

**ALLOTMENT OF TIME FOR
CONSIDERATION OF THE
APPROPRIATION (RAILWAYS)
NO. 5 BILL 1960**

MR. CHAIRMAN: Under the Rules of this House forty-five minutes are allotted for the completion of all stages involved in the consideration and return of the Appropriation (Railways) No. 5 Bill, 1960, by the Rajya Sabha including the consideration and passing of amendments, if any, to the Bill.

**RESOLUTION RE. REPORT OF
THE RAILWAY CONVENTION
COMMITTEE—Continued**

MR. CHAIRMAN: We now pass on to the discussion of the Government Resolution moved by Shri Ramaswamy on the 8th December.

श्री भगवत नारायण भार्गव (उत्तर प्रदेश) : सभापति महोदय, रेलवे कन्वेन्शन कमेटी की रिपोर्ट को आद्योपांत पढ़ने से एक बड़ा जबर्दस्त इम्प्रेशन पढ़ने वालों के ऊपर यह होता है कि रेलवेज की फाइनेन्शल कंडीशन बहुत खराब है। अगर मैं यह कहूँ कि होपलेस है तो वह भी कोई अतिशयोक्ति न होगी। रेलवे विभाग के खर्चों के ऊपर अगर थोड़ी सी भी दृष्टि डाली जाय और इस कमेटी की जो रिपोर्ट है उसको भी ध्यान में रखा जाय तो यह पता चलता है कि हम इस बात की कोशिश नहीं करते कि जो रुपया व्यर्थ में बर्बाद होता है उसको बचायें और जो बचाने योग्य है उसे भी बचाया जाय। बड़ी बड़ी इमारतें इस डिपार्टमेंट में बनती हैं और शायद इतनी बड़ी इमारतें और किसी दूसरे में न बनती हों। तो देखना यह है कि बजाय इसके कि हम जनरल रेवेन्यूज से कर्जा लें या हम डिविडेन्ड के रेट को कम करें या बढ़ायें या हम पैसेन्जर फेयर टैक्स को न देने की सोचें, इन सब बातों से बढ़

कर यह बात है कि जो खर्चा होता है उस पर हम कड़ी निगाह रखें और उसे बर्बाद होने से बचावें।

रेलवे के नेट सरप्लस की तो बहुत ही बुरी हालत है। जैसा कि पेज ६ से जाहिर होगा पांच वॉ में ग्रास सरप्लस ८०८ करोड़ रुपये होगा। उसमें से ३८७ करोड़ तो सवा ४ परसेन्ट के हिसाब से जो डिविडेन्ड देना है वह निकल जाता है और ६० करोड़ ओपन लाइन वर्क्स में निकल जाता है और जैसा कि अब डेप्रिसियेशन रिजर्व फंड के लिये रेट रखा गया है, ३५० करोड़ रुपया वह निकल जायगा। इस तरह से ७६७ करोड़ रुपया कम करके केवल ११ करोड़ रुपया सरप्लस में रहता है, जबकि यह बात जाहिर है कि डेवलपमेंट फंड के लिये ११५ करोड़ रुपये की आवश्यकता होगी। तो यह रुपया कहीं दूसरे फंड से नहीं आता है, कहीं से नहीं आ सकता। इसके लिये हमको एकानामी के ऊपर विशेष ध्यान देना होगा।

पैसेन्जर फेयर टैक्स के संबंध में जो इस रिपोर्ट में कहा गया है उसके बारे में फाइनेन्शियल कमिशनर तो यहां तक समझते हैं कि स्ट्रैटेजिक लाइन्स के ऊपर जो नुबसान है वह भी जनरल रेवेन्यूज से पूरा कर लिया जाय और जो पैसेन्जर फेयर टैक्स है वह भी सब ले लिया जाय फिर भी हालत नहीं सुधर सकेगी। इस कदर गम्भीर और खतरनाक हालत रेलवे फाइनेन्सेज की है। रेलवे कमिशनर कहते हैं कि सन् १९५७ में यह पैसेन्जर फेयर टैक्स जारी किया गया था और सन् १९५६-५७ में २० करोड़ ६० सरप्लस था। परन्तु वे कहते हैं कि इसका जबादा आगे बढ़ने की कोई आशा नहीं है अगले पांच वर्षों में। परन्तु यह बात उस स्टेटमेंट से सलत साबित होती है जो स्टेटमेंट पेज ५ पर दिया हुआ है। उसमें नेट सरप्लस सन् १९५६-६० का २०.१२ करोड़ दिखाया है। तो यह कहना कि आगे कोई आशा इसके

बढ़ने की नहीं है, यह एक बड़ा पेसिमिस्टिक दृष्टि है। इस रिपोर्ट में यह नहीं बताया गया कि सन् १९५८-५९ में सरप्लस ८.९३ करोड़ रु० क्यों रह गया? यह इतना ज्यादा गिरा है कि करीब करीब पहले से आ रहा गया। तो मैं यह निवेदन कर रहा हूँ कि केवल पैसेन्जर फेयर टैक्स ले लेने से या स्टेटेजिक लाइन्स का जो लोस है उसको जनरल रेवेन्यूज से ले लेने से सुधार नहीं हो सकता है।

