is the net result of the recommendation of this Convention Committee. We are arguing about this detail and that detail; but in my opinion, whatever changes might be made, nothing can do away with the broad fact that the Convention Committee without having said so in

[Dr. H. N. Kunzru.] so many words, has asked Parliament to increase the freight rates which are in force at the present time. Government has come forward to ask for our approval to the recommendations of the Convention Committee without making it clear to us at this stage what it is that the acceptance of these recommendations will lead to. Is it fair, Sir, I ask, on the part of the Government to conceal the real effect of these recommendations from us? It may be very clever on its part to have done so but I do not think that it was honourable. Now, Sir, the question whether it is fair that the rates should be raised by an amount of the order mentioned by me. It all depends on the general policy of the Government. Government has got a large development Plan on account of which it has to levy more taxes and to increase the yield perhaps of the existing taxes. It is obvious that it will ask the Railways to follow its general policy. We cannot here go against that policy after acceping the Third Five Year Plan, but the effect of it on general railway traffic and on the rise in prices has also to be considered. I know the reply that Government generally gives on such occasions. The increase in the rates will be so small as to be negligible but we always find. Sir, that these negligible increases lead to substantial rises in prices, and I hope that Government will pay adequate attention to this matter before taking steps to put the recommendations of the Railway Convention Committee into practice.

Having said this, I should like to deal with one or two other questions. I should like to deal first with the general policy of merging the passenger tax which is levied for the purpose of the States in the passenger fares. That would be a case of robbing Peter to pay Paul and I do not approve 0' thai policy. How much are we going to gain in this way? It is only Rs. li crores each year in the aiext five years. I think if the rates are to be raised then let them cover this amount too. The States will require some growing sources of revenue in order to meet the burdens that the Third Five Year Plan will lay on them. It is not fair to them that they should be deprived of this source of revenue. It ought to be allowed, in my opinion, to remain as it is today.

Now, Sir, I should like to say a word about the contribution to be made to the Depreciation Fund. The Railway Convention Committee has proposed that it should be about Rs. 70 crores a year or about Rs. **350** crores in the Third Five Year Plan. The Mudaliar Committee to which I have already referred has dealt with this matter in paragraph 146. **The** Members of the Committee say that they took, as their starting point, a provision of Rs. 45 crores for assets at the end of 1954-55, and then they go on to say "and to this we have added, according to the usually accepted lives of railway assets, the amount, for depreciation for the which will have come into existence year after year subsequent to 1954-55". This means that this does not include any backlog at all. The Committee made its conclusion on the basis of the additions to railway equipment during the five years subsequent to 1954-55 and said, "On a rough basis, we conclude that the depreciation for the assets in the year 1960-61—the final year of the Plan period—would be about Rs. 66 crores". Now, this figure has not been challenged so far because the basis of calculation as explained by the Committee seems to be quite sound. Let us now consider the amount that will be added to the capital-at-charge during the Third Five Year Plan period. It will be, as Shri Santhanam has said, about Rs. 800 crores. If you take the lives of the assets as they are computed at present and find out what the depreciation would be at the rate of 2-5 per cent., it will be much more than four crores of rupees. It is obvious, therefore, that the figure of Rs. 70

crores recommended by the Convention Committee for contribution to the Depreciation Reserve Fund is not too large. Indeed, it will be found later on that it is inadequate for this purpose and may, therefore, have to be raised if railway revenues, contrary to the expectations of the Railway Board, increase substantially during the Third Five Year Plan.

Sir, there are some other points in the Report which deserve consideration but I do not think I shall be justified in taking the time of the House any more because there are, I know, many Members who are anxious to speak on this important topic. I shall say only one thing: While Government is justified in asking the Railways to make such contributions to the General Revenues as the Railways can consistently with their stability and efficiency, I doubt, Sir, whether the recommendations of the Convention Committee, even with the small concessions made in favour of the Railways, are of such a character as to improve either the stability or the efficiency of the Railways.

SHRI N. K. DAS (Orissa): Mr. Deputy Chairman, Sir, I support the recommendations of the Railway Convention Committee generally speaking and particularly the recommendation relating to the fixation of the dividend at 4-25 per cent, payable to the General Revenues. I must, however, frankly state that I would have been much happier if the dividend had been fixed at a little higher rate. As a matter of fact when the Report of the Railway Convention Committee of 1949 was under consideration, as a Member of the Provisional Parliament, I pleaded for an increase of the dividend to 6 per cent, but the House accepted the rate of 4 per cent, and that rate has been continued even after the 1954 Convention. I am glad the necessity for an increase in the dividend, slight though it is, has at last been recognised. In this connection it has to be borne in mind that the Railways are not only a publie utility concern but also a commercial undertaking and of all nationalised undertakings it stands as the first and foremost. It is in the fitness of things, therefore, that the Railways must contribute handsome amounts to replenish the resources of the nation in order that in times of need and dire necessity it may draw upon that never-failing source. A conception of the relationship between Railway Finance and the General Revenues has to be thought out. As I view it, there need be no conflict between Railway Finance and the General Revenues. The relationship between the two should be as between a child and its father. The father bestows all the care the child need3 just to enable it to start on its career and the child, as soon as it grows mature, should pay handsomely to the father and the father in his turn must be always ready to go to the rescue of the child in times of storm and stress. The child again need not rest content with merely paying the money that the father spent on him together with a nominal interest accruing thereon but must pay something more in order that the father—I mean here the General Revenues— may look to the interest of the other children—I mean the other Welfare Departments. I must stop **here;** I need not push the comparison further. Hence, although I agree with the Members of the Committee as regards the form of the contribution, I am not at one with them regarding the quantum of contribution that they have recommended. I must, however, congratulate the Members of the Committee for the fact that they have on the whole been fair both to the Railway Finance and to the General Revenues, fair to the utmost extent they could go.

The allocation of Rs. 70 crores annually to the Depreciation Reserve Fund, which comes to a total of Rs. 350 crores for the next quinquennium, is fair and reasonable and I have no doubt in my mind that Parliament

[Shri N. K. Das.] will not hesitate to give its wholehearted support to this.