इसके अतिरिक्त पैसेन्जर फेयर टैक्स के संबंध में दो बातें मैं अर्ज करना चाहता हूँ। एक तो यह कि जब कांस्टीट्यूशन में बिल्कुल साफ तौर पर यह दिया हुआ है कि पैसेन्जर फेयर टैक्स स्टेट गवर्नमेंट्स को जायेगा तो कोई कारण नहीं है कि उनका यह हक उनसे छीना जाय। अब कहा यह जाता है कि १९५८-५९ का जो एवरेज है उसके हिसाब से यह रुपया उनको दे दिया जाय ताकि उन्होंने जो फाइव इयर प्लान के लिये जो अपना खर्चा बनाया हो इस आधार पर उनको कोई इसमें कठिनाई न हो, परन्तु आप देखेंगे कि वह जो कांस्टीट्यूशनली कोई डिफिकल्टी है वह दूर नहीं हो सकती है। क्योंकि जो ग्रास पैसेन्जर ट्राफिक है उसका रुपया बढ़ता ही जाता है। यह बात आपको उस दूसरे स्टेटमेंट से जाहिर होगी जो १९वें पेज पर है। इसी से जाहिर होता है कि रेलवे डिपार्टमेंट खुद यह समझता है कि पैसेन्जर ट्राफिक बढ़ेगा और इसे आगे उत्तरोत्तर बढ़ना ही है। जैसा कि इन्होंने आगे के लिए इस्टीमेट रखे हैं उनसे यह जाहिर है कि ग्रास ट्राफिक रिसीट १९६०-६१ में १२५ करोड़ रु० है, १९६१-६२ में १२८ करोड़ रु० होगा, अर्थात् ३ करोड़ और बढ़ा। १९६२-६३ में १३२ करोड़ होगा, अर्थात् ४ करोड़ इधर बढ़ा। इसी प्रकार १९६३-६४ में १३६ करोड़, १९६४-६५ में १४० करोड़ और १९६५-६६ में १४५ करोड़ इस्टीमेट रखा गया है। इसका मतलब यह है कि उनके अनुमान के अनुसार १२५

करोड़ से १४५ करोड़ यानी २० करोड़ से कुछ ज्यादा बढ़ जायगा। तब कोई कारण नहीं है कि एक फिक्स्ड अमाउंट स्टेट्स के वास्ते रेलवे फेयर टैक्स का दिया जाय। रेलवे कमिशनर ने एक बात कही थी। उसको भी मैं आपके सामने रखना चाहता हूँ। क्योंकि इस कमेटी ने रेलवे कमिशनर की उस बात के ऊपर ध्यान नहीं दिया है, इसलिए और अधिक आवश्यकता है कि मैं उसे हाउस के सामने रखूँ। रेलवे कमिशनर का यह कहना है:

"... the State Governments might continue to get from the Railways, through the General Revenues, a fixed amount in the nature of a subvention in the next five years based on the average annual collection in the period 1957—61 or on the highest collections in any of these years, as may be decided."

उन्होंने केवल यही नहीं कहा है कि १९५८-५९ और १९५९-६० का एवरेज दे दिया जाय, बल्कि उन्होंने यह भी कहा है कि या इन सालों में जो हाइयस्ट कलेक्शन हो उसके ऊपर दिया जाय। उनके अनुमानों के अनुसार यदि हाइयस्ट कलेक्शन माना होता तो वह १४५ करोड़ रुपया होता है। अब मैं यह पूछना चाहता हूँ कि १४५ करोड़ रुपये पर वह कितना फिक्स होगा? अगर गवर्नमेंट ऐक्चुअल कलेक्शन के ऊपर न दे कर फिक्स्ड अमाउंट देना चाहती है तो जो स्टेटमेंट में अनुमान है १४५ करोड़ रुपया, उसके हिसाब से दिया जाना चाहिये।

डेवलपमेंट फंड के सम्बन्ध में मैं यह निवेदन करना चाहता हूँ कि इस रिपोर्ट से यह जाहिर नहीं होता है कि आडीटर जनरल ने किस कारण से यह एतराज उठाया कि जनरल रेवेन्यूज से लोन न लिया जावे। यह एक सोचने की बात है कि हमारे आंकड़ों के सम्बन्ध में जो हाइयस्ट अथॉरिटी है उसकी राय को भी इस कमेटी ने नहीं माना, तो उसका कोई कारण होना चाहिये। अगर

[श्री भगवत नारायण भार्गव]
कमेटी ने उन कारणों के ऊपर विचार किया होता जो कि आडीटर जनरल ने दिये थे तो इस हाउस को इस बात का अवसर मिलता कि हम विचार करते कि जो कारण आडीटर जनरल ने दिये हैं वे ठीक हैं या जो कमेटी ने उन से डिस्पूटी होने के अपने कारण दिये हैं वे ठीक हैं। यह मौका हम लोगों को नहीं मिल सका। तो मैं समझता हूँ कि जैसा आडीटर जनरल ने कहा है उसके ऊपर हमको विशेष ध्यान देना चाहिये ताकि हमारी जो फाइनेशियल स्थिति है वह कुछ सुधर सके।

"It was brought to the notice of the Committee that the Comptroller and Auditor General had questioned the advisability of financing the Development Fund by temporary loans from General Revenues. He had suggested that the Fund should rely only on Revenue surpluses and that, therefore, the expenditure therefrom should be restricted to amounts available and for purposes for which the Fund was originally created."

इससे यह साफ जाहिर है कि इसका रुपया ऐसे कामों में खर्च किया जा रहा है जिनके लिए यह फंड नहीं बनाया गया था। वे कहते हैं कि जिस परपज के लिए यह फंड क्रिएट किया था, उसी परपज में यह रुपया लगाया जाय। इसका साफ मतलब यह है कि आडीटर जनरल की राय में ऐसे काम किये गये जिनके लिए यह फंड नहीं था या इसका जो असली परपज था उसके खिलाफ रुपया खर्च किया गया। यह बड़ी सीरियस बात है। इसके ऊपर कंवेन्शन कमेटी को विशेष ध्यान देना चाहिये था कि ऐसे कौन से काम हैं जो इसके परपज के अन्दर नहीं आते थे, किन्तु उनके ऊपर इस फंड से रुपया खर्च किया गया। मैं समझता हूँ कि गवर्नमेंट इसके ऊपर अब ध्यान देगी और इस बात का निर्णय करेगी कि आडीटर जनरल का जो आब्जेक्शन है वह अब भी मान्य होना चाहिये या नहीं

होना चाहिये। कमेटी ने केवल अन्त में जाकर यह कह दिया कि हम आडीटर जनरल से डिस्पूटी करते हैं। जिन कारणों से डिस्पूटी करते हैं, यह कमेटी ने नहीं बताया है।

इसलिए मेरा निवेदन यह है कि इन दो विषयों पर विशेष रूप से गवर्नमेंट को ध्यान देना चाहिये, पैसंजर फेयर टैक्स, और डेवलपमेंट फंड। डेवलपमेंट फंड के सम्बन्ध में मैं यह मानता हूँ कि डेवलपमेंट के लिए हमें रुपये की आवश्यकता है। परन्तु जो बड़ी बड़ी बिल्डिंग्स बनती हैं और बड़े बड़े काम होते हैं, उनमें एकोनोमी होनी चाहिये और जनरल रेवेन्यू से इनके लिए रुपया न लिया जाय। इस फंड से प्रोडक्टिव और रेन्थुनरेटिव स्कीम्स ही हाथ में ली जानी चाहियें।

SHRI N. SRI RAMA REDDY (Mysore): Mr. Chairman, Sir, the Resolution desires this House "to approve the recommendations contained in the Report of the Parliamentary Committee appointed to review the rate of dividend which is at present payable by the Railway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance *vis-a-vis* the General Finance" as presented to Parliament on the 30th November, 1960. Generally speaking, Sir, this Report does not differ from the previous reports on the subject in the method of contribution by the 'Railways to the General Fund. The Railways is one of the public undertakings of the Government. As such, it is but right that the Government should expect a due share from out of the profits from the Railways to the exchequer.

Sir, it was the other day during the discussions that the respected friend, Mr. K. Santhanam, was referring to the principles that underlined the finances of the public undertakings *vis-a-vis* the Government. I was very happy, Sir, when he asked the

public undertakings, especially in this country, to be more vigilant about their finances and the way in which they should run with a view to benefiting the General Revenues in the State. Not only Mr. K. Santhanam, but also Shrimati Tarkeshwari Sinha, speaking only two days ago was laying down the principle like this. Mrs. Sinha said:—

"There was no reason why industrial undertakings in the public sector should not operate on the same principle on which units in the private sector operate, namely, to generate profits which, after meeting obligations to shareholders, would provide a sizeable plough-back for expansion."

If this is the attitude of the present Government also, we shall be very happy. Let us now consider how far the Railways, which enjoy a tremendous amount of monopoly and are running the Railways throughout the length and breadth of this country, have been contributing towards the general exchequer of the Government.

Sir, hitherto the principle was that only 4 per cent dividend on the Capital-at-charge shall be contributed to the exchequer. The deviation that has now been made by this Convention is that instead of 4 per cent, the dividend shall be raised by 25 per cent., i.e., 4.25 per cent shall be charged to the exchequer. Let us see how far this is justified.

Now, Sir, the capital-at-charge at the beginning of the quinquennium 1960-61 is Rs. 1,563 crores and it registers an increase of Rs. 750 crores by 1965-66. Now, the increase recommended for contribution in 1966 is only 0.25 per cent. In the First Plan the Railways contributed only Rs. 115 crores, in the Second Plan they contributed Rs. 150 crores and in the Third Plan also, it is estimated that Rs. 150 crores would be the contribution to the General Revenues whereas the contribution to

In the capital-at-charge itself will increase by Rs. 750 crores. Therefore, I feel that the contribution made is far less than what it ought to have been under the circumstances. Their contribution should have been much more for the building up of this country, for the developmental works proposed to be undertaken in the Third Plan period. Not only that it will be only 4.25 per cent, but there are also certain other commitments added to it. The actual loss on the working of the strategic lines should be borne by the State. Another thing is, on the capital of the North-East Frontier Railway, other than the clearly strategic portion thereof, the rate of dividend should be at the average borrowing rate of the Government which is said to be, according to the Railway Ministry, only 3.7 per cent. It was also stated that the income has been very moderately estimated and the expenses have been put on the high side. Even granting that it is so, the net surplus should be much more than what it should be. The General Revenues on account of the expansion programmes would increase far enormously than what is estimated here. The percentage of the cost of maintenance is stated to be on the high side. If only 4.25 per cent of dividend is contributed, Rs. 361 crores will be the gross surplus against which Rs. 350 crores have been set apart for Depreciation Reserve Fund and only Rs. 11 crores will be the net surplus for all the Development Fund requirements. I feel that 4.25 per cent is far less than what it should be. It should be 4.5 per cent, in which case there will be a gross surplus of Rs. 338.69 crores. This surplus must be quite enough. In this connection I want to refer to the enormous waste. When only companies were operating these Railways, the Central and Provinces Railway Company, after paying all the interests and after meeting the expenses for development, etc., paid 4 per cent to its shareholders in 1938. The same company I paid in 1943 3.75 per cent. The Sailkot-Narowal Railway paid in 1938 6

[Shri N. Sri Rama Reddy.] per cent, and 51 per cent, in 1943. If private companies paid dividends at this rate, why should the Government Railways grudge paying 4·5 per cent, only? Is it because that their efficiency has fallen since they were taken over by the Government? It is also stated in the *Journal of Scientific and Industrial Research*, Volume 19A. No. 8, page 346 as follows:

"The direct loss to railways through corrosion during 1957-53 has been put at Rs. 21·3 crores based on the expenditure incurred on corrosion control and prevention measures. This figure will be doubled, if not higher, by 1965-66 if proper steps are not taken to minimise corrosion."

Therefore, this leads me to the conclusion that it is quite possible for the Railways to run with greater efficiency and reduce the cost of working enormously. If by minimising corrosion alone they could save crores of rupees, according to this, then it is quite possible that there is plenty of room to improve efficiency in the work of the Railways and thus save on the working expenses that has been put down here at Rs. 1,892·79 crores. By reducing the working expenses, it is quite possible to increase the surplus. If business principles are strictly applied to the running of the Railways, it would be quite possible to obtain more gross surplus from which you can appropriate for the Depreciation Reserve Fund and at the same time it is possible to increase the dividend also as compared to the present rate.

With regard to the Development Fund, it is stated that if net surpluses are not available, you can draw upon the Government, borrow as loans from the Government and spend for the Development Fund and pay back at the average rate of interest at which the Government has been borrowing. Therefore, there is not much room for fearing about the shortage of funds available for the Development Fund.