As regards the allocation of Rs. 3 crores annually to the Development Fund, I must frankly state that it is hopelessly inadequate. The allocation of Rs. 3 crores has already been there for the last few years as a result of the recommendation of the 1957 Convention Committee. Do the Members of the Convention Committee of 1960 and the Railway Minister hold the view that with the large scale extension of the railway system that is envisaged during the Third Five Year Plan this paltry amount of Rs. 3 crores a year will suffice?

In this connection with regard to the provision of amenities, I should respectfully draw the attention of the Railway Minister to one particular thing. Are the amenities meant to be showered only on the big stations? Should the roadside stations— the smaller fries— deserve no share of it? There are already a number of roadside stations, old stations, stations as old as the inception of the railway system, and more stations ■will come into being shortly. Why not bestow some amenities at least on these roadside stations? I have many instances of neglected roadside stations, particularly in the South Eastern Railway—the railway which passes through my part of the country—in my mind, but I do not propose to dilate on them at present because this is not the proper occasion. I would reserve them for a more appropriate occasion in the future. I cannot, however, help referring to one particular neglected station—I mean Soro—in the South Eastern Railway. It is one of the ol* roadside stations and it is the headquarters of the Assembly constituency from which the Chief Minister of Orissa, Dr. Mahtab, has been elected to the Orissa Assembly. Leave alone other amenities; there is not even a single chair or bench for upper class passengers to sit on in this station. I have repeatedly drawn the attention of the South Eastern Railway Administration to this but every time a reply comes five months, six months or sometimes even a year later, that the matter is receiving consideration. How long it will receive consideration, I do not know, but the .condition remains the same. I have got a catalogue of grievances against the Railway Ministry and the South Eastern Railway Administration with regard to their activities so far as Orissa is concerned, but, as I have said before, I shall reserve them for a future occasion. These are all the observations that I had to make. Thank you.

SHRI N. M. LINGAM: Mr. Deputy Chairman, Sir, before I make my observations on some of the recommendations of the Committee, I would like to deal with two main criticisms made by previous speakers. My hon. friend, Dr. Kunzru, concluded his speech saying that the recommendations of the Convention Committee impose too severe a strain on the resources of the Railways. Sir, it is true, as he pointed out, that the Railways are hard put to it to find the resources for the development envisaged during the Third Five Year Plan period which is to the tune of about Rs. 120 crores. But, Sir, let us see how the recommendations involve an undue strain on the resources of the Railways. The major recommendation is about the quantum of dividend payable to the General Revenues. That is proposed to be 4-25 per cent. The hon. Minister in his speech said that the average borrowing rate during the past quinquennium, taking into account the borrowings from the World Bank also, has been of the order of 3·7 per cent. So, the element of contribution recommended by the Convention Committee is only 0-5 per cent, or 0-55 per cent, to be exact. Is this of such an order that it imposes a strain on the revenues of the Railways? It iS true that the quantum is not an indication of the severity of the strain.

SHRI N. SRI RAMA REDDY ;Mysore): The World Bank loans are said to have been obtained at the rate of 5-5 per cent, to 6 per cent, Interest. I want to know how it compares with the figures he has given.

SHRI N. M. LINGAM: When the iverage is taken, when it is merged nto the capital-at-charge and the tverage worked out, the interest rate s not more than 3-7 per cent. That is vhat the Minister has said. It is true hat even this low percentage of :ontribution(namely, 0-55 per cent. nay impose a strain under certain conditions, but let us examine the Inances of the Railways. Adequate porovision has been made in the ecommendations of the Committee or depreciation. It is of the order of Rs. 70 crores per year. On this wo senior hon. Members differed rom each other. Pandit Kunzru has of the opinion that it was on the DW side. My hon. friend, Shri lanthanam, was of the opinion that t was on the high side. Having egard to the withdrawals from this 'und in the past years I think, if nything, it is on the high side. The ,on. Minister himself has said that lie normal rate of depreciation should ie 2-5 per cent. But this is of the rder of 3-8 per cent. Having regard D the phenomenal increase in the apital-at-charge from Rs. 1600 crores j Rs. 2400 crores nearly at the end f the current quinquennium, this mount of allocation for the Depre- iation Reserve Fund is on the high ide. It may even be said that a tage may be reached where this lay lead to under-capitalisation. laving regard to the need for reventing over-capitalisation and ie other circumstances, to which shall come presently, under which :ailway finance is functioning, it can- ot be said that the Depreciation Reserve Fund recommended by the invention Committee is unreason- ble.

Similarly, with regard to allocations for the other needs, it cannot be said that the estimates are conservative. If anything, as usual with budgeting processes, the forecast of revenues is always on the low side and the forecast of expenditure is on the high side.

DR. H. N. KUNZRU: During the five years of the current Plan, the estimates of expenditure have not been on the high side.

SHRI N. M. LINGAM: That is true, but much of the outlay in the Second Five Year Plan period is going to yield results only in the Third Five Year Plan period, and we naturally expect an increased tempo of activity during the Third Five Year Plan period. It is true that even with the best managed Railways, it is possible to incur loss, but there is no prospect of road traffic competing increasingly with rail transport. I think that in the conditions of our country today, the Railways have a prosperous period for a number of years to come. At any rate road traffic will not cut into the operation of the Railways in the foreseeable future, if only the Railways are administered efficiently. So, it is reasonable to expect that rail traffic will increase in the coming quinquennium. That is the basis on which the dividend itself is recommended by the Convention Committee. I would like in this connection to comment on what my friend, Mr. Santhanam, said. The actual return here is of the order of only 0-55 per cent. I wonder how he would agree to such a return in the case of a commercial concern. The Railways are said to be both a commercial and utility enterprise. My friend was saying that this was the return to be expected from commercial concerns, namely, from the industries and minerals side for which large outlays are being made. I think we should expect a larger return from enterprises which are purely industrial and commercial than from the Railways.

[Shri N. M. Lingam.]