Therefore, we need not unnecessarily increase our surpluses and thus reduce the dividend. Not only that. The general observation is that the Railways have been spending for too much on the construction of buildings. If this programme of building can be curtailed a little, the surpluses can be further increased. Every station, whether big or small, throughout the length and breadth of India is being remodelled, whether it is necessary or not. I think the building programme has been far too much to the disadvantage of our funds. It could be curtailed. I can understand your increasing the efficiency by increasing the personnel, railway lines, etc, but not through buildings. Building is not a very important part of the programme. Building is necessary of course but not remodelling on such an enormous scale at which it is being attempted now. Therefore, I feel that the Railways should make greater efforts to reduce the working expenses and increase the surpluses by which it is quite possible for the Railways to contribute not 4·25 per cent, but even 4·5 per cent, or even more. Thank you.

THE DEPUTY MINISTER OF RAILWAYS (SHRI S. V. RAMASWAMY): Mr. Chairman, Sir, I am thankful to the hon. Members who participated in the debate. They brought to bear upon this problem their experience, their learning and wisdom. At the outset I would like to clear some points which my hon. friend, Shri Govinda Reddy, raised. Evidently he has not read some papers placed in the Library. Along with the Convention Committee Report, two other papers were placed, the Review by the Financial Commissioner and also a Memorandum containing enormous information. For instance, Shri Govinda Reddy wanted to know about two recommendations made by the previous Convention Committee. The answer will be found on page 19 of the Memorandum submitted along with the papers. The hon. Member

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referred to the question of staff quarters. It will be seen that instructions have been issued on 9th September, 1960 and the assessment of the rent at 6 per cent, instead of at 4 per cent, on capital cost has already been made in respect of gazetted officers quarters from 1st July, 1955 and the same will be made for quarters of class III and class IV officers.

The second point that the hon. Member raised was about the safety measures. The answer to that also will be found on the same page where has been stated the expenditure on safety and signalling works from 1955-56 onwards. In 1955-56 it was Rs. 7-6 lakhs and it has risen to Rs. 451 lakhs in 1959-60.

The other point that the hon. Member, Mr. Reddy, wanted information on was as to why there was a fall in the rate of income and the net surplus. He referred in particular to the fact that during the year 1958-59 there was a decrease in the rate of increase of the revenue and the surplus of Indian Railways. This, Sir, has been fully dealt with in the review of the performance of the Indian Railways which was presented to Parliament at the time of the last Budget. After an exhaustive analysis it was pointed out that the Indian Railways bore a close relationship to the state of economy of the country, including particularly the level of the industrial and agricultural production and the fall in the rate of growth of the Railways in 1958-59 paralleled and was connected with the fall in the rate of growth of industrial production in 1958-59. The rate of production or growth of industrial production picked up again in 1959-60 and so did the rate of growth of the railway traffic. If Mr. Govinda Reddy would read page 1 of the Review submitted along with the Budget, he would find that the index of industrial production fell down in 1957-58.

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In 1955 the increase was 8-4 per cent, and in the year 1956 it was 83 per cent. But in 1957 it fell to 3'5 per cent, and in 1958 it was only 1*7 per cent. But in 1959 it picked up again and was 7-3 per cent. On page 4 he with una there was a fall in the national income also. During the year 1955-56 the national income increased by 1-95 per cent. In 1956-57 it was plus 4-96 and in 1957-58 it was minus 1- 55. This decrease or fall in the national income and that in the railway revenues can be accounted for by the general fall in the rate of growth in industrial production.

The other point was about the rent levied for Class III quarters. I may mention that the basis of assessing rents has been altered to correspond with that adopted by the several civil departments of the Government and so the rent or income from Class III quarters will now be increased.

Sir, I may submit that hon. Members who spoke generally accepted the basic principle of the payment *or* dividend at a fixed rate in preference to any alternative method of computing what should be payable. Only Mr. Bisht wanted that there must be a change. I may, however, point out that the change that he suggested had nothing new about it. On page 32 of the Memorandum submitted, the House will be pleased to see that this **has** already been considered before. It is stated:

"The form and quantum of the annual payment to be made by Railways to the General Revenues were considered in detail by the Railway Convention Committee, 1954. After examining two alternative methods of contribution to General Revenues, namely,—

(i) a small fixed percentage on the Capital-at-charge plus sharing of profits after payment of interest, and

(ii) interest on capital plus a levy of income-tax together with, or without, any contribution, fixed or varying;

[Shri S. V. Ramaswamy.] the Committee came to the same conclusion as had also been reached earlier by the Railway Convention Committee in 1949. The conclusion was that either of the above methods will introduce an element of uncertain fluctuation from year to year in the contribution from Railway Revenues to the General Revenues, as even under the second method the Income-Tax would vary with the size of the taxable surplus—no contribution being due at all when there is no surplus".

DR. H. N. KUNZRU (Uttar Pradesh): What is the hon. Deputy Minister reading from?

SHRI S. V. RAMASWAMY: I am reading from the Memorandum which was placed in the Library. Some 25 copies were placed there.

DR. H. N. KUNZRU: In the Library?

SHRI S. V. RAMASWAMY: Yes, along with the Report.

DR. H. N. KUNZRU: I wish the Railway Ministry had the courtesy of sending the Memorandum at least to persons who take keen interest in railway matters. If it is placed in the Library, one may not be aware of the fact that a document like this has been placed there.

SHRI S. V. RAMASWAMY: Only a limited number of copies were there.

DR. H. N. KUNZRU: Therefore, it was the duty of the Railway Ministry to see that when it related to so important a question, it was printed in adequate numbers and circulated at least amongst some Members of Parliament of both the Houses.

SHRI M. GOVINDA REDDY (Mysore): May I submit, Sir, that this is a valuable information and without going through that information it is impossible for Members to appreciate the Report of the Railway Convention Committee.

I SHRI K. SANTHANAM (Madras): I suggest the hon. Deputy Minister may now circulate copies to Members of Parliament.

MR. DEPUTY CHAIRMAN: Yes, to all those who are interested, he can supply copies.

SHRI S. V. RAMASWAMY: We shall do it, Sir.

I was reading out this Sir.

"The conclusion was that either of the above methods will introduce an element of uncertain fluctuation from year to year in the contribution from Railway Revenues to the General Revenues, as even under the second method the Income-Tax would vary with the size of the taxable surplus—no contribution being due at all when there is no surplus—and vary also with the rate of tax, apart from the practical difficulties of effecting elaborate changes in the structure of Railway accounts to facilitate computation of the depreciation allowance under the provisions of the Income-Tax Act."

And then they say:

"The Committee concluded that it would be advantageous from all points of view to express the rate of dividend as a percentage on the Capital-at-charge, and to pay the amount annually through a fixed rate of dividend inclusive of the element of interest. The arguments in favour of this conclusion continue to hold good; and if anything acquire added force in the present context of a planned development, when the Central Revenues should be assured of a regular and easily predictable contribution from Railway Revenues while, at the same time, there should be flexibility in the internal administration of Railway Finance".

I would also mention that the proposed 4-25 per cent, dividend, against the anticipated net revenue after

meeting depreciation of about 4½ per cent., is as stringent as any system of income-tax payment can possibly be. The liability of the Railways in the United Kingdom to pay taxes is still theoretical, in that the General Finance have consistently had to meet the large deficits of those railways in the last few years.

The Convention Committee asked for certain papers and particulars and these have been given on pages 107 to 110 of the Memorandum. From that it will be seen that in 1959 the British Railways were working with a deficit of 42 million pounds and the Belgian Railways in 1958 had a net deficit of the value of 1,878 million Belgian Francs. In the case of France, in 1959 their Railways had a deficit of nearly 3,000 million Francs.

Next, I come to another point in the Report. The recommendation for an increase in the rate of dividend from 4 per cent. to 4.25 per cent. will have the effect in itself of raising the dividend liability of the Railways by about Rs. 22½ crores in five years. There are certain other recommendations which have been referred to sometimes as concessions which I would like to make clear. They are not really concessions. The Committee have merely reaffirmed what has been a basic principle from the very separation of Railway Finance in 1924, namely, that the loss on strategic lines would be borne by the General Revenues of which the Defence budget is only a part. As the House knows, there is no separate Defence budget, and therefore this goes into the General Revenues. The strategic lines are built not at the instance of the Railways or for any reasons for which the Railways would have considered building of such lines but purely and exclusively in the interest of Defence. The only reason why this principle was not reaffirmed by the 1949 Convention was that in India after partition there was no strategic railway, the Pathankot-Mukerian line being still in the course of con-

struction until 1952. The matter was considered by the 1954 Committee but since the line was opened only recently and was then not incurring sizable losses it was decided that the matter should be considered by the next Convention Committee. This has accordingly been done. I may also mention that the loss on this line in recent years has been not more than Rs. 15 lakhs per annum. This is also the quantum of relief that the Railways will receive now. It is true that there is another line in a similar category which is now under construction which is an extension of the Northeast Frontier Railway. What will happen is that thanks to the relevant recommendation, there will be no additional liability imposed on the Railways when new strategic lines are constructed.

I come now to the question of unremunerative lines. I should like to make it clear that the Railway Board did not suggest for a moment, nor have the Convention Committee considered, that there should be a special treatment for unremunerative lines in general. Three Zonal Railways have lately been incurring loss, and it will continue to be the endeavour of the Indian Railways to operate them with increasing efficiency and economy with a view to reducing the losses to the maximum extent possible. It is only the North-east Frontier Railway which was considered by the Convention Committee as being on a special footing. They have recommended that the Indian Railways should make a contribution to the General Revenues in respect of the capital of this Railway as well but that the contribution should only be at the average rate of interest paid by Government when it raises its loans. The 1954 Committee had already accepted the principle that to the extent of over capitalisation the Railways would get strictly limited relief, namely, that they would be required to make a contribution but only at the average borrowing rate of Government. This principle already applies, for instance,

[Shri S. V. Ramaswamy.] in respect of capital that is not capable of producing any assets, for instance, premia paid when company-owned Railways were taken over. Even in such cases, Railways must make a contribution though at a restricted rate. This same principle has been applied to the North-east Frontier Railway. The effect of it is that there will be a relief of only about Rs. 56 lakhs per annum with reference to the figures of current average borrowing rate of 3.58 per cent., the proposed rate of dividend of 4.25 per cent, and the existing capital of about Rs. 84 crores.

SHRI K. SANTHANAM: May I know how the capital of the Northeast Frontier Railway is classified as over-capitalisation? On what basis does the Minister say that it is over-capitalised?

SHRI S. V. RAMASWAMY: Again I have got to refer the hon. Member to the Memorandum which gives all the details. This figure of Rs. 84 crores has been arrived at . . .

SHRI K. SANTHANAM: So far as I have read the Memorandum, it only says that it is working at a loss and, therefore, it should be treated as overcapitalised.

SHRI S. V. RAMASWAMY: It is certainly working at a loss and, there fore, it has been stated that it is treated as over-capitalised.

DR. H. N. KUNZRU: What is the loss?

SHRI S. V. RAMASWAMY: The loss is about Rs. 10 crores per annum. If, as some of the Members have suggested, the borrowing rate of Government is bound to rise above the figure of 3.58 per cent., then it would mean that the relief to the Railways for the difference between 4.25 per cent, and the borrowing rate will be reduced to a more or less token figure, the differentiation connoting just a matter of principle.