Then, Sir, objection was taken to the proposal to merge the passenger fare tax in the railway fare. Apart from the Constitutional position, the point is that the Railways cannot increase their fares as long as this tax is imposed. Actually, this is an increase in railway fares diverted for the benefit of the States. As long as this anomalous position is there, the Railways find it difficult to come with any scheme for increasing even the ordinary rates. So, this has to be rectified. It is true that the States have an elastic source of revenue, however small it may be. But having regard to the general financial position of the Railways, which according to previous speakers was not so good as to make adequate provision for all the obligations, including development, it is but fair that they are given this option and we should endorse the recommendation of the Convention Committee that this tax on passenger fares should be merged into the fare itself, and the States reimbursed to the extent of the average of the tax realised in the past two years. That is the rationale behind it. Regarding the Constitutional position, I imagine that the necessary amending legislation will be passed in the House and that the States also will be consulted. These are the main criticisms against the recommendations of the Convention Committee and, having been a member of the Committee, I thought it necessary that I should answer these criticisms.

As regards the other proposal of the Committee, namely, that the strategic lines should be exempt entirely from the contribution payable by the Railways, Mr. Santhanam took exception. Sir, the North-East Frontier Railway is divided into two sectors, one the purely strategic sector, and the other the sector which is not yet remunerative. So, it is fair that the strategic sector should not only not pay any dividend but any loss on the operation of that sector should be borne by the General Revenues. It is a great concession to the Railway Finance. With regard to the non-strategic sector of the North-East Frontier Railway, the average interest rate at which money is borrowed is leviable from the Railways. These are eminently reasonable recommendations.

Sir, the recommendation with regard to the Amortisation Fund is made not because the Committee felt that it was practicable in the present quinquennium to start a nucleus but because it was necessary that the Railways should have before them this obligation clearly so that sooner or later an earnest effort might be made with regard to the creation of an Amortisation Fund. I do not agree with the previous speakers that in a developing economy it is neither desirable nor possible to have an Amortisation Fund. At least with regard to our obligations which the dollar loans have imposed, we must make an earnest attempt to create an Amortisation Fund. These are the main recommendations of the Committee.

Finally, I would only point out that, as the hon. Minister has pointed out, there is no conflict of interest between Railway Finance and General Finance. But we have to bear in mind this that the rationale of the division of the Railway Finance from General Finance was that it should function as a public enterprise in the country and should pay to its shareholders a reasonable dividend. It is true that it has the commercial aspect as well as the public utility aspect. It is true that the Railways are contributing indirectly to the General Finance in various ways!— sales tax,- import duty on machinery, municipal taxes, concessional fares to the P. & T. Department, movement of coal—it is a great strain, most of the high-rated traffic goes to road transport, and there are several handicaps. Its contribution to the common weal and to the General Finance has been intangible. But even so, as I said, the rationale of ivision is that it should be able to ay a dividend to the share-holder rho is the tax-payer. This 0'55 per ent. is only notional, and 1 do not link the Railways can grudge it 11 such time as they are really not l a position to pay, and that time ; still far off.

SHHI . M. GOVINDA REDDY Mysore): Mr. Deputy Chairman, efore I go to the recommendations f the Committee, I would like to lake some points which are mostly larificatory in nature. Of these, wo points arise from the recommen-ations of the 1954 Convention Com-littee, one of which has been ouched by this Committee and the ther not. I want to know the exact 'Osition regarding that. I am refer-ing to the recommendation of the 954 Convention Committee which 3 in paragraph 25(b):

"The Railway Board should look into this matter of assessment of rent (realised for railway quarters) and ensure that a return of rent more commensurate with the capital cost is obtained on all residential buildings built for Class III Staff."

?his has been referred to in the leport, but we are unable to see what txactly the position is, whether any eturn is obtained or not. It is in his Committee Report, paragraph (ii) on page 3.

The other point which the 1954 Committee made was this:

"The Committee are anxious that the primary amenity which the Railways must provide is that of safety of travel. They, therefore, desire that the expenditure on Safety Works should be given due priority in any allocations of funds from the Development Fund over the next few years."

! suppose the members of this Contention Committee have made sure ibout this, but as we do not know what exactly the position is, we are not able to appreciate whether they have taken this into consideration or not.

Then, Sir, this House would have been in a better position to appreciate the recommendations of this Report if the details of the basis of the finan cial results were available to us. Particularly we would have been in a position to appreciate it, if we had known the capital invest ed on strategic lines, the capital invested on the construction of quarters for the railway staff and the return therefrom, the concessions given by the Railways to other Gov ernment Departments and public undertakings if they could be assess ed—and I believe they could be and have been assessed—the floating assets of the Railways, and the extent of over-capitalisation on the Railways. If the Minister can give these now, I should be very grateful to him. If he cannot, let him place them on the Table.

Now, Sir, I have not been able to understand some point in the Report in Part II which refers to the working of the Railways during the period 1955-56 to 1960-61 and the financial prospects. In the Report which the hon. Minister will see on page 5, there is a difference in the gross traffic receipts. In 1955-56 the receipt is Rs. 316-29 crores; in 1956-57 it is Rs. 347'57 crores; in 1957-58 it is Rs. 379-78 crores. Suddenly in 1958-59 it comes down to Rs. 390-21 crores —it does not come down but the rate of increase in the previous years is not maintained in 1958-59. It is just 3 per cent, increase whereas in others there is roughly 10 per cent, annual increase from year to year. For the next year 1959-60, of course, it is Rs. 422-33 crores. I want to know why there was such a sudden fall in the rate of increase. Now if he kindly refers to the Net Railway Revenue, there also it is the same. In 1955-56 it is Rs. 50.34 crores; in 1956-57 Rs. 58:38 crores; in 1957-58 it is only Rs. 57-78 crores,—it has decreased

[Shri M. Govinda Reddy.] But then the rest is going on increasing. What is that decrease due to? Between the years 1957-58 and 1958-59 the difference in increase is only Rs. 2 crores. Why is there such a small rate of increase, whereas in the other cases it is more than Rs. 7 crores? Similarly with regard to Net Surplus in the same table, for 1956-57 it is Rs. 20-22 crores; for 1957-58 it is Rs. 13-38 crores. There is such a fall. For 1958-59 it is Rs. 8-93 crores. What is that due to? Also on page 21, in the next part, there is Net Surplus, and the figures are calculated according to the rate of dividend, 4 per cent, 4J per cent, and 4i per cent. If it is 4 per cent, from 8'43 it goes down to 4-69, and then it is 2-12. In the next line from 4-32 it goes down to 0-13 and then to — 2-85. I have not been able to understand this. There must be very sound reasons for this, and I would like the Minister to refer to those reasons.

While coming to the recommendations of this Convention Committee I am inclined to agree with Dr Kunzru in appreciating the financial position of the Railways. Now, the Committee has recommended 4J per cent, not 4 pel- cent, dividend. The Financial Commissioner says that the Net Surplus available for the Development Fund was practically nil and that they had to borrow from the Government about Rs. 33 crores or so, and, therefore, he has recommended that the outstandings in the Development Fund should be liquidated and that In the next Plan, when this Convention Committee's Report is implement, ed, the Railways should start with a clean slate. If this is the position with regard to the Development Fund, what is the advantage that the Railways get in making this recommendation for increasing the dividend by 0-25 per cent? Now, they say that the gross surplus for the next five years is calculated at Rs. 808 crores. The dividend at the rate of 4 per cent, is Rs. 364 crores. At the present rate recommended, the dividend is Rs. 387 crores. An expenditure of Rs. 60 crores on open line works has to be taken into account and also a sum of Rs. 350 crores as appropriation to the Depreciation Reserve Fund has to be taken into account out of this amount of Rs. 808 crores. If you add Rs. 387 crores which is the dividend, Rs. 60 crores on open line works and Rs. 350 crores as appropriation for the Depreciation Reserve Fund, it amounts to Rs. 797 crores. And they suggest that an amount of Rs. 115 crores is contemplated on works Chargeable to Development Fund. If you add this sum of Rs. 115 crores to Rs. 797 crores, then it will come to Rs. 912 crores. The budget comes to Rs. 912 crores, whereas the net gross receipts are only Rs. 808 crores. So, as Dr. Kunzru was pointing out, more than Rs. 100 crores—actually Rs. 104 crores—are in deficit. Now, how are the Railways going to make up this amount? That is a very difficult position. So, they have inevitably to borrow from the General Revenues. Well, is that a sound position? I am not an expert on railway affairs, whereas my friend, Mr. Santhanam, has got very good experience. I have not been able to see how this improves the position of the Railways. I do not know how this increased rate of dividend will improve its position. The Railway administration has very clearly and explicitly stated that they will have to borrow for all the development works when this Development Fund is closed. And with regard to some of the lines—unremu-nerative lines—they say that they can pay at the commercial rate. Now, the commercial rate will be 3-58 per cent, or 3ˉ17 per cent, or 3" 18 per cent, or the average struck. The difference between that and the rate of dividend will be only about 0-63 per cent, at 3ˉ58 per cent, interest rate. That is all the difference that it makes. Now, if they can make up this amount of difference, I think they can make up the rate of dividend on that as well. I want to know whether they are really in a position to pay on the borrowed funds the interest at even commercial rates.

Now, Sir, with regard to the merger of the passenger tax, I have heard Tery keenly the arguments advanced by the previous speakers. I think, Sir, it is bad in principle. I have no objection to raising the fares. Let us be straightforward. If the Railway Revenues are not sufficient, if the net surplus is not available, then let us put up the rates. We tax the passenger rates, we call it a tax.

SHRI N. M. L1NGAM: That was **the** original mistake.

SHRI M. GOVINDA REDDY: Whatever it is, let us not commit a second mistake because we have committed a mistake once. Now, if this is a tax, let us keep it as a tax or let us abolish it and put up the rates. Well, Sir, I heard Diwan Chaman Lall making an argument that it was still possible for us to repeal that legislation and then merge it. I agree with him, technically it is quite possible. But on principle, is it good? Introducing a tax and then absorbing it, by back door methods, in the rates is very bad, Sir. I believe that the Railway Board and the Ministry should now make a choice between a plain course and thi3 course recommended. I think it is not at all fair to absorb this tax in the fares.

Another point is this. The States, as some other Member observed, are in a very bad position with regard to resources. We have now given them hopes that they are getting a contribution from the collection of this tax. If that is so, we should not now disappoint them. Even the rate which the Committee now very kindly allows for the States—the maximum collection is Rs. 12-77 crores and the minimum is Rs. 12-24 crores, the average being Rs. 12-50 crores—is not also equitable. Well, Sir, we expect the Railways to invest more and more. The population is increasing every year by 2 per cent, or so, and the revenues are also increasing. If the receipts increase, it is only natural that the States should get more than what they have been getting as their share in the previous years. The Railway Board has calculated the average over the previous years. That is bound to be lower than what the average would be during the future years. So, even taking this factor into consideration, it is not an equitable distribution.

With regard to the depreciation question, Mr. Santhanam made the point that the depreciation that was sought to be collected—Rs. 70 crores —was on the high side. Well, I do not know about it because I do not have the data with me. But as far as the assets are concerned, I think the general rule is that one year after the assets come into service, the depreciation starts, and the amount of depreciation to be recovered will depend upon the life of the assets. I believe the Railways have calculated on that basis. Suppose they have calculated and recovered more depreciation in the Depreciation Fund than is due, even if it should result in a hidden revenue, even then it is not bad; it helps the railways. I suppose that it is an adequate amount and hope that is an amount arrived at on a correct basis.