In spite of the continuing efforts of the Railways, the peculiar circumstances of the North-east Frontier

Railway, with its very heavy cost of maintaining communications in and with a difficult and remote part of India, are such that working expenses exceed the total revenue, leaving such excess itself that the provision to be made for Depreciation, for Development Fund items and the dividend even at, say, 3.58 per cent., constitute a burden to be met by other remunerative Railways. The Railway Board has neither asked nor have the Convention Committee afforded an opportunity or idea to relax their efforts. The Indian Railways are still not only to meet the working losses, the depreciation, etc., of the Northeast Frontier Railway but have also to pay a contribution at the rate of 3.58 per cent, or whatever is the average rate of borrowing. I notice that in an otherwise critical speech, Mr. Desai accepted the reasonableness of the two recommendations of the Committee. The Railways will spare no efforts in their endeavour to continue to achieve every possible economy. I should only refer to the printed Review of the Railways Performance in the Second Five Year Plan circulated with the Budget papers in the Budget Session of Parliament indicating the Railways' efforts in the efficient and economic management of the Railways. In passing, I would just refer to page 41. Table XXX deals with the Capital-at-charge and output of the Government Railway system including working lines. Now, taking 1938-39 as the base year, the Capital-at-charge in 1958-59 was Rs. 1359 crores, that is an increase of 195 per cent. Equated capital derived by taking 1938-39 as the base year and allowing for increases in wages and prices—the constituents of the capital outlay is worked at Rs. 935 crores, that is, an increase of 134 per cent. As against this, the figures in regard to performance are impressive. The traffic handled, freight in ton miles works out at 240-5 per cent and passenger miles work out at 269.9 per cent. It is obvious, Sir, that every effort is being made to improve the efficiency of the railway system as can be seen

from the figures which have already been submitted to Parliament. The basic structure of the Railway Convention, as the result of the recommendation of successive Convention Committees, is simple and sound. The Railways are required to contribute a fixed dividend on the entire capital of the system except only to the extent of over-capitalisation and the capital of the North-east Frontier Railway, in respect of which too a contribution is payable but limited to the average borrowing rate of Government. This distinction amounts to no more than a recognition that, to the extent of the over-capitalisation and on the capital of the North-east Frontier Railway, the Indian Railways can hardly be expected to earn any net revenue and in any case cannot reasonably be expected to bear more than just the interest charges which the Government are likely to pay on the loans. Therefore, there is sound reason and ample justification for the present basic principles as formulated by the Convention Committee.

I may perhaps sum up by recapitulating what would be the net financial effect of the Convention Committee's recommendations on the dividend payable. In the year 1961-62, it is estimated that the increase in the rate of dividend would place an additional burden of Rs. 3" 8 crores while the other recommendations would give relief of not more than Rs. 71 lakhs or so. This much for the so-called concession. As against this I would like to point out the quantum of indirect contribution to the public exchequer. On pages 34 to 37 of the Memorandum you will find the items under which there is indirect contribution made to the General Revenues. I need only mention some of the items under which payments are made by the Railways such as cess, sales tax, excise duty, customs duty, local taxes etc. It has been estimated that we are contributing Rs. 15 crores . . .

SHRI J. S. BISHT (Uttar Pradesh) : That is what every industrial undertaking does.

SHRI S. V. RAMASWAMY: Then there is concession to the military and the P. & T. which comes to about Rs. 2-2 crores. Then we transport coal by coastal shipping which is in a sense a subsidy to coastal shipping. It again comes to about Rs. 2'2 crores. Then there is the passenger fare tax which comes to about Rs. 12-5 crores. Then there is dividend paid on un-remunerative lines; it works out to Rs. 3 crores. Then there is the loss on transport of coal at less than the cost price which comes to about Rs. 6 crores. Then there is the transport of food which is done at a concession rate. If it were to be charged at the normal rates it would give us another Rs. 15 crores. Adding up all these it comes to about Rs. 56 crores and I submit that these Rs. 56 crores will be another 4 per cent, and as a matter of fact the contribution will be actually 4:25 per cent, plus 4 per cent.

SHRI J. S. BISHT: The textile industry pays much more; the tobacco industry pays much more.

SHRI S. V. RAMASWAMY: In passing I would draw the attention of the House to what is contained on page 98-99 of the Memorandum. One method of estimating the value of the concessional freight rate fixed for coal well below what commercial considerations would justify would be to assess the revenue which the Railways forego annually on the present volume of coal traffic for the public by charging coal at a specially-low rate, instead of at the same rate as other cheap commodities with similar characteristics. On this assessment, the Railways forego approximately an annual revenue of Rs. 23 crores, *i.e.* instead of the present earnings of about Rs. 40 crores from coal in a year, earnings would have been Rs. 63 crores if no more were to be charged than the rate for iron ore and other ores which are amongst the lowest rated commodities.

SHRI K. SANTHANAM: Will the hon. Minister deduct the excessive rates charged for high rated traffic?

SHRI S. V. RAMASWAMY; The road traffic is undergoing change and the high rated traffic is moving to the roadways.

DR. A. R. MUDALIAR (Madras). If that rate is charged, the so-called subsidy to shipping will disappear.

SHRI S. V. RAMASWAMY: On a still more conservative estimate, if one were to take into account only the coal carried for the public for distances over 450 miles in each case, it is seen that the freight rate charged for such movements only is approximately Rs. 6 crores per annum less than the actual cost of haulage and, of course, even more below the earnings than would accrue on any commercially reasonable rate of freight.

With regard to food, I am reading from page 99. Whereas the overall level of increase in goods rates in 1958-59 over those in 1938-39 was 97 per cent, the corresponding increase for foodgrains only was 26 per cent; it is computed that the Railways would have earned about Rs. 15 crores more than the amount of Rs. 27 crores earned from this commodity, on the tonnage carried in 1958-59, if the freight rate increase therefor in the period since 1938-39 corresponded to the overall increases in rates in this period. So in the total reckoning the nation's freight bill on account of just these two commodities, coal and food-grains, would go up by over Rs. 30 crores even if a slightly closer approximation to commercial rates than those now in force are adopted and by a much higher figure if competitive rates are quoted on a basis slightly lower than the minimum rates than- can possibly be quoted by road carriers. The House will be pleased, I hope, to take this also into consideration.

Then I come to the passenger fare tax. It appears to me that there is nothing unconstitutional about it. The passenger fare tax was imposed by an Act of Parliament. Now, by virtue of article 269 such cess or tax will

I not become part of the Consolidated Fund of India. The legal position is correct but it is open to Parliament to repeal the Act as a consequence of merging it and I see nothing unconstitutional about it.

SHRI K. SANTHANAM; May I know why the Committee has not in its Report requested Parliament to repeal it and substitute it by some other thing? It has not even referred to the fact that, this does not form part of the Consolidated Fund.

SHRI S. V. RAMASWAMY; It is more than I can say. That question should have been put to that Committee as to why they did not do it.