About the payment on the strategic lines, the proposal is, because they are strategic lines and are not remunerative, the General Revenues should bear it. The Railways should bear it in my opinion and then decrease the dividend or deduct that investment from the capital-at-charge, which should pay a dividend. I mean, if we go on giving these concessions to the Railways, which they no doubt deserve, then there will be no pressure on the Railways to work more efficiently, to earn more. Now, the proposal is to do away with all the balances in the Development Fund and start with a clean slate; they want to wipe off all these arrears. Here again, in regard to the strategic lines, they say that they will not pay anything, that the General Revenues will have to bear the entire loss. They say that the North East Frontier Railway or part of it is unremunerative and that they will pay at the commercial rate of interest and in regard

[Shri M. Govinda Reddy.] to part of that Railway which is strategically important, they will not pay anything. Sir, the Railways are in difficulty as an analysis of the position shows. As it is, if the Railways have to bear all these things, and it may come to this, these amounts will have to be written off some day. Let us write it off when it amounts to a staggering figure instead of doing so now. In any case we are now doing it. We can do it then. But this difference will be there; the responsibility of making these lines remunerative will be on the Railways if they should bear the loss. But if the General Revenues should bear the loss, certainly the Railways have no more responsibility than they have now—they simply earry on. I think it is also bad in principle to allow the railways to put the charge of the unremunerative lines or of the strategic lines on the General Revenues. And these lines, if they do not pay now, when will they pay? Will there be a time arrived at in the history of the Railways when they will be in a position to pay? So this is a position which should not be allowed to continue. On the Railways more and more developments are going on and so its Development Fund should increase. I do not agree with the Comptroller and Auditor General who says that the Development Fund should not be assisted by temporary loans from General Revenues. So with regard to the expenditure on development of Railways naturally the net surplus will always be not commensurate with the rate of developmental expenditure. If that is so, why not settle the position finally rather than allow this position to continue? Very wise gentlemen who have composed the Committee think that the Railways' position will be sound even after giving a quarter per cent, dividend more. I have nothing to say in the matter.

Thank you, Sir.

SHRI JASWANT SINGH (Rajasthan:) Sir, the Report of the Railway Convention Committee, 1960 *is* before the House for approval. I have noted that it has been the practice that such reports always come before this House for approval, and on the same lines this report also has come for approval.

At the outset I must congratulate the Railway Ministry or rather the Railway Board for putting up their case so nicely before the Committee. They carried the Committee with them and practically obtained the approval of the Committee on every point that they represented before it. I do not want to take much time of the House. Therefore, straightway I would like to come to some of the more important points which have been raised in this report.

The recommendations of the Committee start from paragraph 13 of their Report. First of all they deal with the rate of dividend. Sir, it is seen that the first Committee of 1949 recommended 4 per cent, dividend and the second Committee of 1954 continued the same rate of dividend. Now here the present Committee went into the question thoroughly from every ang'e, and they feel that there is a case for raising the rate by a quarter per cent., that is, from 4 per cent, to 4-25 per cent.; but they make this rate of dividend subject to certain concessions to the Railways. The forecast for the next five years which incidentally coincides with the Third Five Year Plan has been given in this Report as Appendix I thereof, and going through this forecast one does not feel very happy about the financial condition that the Railways will have to face during the course of the next five years, because the calls on the Railways are very heavy, the price of every material is soaring and the demands for amenities and facilities from all quarters are at the same time rising, and thus the forecast which has been given in this Appendix for the next five years does not appear to be happy as far as the finances are concerned, and, therefore, the recommendations made by this Committee, how far they will meet the point is a matter which is to be seen in course of time. Now in regard to the rate of dividend, Sir, normally it appears that raising the present rate of dividend by a quarter per cent, is not too much, is not excessive, and even there was a case for raising it to even 4:5 per cent. But it appears that the forecast does not justify even the raising of the dividend by this quarter per cent. The Committee had to help the Railway administration; they had to make certain concessions, and the first concession that is suggested is in regard to the loss of the strategic lines which is coming to about Rs. 1:15 crores per annum, and during the next five years it will mount to nearly Rs, 6 crores, and, therefore, they have recommended that the whole loss on the working of the strategic lines should be borne by the General Revenues. So, therefore, this raising of the dividend by a quarter per cent, does not improve matters. In regard to the North-East Frontier Railway also, which is an unremunerative one, a concession has been given, and the rate of dividend to be paid by this unremunerative line will have to be on a commercial basis. Therefore, looking to all these concessions, Sir. I do not know what was the point for raising this dividend at all; the dividend should have been kept at the same rate and these concessions should have been withdrawn; there wou'd have been uniformity and moreover, as said by my friend Mr. Govinda Reddy a little while ago, in the case of these two kinds of lines, the strategic lines and the unremunerative lines, the Railways will have no direct interest, because they know that on these they will not have to bear the responsibility for making them self-supporting, and human nature being what it is, even though I am sure that the railways would not be careless in regard to their responsibility to find the resources as far as the unremunerative lines are concerned, even then they, like any other, would be a little careless when they feel that they have no direct responsibility in the financing of these two kinds of lines.

Now, Sir, the next point which this Committee has dealt with is in regard to the contribution to the Depreciation Reserve Fund. In regard to this Depreciation Reserve Fund, here also we note that the 1954 Committee increased this fund from Rs. 30 to Rs. 35 crores per annum. And that was not found sufficient. Therefore, in 1955-56, with the approval of Parliament this fund had to be raised to Rs. 45 crores. Even then we find that the fund had to be 'raided' by about Rs. 119 crores in the last six years. Therefore, even this Rs. 45 crores were not sufficient and, therefore, the Committee have now recommended Rs. 350 crores in the next five years, which comes to about Rs. 70 crores, *on* an average, per annum. This does not appear to be excessive when we see that the capital-at-charge is expected to go up from Rs. 1563 crores to Rs. 2313 crores in 1965-66. On paper and in theory this appears to be quite all right but, Sir, it has to be seen looking to the finances of the Railway Administration and the forecast that has been given to us, whether we will be in a position to allocate at the average rate of Rs. 70 crores per year to the Depreciation Reserve Fund. If we do this, the result will be that there will be a further call on the General Revenues. Since my friend, Mr. Govinda Reddy, has already dealt with this point in detail I do not want to dilate upon it. But related with this is the question of the Development Fund. Here also there is no balance and the Development Fund has to be met from the temporary loans to be taken from the General Revenues. Rs. 70 crores annually we are giving to the Depreciation Reserve Fund. I, therefore, feel that this allocation of Rs. 70 crores to the Depreciation Reserve Fund is *on* the high side. Looking to the financial position of the Railway Administration, it should have been a lower amount.

In regard to the Development Fund, Sir, we have been told that it is expected to close with a deficit of something like Rs. 33:46 crores at the end

[Shri Jaswant Singh.]

of 1960-61, and the Committee feels that this Fund should be financed by-means of temporary loans from the General Revenues. But the Report mentions that the Comptroller and Auditor General is opposed to this on principle. Though the Committee appreciate the point raised by the Comptroller and Auditor General, they support it half-heartedly on the only plea that in a developing economy such expenditure will have to be incurred and, therefore, it will not be practicable to implement the suggestion of the Comptroller and Auditor General. Therefore, they have suggested that in order that the Railway administration may start on a clean slate this debt of Rs. 33.46 crores may be wiped out and for future also contribution from the General Revenues should be given though the interest to be paid should be on a commercial basis. Here, Sir, I feel that the Committee have been rather over-generous to the Railway Administration because when the money will be easily available to the Railway Administration for the Development Fund, naturally there will be extravagance in many things. Here we might say that in spite of the tight financial position of the Railways, do we not see palatial, extravagant buildings for railway purposes as well as for accommodation of Railway officers? There is no question of any economy. At places like the Divisional headquarters the manner in which the Railway officers live, the manner in which they travel and the manner in which money is being spent; from all this it seems that there is no anxiety to exercise economy. When easy money will be coming to them in regard to this Development Fund, various things which could have been done looking to the general finances of the country will not be done; they will not be so careful as they would have to be if they were to spend from their own resources. The whole financial forecast tells us that throughout the period of five years they will be able to have a saving of only Rs. 11:45 crores. But the contribution towards development fund is needed to the tune of Rs. 115 crores. This is far too excessive because the money has to come from the General Revenues. I feel that the Committee has been rather over-generous to the Railway Administration in regard to this.

Lastly, in regard to the merger of passenger fare tax with the railway fare, I agree with my friend, Mr. Govinda Reddy, that in principle it is absolutely wrong. This tax at present has been levied and collected entirely for the benefit of the States. The Constitution too provides that this tax is meant for the States. Now they want a fixed sum of Rs. 12-50 crores to be given to the States. The States also want more funds. With the increase in traffic, normally they expect a rise in their share and they will be deprived of this benefit. Therefore, in principle it is absolutely wrong. As Mr. Reddy said, they should abolish it and raise the fare, otherwise it will be constitutionally wrong. In principle also it is wrong and there will be many complications in future if this procedure continues. Therefore, here the Committee, in my opinion, has gone wrong in accepting the requirements of the Railway Administration. But as I said in the beginning they have to be congratulated for putting their case nicely. With these remarks I support the recommendations, but these are the points which have to be looked into.

SHRI J. S. BISHT (Uttar Pradesh): Mr. Deputy Chairman, Sir, I support the Report of the Railway Convention Committee, 1960. I agree that the Railway Administration has been very lucky in carrying this Committee with them, practically *on* all the points. There seems to have been little criticism or little opposition to the proposals that were put forward before them. The daily papers are correct in saying that when the Railway wins, it really wins all along the line. But when we judge the Report, we have to judge it from the point of view of the so-called shareholders. I suppose this debate in both the Houses of Parliament is in the nature of a general meeting of a commercial company

■where the shareholders look to the balance-sheet and try to find out how the management of the company has functioned and whether there has been a proper return on the investment made. That is the only proper method of looking at these accounts.

Sir, we have been having a lot °* confusion in this matter. Some few years back it was said that the Railways were a public utility oncern and, therefore, we should not look elosely to the finances of the Railways. As far as I remember, the words "public utility concern" have a very narrow meaning and we should be very careful in applying that meaning to a commercial concern. The words "public utility concern" mean a type of concern which no commercial undertaking undertakes because there is no chance of profit in that. For instance, water supply is essential for the life of the community. Similarly, sewage, drainage or scavanging, which never pay, are strictly speaking public utility concerns. To come and say that any concern taken over by the State is a public utility concern is, I submit, stretching the meaning of the words rather too far.

I am not aware of any concern which is not a public utility concern. The textile mills are public utility concerns because we cannot live without cloth. The cement factory is a public utility concern, the steel factory is a public utility concern. If public utility means only that they are of some use to the public, then everything is of use to the public, and, therefore, every concern is a public utility concern. Therefore, I submit that we should define it in the very narrow sense in which it is used, that is to say, in which if it were left to private enterprise, it would not touch it. It would not be a commercial undertaking because it would never pay. The Railways in other countries where it is not a State undertaking are run by commercial concerns and are run as commercial ventures. Nobody claims there that it is a public utility concern nor do their Governments show any particular mercy to them. They have to pay income-tax, excess profits tax, etc. In fact I was interested to read a note submitted to this Committee by some officer of the Railways with regard to the working of the railways in the U.K., France, Belgium, etc. after being taken over by the State. I find that even in the U.K. the Railways have to pay income-tax and also excess profits tax. It is another matter that the Railways are showing a deficit. That is a better way. Our Railways too should do the same and they should pay income-tax and excess profits tax and show deficits. I say there should be deficits because that will put them on their mettle to show profit. Every year they cannot come here and say, "Here is a concern which is losing." They may come once, twice or thrice but ultimately they have to work their way to at least balance the Budget or to bring about some profit. At present what happens is, on paper we show some profit with the result that all that we get by way of increase by tax goes for the increased number of employees and their salaries. If we look at the last five years, we will find that whatever has been raised is more or less swallowed by the number of employees that has increased and by their salary bills. It is a tremendous increase. Every time there is a threat of strike and pressure is used and the easy way is to give way in the shape of increased wages. It will act as a check to a great extent if we come forward frankly and state before the country that this is not paying at all. The employees cannot ask anything frc<m a concern which is not making profits. They must show better results, and that means they should not be over-staffed. When the partition took place, we had the same route-mileage and the number of employees was 6J lakhs and today it is more than a million. There may be some ground for increasing the staff on account of increase in freight and passengers here and there but this tremendous increase is due to the fact that there is constant pressure that these people should be given some relief. This sort of thing will have to be stopped by the Railway Administration, by the Rail-