SHRI J. S. BISHT: I suppose you were there in the Committee.

SHRI S. V. RAMASWAMY: I was not there.

SHRI AKBAR ALI KHAN (Andhra Pradesh): You are the spokesman of the Committee here.

SHRI S. V. RAMASWAMY: The proceeds of any passenger tax as such automatically accrues to the States under our Constitution as Shri Santhanam has explained. What is I intended is that, even when there is no passenger tax, the Railways should make over to General Revenues a sum of Rs. 135 crores, the average of the sums which they made over in the last two complete financial years, over and above the 425 per cent, subject to this burden, however, there would be no further burden on the Indian Railways, who would be left free, in the normal way, to receive the benefits of any additional passenger traffic that they may be able to develop and carry. This, however, in the future, and does not in any event affect the dividend liability.

Sir, some of the other points that were raised are quite easily dealt with. There was a reference to the increased number of railway personnel. The reason for this increase seems to have been overlooked, al-

though the facts regarding the phenomenal increase in the traffic carried by the Railways were very clearly presented in the Review of the Performance of the Indian Railways already referred to by me. The actual passenger miles on the Indian Railways in 1958-59 was 2·7 times that at the outbreak of the war, and the goods traffic represented by ton miles was 2·4 times what it was some 20 years ago. Most of this increase has taken place in the period of the First and Second Plans; and obviously increase in the staff strength was unavoidable on this account and also because of the progressive expansion of welfare and health measures, etc.

My friend, Mr. Suresh Desai suggested that, although the forecast indicates an increase in the expected railway revenues from goods traffic from Rs. 320 crores in 1961-62 to Rs. 429 crores in 1965-66, the actual increase should somehow or other be much larger. The actual increase in traffic, for which the Railways are to **plan**, is indicated specifically by the Planning Commission and the funds provided are strictly limited accordingly. There is no possibility at all of the Railways being able to increase their traffic to a greater extent than what the Third Plan provides; the strict rationing of funds rules out the possibility of Indian Railways expanding more than the plan formulates. I trust also that it is kept in mind that, to an increasing extent, the goods traffic on the Railways consists of the bulk commodities like coal and iron ore and other materials for steel plants and for export, which are extremely low-rated commodities. Their proportion will increase further in the Third Plan. Even if there were to be no further diversion of high-rated commodities to the roads and they continued with the Railways, the consequences of the present rate structure and the present trends in traffic are that the income per ton mile of the Indian Railways must go down during the Third Plan, as a result of this increase in the proportion of low

rated commodities. A forecast of an increase in goods earnings of about 40 per cent., in relation to anticipated increase in the quantum of goods traffic of about 45 per cent., is quite reasonable in the circumstances explained. I may assure the House that every care has been taken in estimating the probable revenues of "the Indian Railways, and the forecast given to the Convention Committee is as reasonably realistic a forecast as it is possible to make at this stage. I might, in passing, say that this increase in traffic is referred to on page 243 of the Draft Outline of the Third Plan. It says there:

"The railway development programmes in the Third Five Year Plan are being formulated on the basis of traffic reaching about 235 million tons in 1965-66, i.e., the last year of the third plan. The volume of traffic is thus expected to increase by 73 million tons or by about 45 per cent, over the period of the third plan. About 70 per cent, of this additional traffic will be on account of iron and steel, coal and cement and the remaining 30 per cent, on account of miscellaneous goods."

Therefore, whatever has been submitted to the Convention Committee is in conformity with what has already been incorporated in the Draft Plan.

My friend, Shri Santhanam, has already replied in an effort to clear the confusion in the mind of another hon. Member regarding the element of interest included in the dividend. The Capital-at-charge of the Indian Railways stands in the same position as the share capital of a company, except for the fact that the dividend prescribed for the Railways for each period is a fixed one regardless of profit. The dividend payable by the Indian Railways to the General Revenues stands in the position corresponding to that of the dividend payable by a company to its shareholders. Obviously no company pays interest on its share capital. The only element of interest that the shareholders

[Shri S. V. Ramaswamy.] receive from a company on their capital investment is that which is incorporated in the dividend that they receive. The same is the position of Railway Finance *vis-a-vis* General Finance.

SHRI J. S. BISHT: The share capital of a modern company is only a fraction of the total capital which is borrowed.

SHRI S. V. RAMASWAMY: That • would be a correct view if the Railways were a purely commercial • concern.

SHRI J. S. BISHT: Is it a utility concern?

SHRI S. V. RAMASWAMY: It is a commercial-cum-utility concern. That position has been accepted. This question has been raised again and again. It has been accepted that it is both a commercial and utility concern, perhaps now more a utility concern than a commercial concern.

SHRI J. S. BISHT: One of the Planning Commission Members, who is looking after the Railways, said, when I pressed him on a certain point, that the Railways must pay dividend, must be profitable, and, therefore, must be run on commercial lines.

SHRI S. V. RAMASWAMY: It is all right. Now, there has been a good deal of discussion about the appropriateness of fixing the provision for depreciation at Rs. 350 crores in five years. Perhaps I should mention first that my friend, Shri Suresh Desai, was not correct when he stated that the back-log of replacements and rehabilitation has already been overtaken. It was the basic principle of the Second Plan for the Railways, and the same principle will be observed in the Third Plan, that priority is given to expansion and the intention has not been to fully overtake arrears of rehabilitation. Thus, for instance, both in the Second Plan and in the Third Plan, it has been decided that, while the normal age of steam loco-

motives is accepted as forty years, not merely all locomotives up to the age of forty-five years are to be retained in service. In addition, the same number of locomotives over forty-five years of age should be retained in service at the end of the Third Plan as are now in service at the end of the Second Plan. Coaching stock is similarly being retained beyond the normal age to the extent possible. It is, however, the intention that during the Third Plan period all arrears in track replacement should be cleared, and thus a provision of Rs. 170 crores in the net is required for track renewals and improvements alone. The importance of this will be realised. Again, the details are given at page 51 of the Memorandum. The broad summary covering rolling stock and track renewals, as well as other categories of assets, is given below:

	(Rupees in crores)
Rolling Stock	121
Track Renewal	170
Signalling, etc. Bridge rehabilitation Machi- nery and Plan	37
Total	328
or say,	330

The House has probably noted the contrasting opinions expressed by two generally well-informed Members. Although the actual expenditure on replacement amounted to about Rs. 320 crores in the Second Plan itself, or an average of Rs. 64 crores per year, Shri Santhanam was in favour of a provision of only Rs. 65 crores on the average per year during the Third Plan period, instead of Rs. 70 crores on the average, as suggested by the Committee. Pandit Kunzru, on the other hand, pointed out that the suggestion of the Committee did not amount to over-provision, though he thought that it might turn out to be under-provision. The Committee have taken note of the different aspects in arriving at their recommendation of an average of Rs. 70 crores, which is an intermediate figure that.

may well receive the general acceptance of this House.