[Shri J. S. Bisht.] way Board if they have to show a profit before Parliament because they dart-not show deficits year after year, for more than a few years. If we look at it from that point of view, then this question of paying dividend does not have much meaning. The word 'dividend' itself is a misnomer, because this is not a dividend. What is understood in commercial parlance is that it is the net profit which is distributed to the shareholders. This is not a net profit because it includes interest. This is not heard of in any commercial undertaking. There the interest, depreciation and everything is paid off, the income-tax is paid off and whatever is left, is the net profit and that is divided among the shareholders and is known as the dividend. Here it is called 4 per cent, dividend and they say that they have increased it to 44 per cent. Actually the report itself admits that besides the interest, the dividend paid by the Railways included an element of contribution to the General Revenues of 0 8 per cent. Let us imagine for ourselves as shareholders, which we are supposed to be, or as representatives of shareholders which we are supposed to be, that on a capital-at-charge of Rs. 1,432 crores, we are not getting even 1 per cent, that is to say, in a concern which does not pay one pie as income-tax ...

SHRI K. SANTHANAM: Do they pay interest on share-capital in the private companies? Here how can you include it?

SHRI J. S. BISHT: What do you mean by share-capital? The share-capital is paid in the market. Here you are always raising loans and you will have to do the same thing now. When you take heavy loans from America, you will have to do the same thing. They have to pay back. The paying will have to be done on loan basis. How can you do it if you go on maintaining thir accounting process. So I submit that the dividend that we get is very small. The method of cish accounting and presenting the Budget has to be radically changed. It was not a very

happy moment when the Railway Finance was separated from the General Finance. If it had been in the old way, the Finance Department would have exercised very vigorous control, because it does not seem to be a very good principle that every commercial undertaking makes its own budget and tries to justify it. If we go on like that, the Hindustan Steel, the Posts and Telegraphs, the Hindustan Machine Tools, the Pimpri Factory and everybody will have their own budget and we will be discussing their budgets and some will be showing losses as, as my friend just now said, they will also say that it is not share-capital or that it is a public utility concern, etc. These arguments will come in. Anyway, it is too late to do it but I hope the future Railway Convention Committees will look seriously into the matter. After all the hon. Railway Minister or the Deputy Minister is certainly interested in defending the interests of the Railways as they should in their present positions but we, as representatives of the shareholders, have also to ventilate our point of view that with all this overcrowding in the Railways, with all the lack of amenities, the Budget shows that there is really a deficit which is Shown more or less as a profit.

There is one point which I have not been able to understand. If you look at page 7, it is said there:

"The Financial Commissioner (Railways) also pointed out that, under the 1954 Convention Committee's Report, only the cost of such new lines as were taken up for construction from 1st April, 1955 is charged to capital; the cost of new lines under construction or that date is allocated under the earlier provisions of the 1949 Convention Committee's Report, in terms of which unremunerative new lines were financed from the Development Fund. The Financial Commissioner (Railways) suggested that, in order to liquidate the loans taken from General Finance for the Development Fund upto 31st March, 1961, an *ad hoc* adjustment may be made from Development Fund to capital of the cost of all new-lines under construction on 1st April 1955 hitherto charged to Development Fund; any liability still remaining could be repaid from out of the balances in the Revenue Reserve Fund."

This is quite abstruse and I cannot understand it. When I look at page 12, it is said there:

"The Committee, however, endorse the proposal of the Financial Commissioner (Railways) that the outstanding liability of the Development Fund to the General Finance as on 31st March, 1961 should be liquidated in the ad hoc manner indicated in the last sub-para of para 11 above, so. that the Railways could start on the Third Plan period with a clean slate in regard to this liability."

As my friend, Mr. Reddy, said, I am not in favour of it, because the same thing will be repeated after 5 years or even after 10 years. The thing will go on mounting and they •will come forward that this should be liquidated. We will be showing increased dividends—from 4 to 4i per cent. I have been reading the Railway Budget since the thirties and there has always been this deficit going on. It was only after the war that it began to look up a little and •gain we are back, more or less, to the same position. So the chances of again coming to this sort of prosperity are very dim and distant. They are very far off.

With regard to the Amortisation Fund, I find that the 1954 Committee was also strongly in favour of it, but they said:

"While the Committee agree that amortisation would eventually be of benefit to the Railways and the users of Railway transport alike,"

and so on,

"they agree with the Railway Board that the time is not yet ripe for amortisation; they would, however, suggest that this question may be taken up at the time of next revision of the Convention,"

And now it seems that this Convention Committee also has found that the time is not yet ripe. When will the time be ripe, I do not know. This is what they say:

"While the Committee appreciate that the financial position of the Railways during the next quinquennium will not be favourable for the creation of an Amortisation Fund, they nevertheless feel that this question should not be lost sight of inasmuch as in the context of the repatriation of all the dollar loans, it will assume importance." This is just a pious hope. That is to say, they have no concrete method and they have not laid down any principle or directive as to how or in what manner the Amortisation Fund should be started and from quinquennium to quinquennium it is postponed. I submit that it will be very troublesome some time later.

And the last point that has been put in this Report is:

"The Committee are of the view that the deferred dividend should, be paid from the sixth year onwards only if the net income of the new lines leaves a surplus after the payment of the current dividend."

Mark the words, "only if the net income of the new lines leaves a surplus after the payment of the current dividend." That is to say, it will never be paid, for it will only be when it leaves a surplus dividend. That is very difficult. I am only saying this to show how these various concessions and this rise in the rate of dividends give nothing to the shareholder at all. In fact, I feel that the 1949 Convention was much better, because they said it should be 4 per cent, and they gave no concession at all. They did not give by one hand and take it away by the other. Whereas the-1954 Convention gave certain minor concessions, now they have given concessions all along the line. I submit that in spite of the Convention Committee's Report it is my hope that

[Shri J. S. Bisht.] the Railway Ministry will try its best to see that the Railways become self-sufficient, that is to say, they become a commercially prosperous concern, paying their way and paying a really eound and good dividend to the taxpayer who is the shareholder.

At the same time, Sir, I must also emphasise that all future developments should be financed by the Railways themselves, because in other countries and in other commercial undertakings also, future developments must come from the concerns themselves. We cannot go on borrowing and borrowing for every little thing. All these private concerns go on expanding their works from out of their own funds. So also the Railways should see that all future railway developments come out of the earnings of the Railways themselves. Thank you, Sir.

SHRI P. N. SAPRU (Utter Pradesh) : Mr. Deputy Chairman, the Railway Convention Committee is to be congratulated on doing its work competently. The first point that I should like to mention is this. Are the Railways a public utility concern or are they only a commercial concern, or are they both a public utility concern and a commercial concern? My friend, Mr. Bisht, thinks that they are not a public utility concern. He would perhaps confine public utility concerns to some municipal services such as scavanging and all that. Well, I think that that is a very restricted view of a public utility and I think the Railways are our greatest nationalised industry. You know everything depends upon transport. You may have a most excellent system of administration, but it just will not work unless you have an excellent system of transport also. Therefore, the Railways are important not only from the point of view of the State, but also from the point of view of the common man. They are important from the point of view of the workers, they are important from the point of view of our professional men, from the point of view of our business men, from the point of view of our export and import trade. They are, in the best sense of the term, a public utility concern. They are also a nationalised concern.

We have also accepted the principle in our country that the Railways should be run to the extent that it is possible to do so, as a commercial concern as well. We want them, therefore, to make a contribution to the General Revenues. I think, therefore, a correct view would be to look upon them both as a public utility concern and as a commercial corKferKT I would not, however, emphasise the commercial aspect of it to the exclusion of the public utility aspect. ' I would keep these two aspects in mind and I would attach greater importance to the public utility aspect than to the purely commercial aspect of the Railways.

Looking into the question from that point of view, the next point that arises is whether the contribution fixed of 4-25 percent, as dividend is a right proportion for the next five years. Opinions may well differ on this point. Some may be inclined to think that having regard to the fact that we need Rs. 135 crores for our developmental purposes, the rate of dividend or the rate of contribution fixed is a little too high. Others might argue that having regard to the factors to which prominence has been given in the body of the Report itself, the contribution is not too high. My own personal feeling in this matter is that it was unnecessary for us to raise the contribution to 4-25 percent. We were making a contribution of 4 per cent, to the General Revenues. We should have been content with that arrangement. It was not essential for us, not necessary for us or desirable for us, to have gone further and suggested an increased contribution of -25 per cent. more. Maybe the rates of interest have gone up. I cannot follow these figures very correctly or exactly. But my general inclination is not in favour of an increase in the contribution to General Revenues. That, of course, is a matter on which I would not like to be dogmatic with my limited knowledge <*d* this subject.

The second point that I would like to urge is that more should have been spent or more should be spent upon the provision of amenities for our workers, and our clerks and our railway men in general. We are proposing to spend between Rs, 3 to 6 crores for them. I think it is to be Rs. 6 crores at the end of the Fifth Year. I should have liked the amount to be larger. The Railways should be model employers. They should set the example so far as employer-employee relation is concerned, to all concerns in this country. No one should be able to say that the Railways are not the best employers in the country and, therefore, I would have suggested a larger amount being spent on this purpose, namely on the purpose of provision of amenities for the common man. Then, Sir, I come to 5 PJ*. the question of strategic lines.

As far as strategic lines are concerned, I know that they will be making no contributions to the General Revenues but what I have not been able to understand is this: These strategic lines may at some future date have commercial importance. At the moment they are not contributing anything to the General Revenues. They constitute really a drain on railway resources. Why should they not be shown in the Defence Budget? Their essential purpose is to serve Defence needs and, therefore, it strikes me that the proper thing is to show these strategic lines in the Defence Budget. I put forward this suggestion for the consideration of the Railway Minister.

There is to be no immediate creation of an Amortisation Fund. The Committee have, however, expressed the opinion that the question should not be lost sight of inasmuch as In the context of repatriation of all the dollar loans, it will assume importance I think the Committee cannot be blamed for taking this line in regard to this question. Perhaps, this was the only attitude which it could have adopted to the question of an Amortisation Fund.

I come now to the question or the merger of the Passenger Fare Tax in railway fares. So far as the person who pays the Railways is concerned, he is concerned with the amount that he has actually to pay. Now, tne position is that this Tax has to be paid, whether you call it a Tax or you call it railway fare. The amount that he has to pay has gone up and it is largely a question of accounting. The suggestion that the Committee has made is that this levy has limited scope for raising passenger fares and, therefore, there has been no increase in passenger fares during the period 1955-61. Well, is it contemplated that passenger fares will be raised after the merger of the Passenger Fares Tax with the railway fares has been effected? I hope, Sir, that the suggestion that our passengers should have to pay more than what they are actually paying as railway fares will not be entertained. Sir, we are being hit hard by the rise in prices. Nobody likes to use railways for pleasure. I think pleasure trips, are, generally speaking, unknown in this country. People have to travel for business they have to travel distances because of some social engagements and, therefore, it is no use saying that in some countries like France or Belgium or the U.K. fares are much higher than in this country. In the U.K., in France and in Belgium, the incomes too are very much higher than they are in this country. Therefore, I earnestly hope that there will be no question of raising this tax. I hope that this is not a devise to enable the Passenger Fares Tax to be raised at some future date after it has been merged today with the fares.

This is about all that I would like to say on this Report.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at five minutes past five of the clock till eleven of the clock on Friday, the 9th December, 1960.

OMGIPND—RS—758 RS—14-1-61—550.