The Report of the Convention Committee places fully and frankly before the House the forecast of railway revenues, working expenses, and probable surplus in the Third Plan period. This is the general picture. The precise forecast for each particular year and the Government's proposals in respect of them, if any, will be brought before the House each year at the time of the Railway Budget. I have, therefore, not followed why Pandit Kunzru does not consider that the Government have been quite straightforward in this respect.

I need hardly reply to the criticism of the Member, who found a contradiction where there is none, by saying: "On the one hand you increase the rate from 4 per cent, to 4½ per cent, and on the other hand you allow more and more loans from the general exchequer". Whether, and to what extent, there should be further ex-pension of the Indian Railways from public investment is one question, to which the answer is contained in the Third Plan, that there should be almost fifty per cent., increase in the originating traffic per annum on the Indian Railways during the Third Plan period and that the Railways, through their additional investment, must prepare themselves to carry this increased traffic. It is quite another question what should be the rate of dividend which is payable, 4 per cent., or 4½ per cent, on the capital-at-charge, as it will be from year to year during the Third Plan period. The additional capital requirement of the Indian Railways during the Third Plan is about Rs. 750 crores and it would have been no answer to the Indian Railways to tell them that they would be excused an increase in dividend, which might cost them about Rs. 4½ crores a year, but they must find capital to the extent of Rs. 750 crores somehow for themselves. While the country is concerned with the gigantic task of indus-

trialisation, there can be no escape from making a further investment in the transport capacity of the country, notably in expanding the Indian Railways.

There have been expressions of regret in the House that the railway finances are not sufficiently prosperous to enable an amortisation fund to be set up, as would have been desirable. I have only to refer to Shri Santhanam's forceful argument that a small amortisation of the capital year by year does not have much significance at a time when the General Revenues anyhow have to provide far more additional capital every year. I shall refer to another aspect of this matter. On our system, the depreciation provided is not just at a level which is barely adequate to provide for the depreciation in the original capital; the arrangement is that the capital assets of the system are kept constantly renewed from the Depreciation Fund itself. Where the position is that the assets of the Railways are thus kept constantly renewed without increasing the capital-at-charge, there is nothing inherently unsound in the capital structure of the Indian Railways.

I hope that there has been no misconception in the House regarding the recommendation of the Committee that the existing liability of the Development Fund to General Revenues should be liquidated by certain adjustments. This is no concession at all to the Railways. The liability will not be written off, as is probably assumed by some Members, but for the main it will be transferred to capital, so that on this additional amount the Railways will have to pay the full dividend of 4½ per cent, instead of only interest at the average borrowing rate.

DR. H. N. KUNZRU: Well, this again, means over-capitalisation. You are trying to do away with overcapitalisation in one direction, but over-capitalising in another direction.

SHRI S. V. RAMASWAMY: True. It is an *ad hoc* arrangement. We wanted to start on a clean slate in the Third Five Year Plan, as has been suggested by the Financial Commissioner and as has been accepted by the Committee. On the whole, it is evident from the speeches in this House that the recommendations of the Committee have found favour generally. Here and there there have been expressions of the view of certain Members that the Committee may have been unduly lenient to the Railways. Pandit Kunzru, on the other hand, pointed out that the recommendations of the Committee place a considerable strain on railway finances. But he was himself the first to point out the basic circumstances underlying the recommendations. Government has a large development plan, as he said, on account of which it has to raise more and more resources, for which reason it would have to ask the Railways also to follow its general policy. This, indeed, is a fact which the Committee have recognised-

To sum up, I would recommend to the House that they accept the conclusions of the Committee, which has discharged ably its exceedingly difficult task. With these words I commend the recommendations of the Convention Committee for your approval.

MR. DEPUTY CHAIRMAN: The question is:

"That this House approves the recommendations contained in the Report of the Parliamentary Committee appointed to review the rate of dividend which is at present payable by the Railway Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance *visa-vis* the General Finance which was presented to Parliament on the 30th November, 1960."

Tk« motion was adopted.

THE APPROPRIATION (RAILWAYS) NO. 5, BILL 1960.

THE DEPUTY MINISTER OF RAILWAYS (SHRI SHAH NAWAZ KHAN): Sir, I beg to move:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the service of the financial year 1960-61, for the purposes of Railways, as passed by the Lok Sabha* be taken into consideration."

Sir, all the details have been explained fully in the Explanatory Memorandum which has been circulated to all hon. Members.

DR. H. N. KUNZRU (Uttar Pradesh): Where is the Explanatory Memorandum?

MR. DEPUTY CHAIRMAN: It has been circulated.

SHRI JASWANT SINGH (Rajasthan): It was the other thing, but the Railway memorandum has not been circulated.

MR. DEPUTY CHAIRMAN: I think it has been circulated.

SHRI SHAH NAWAZ KHAN: Sir, we have been lucky to have discovered very large deposits of very high grade coal in the Singrauli coalfield which is near Churk in Mirzapur district, and the Planning Commission has given top-most priority to the development of this coalfield. The Railways are keeping pace and they want to be well in time to be able to provide railway line to connect the coalfield to Pipri railway station which is on the line between Churk in Mirzapur District and Garhwa Road in Bihar. This very small amount of Rs. 6\,000 is required for this purpose. It is for the period until the next Budget is introduced.

The question was proposed.