

Chapter 1: Financial Management

1.1 Introduction

Indian Railways is the principal mode of transport in the country. During 2005-06 Indian Railways carried on an average 1.83 million tonnes of freight and about 16 million passengers per day. The Ministry of Railways (Railway Board) is responsible for management and formulation of policy for the Indian Railways. The Ministry supervises and controls 16 zonal railways, the Research, Design and Standards Organisation, Lucknow, the railway production units viz. Chittaranjan Locomotive Works, Chittaranjan, Integral Coach Factory, Perambur, Rail Coach Factory, Kapurthala, Diesel Locomotive Works, Varanasi, Diesel Loco Modernisation Works, Patiala and Rail Wheel Factory, Yelahanka and other railway establishments. The 16 Railway Zones are further divided into 67 Divisions which are headed by Divisional Railway Managers.

There are also a number of Public Sector Undertakings which deal with various activities related to the railway functioning such as Rail India Technical and Economic Services Ltd. (consultancy in transportation and infrastructure), Indian Railway Construction Corporation Ltd. (construction and consultancy), Indian Railway Finance Corporation Ltd. (mobilisation of funds for core railway activities), Container Corporation of India Ltd. (container traffic), Railtel Corporation of India Ltd. (modernisation of communication system), Indian Railway Catering and Tourism Corporation Ltd. (tourism and catering) etc. Joint venture companies with other organisations are also formed for the purpose of executing specific projects such as the Pipavav Railway Corporation Ltd. In addition, the Ministry of Railways has set up an autonomous organisation, Centre for Railway Information Systems, to facilitate computerisation of various systems on the Railways.

The details of investment of the Railways in its Public Sector Undertakings are as follows:

S. no.	Public Sector Undertaking	Investment (Rs. in crore)
1.	Rail India Technical and Economic Services Ltd. (RITES)	40.00
2.	Indian Railway Construction Corporation Ltd. (IRCON)	4.94
3.	Indian Railway Finance Corporation Ltd. (IRFC)	232.00
4.	Container Corporation of India Ltd. (CONCOR)	41.01
5.	Konkan Railway Corporation Ltd. (KRCL)	411.29
6.	Railtel Corporation of India Ltd.(RCIL)	15.00
7.	Indian Railway Catering and Tourism Corporation Ltd. (IRCTC)	20.00
8.	Mumbai Rail Vikas Corporation Ltd. (MRVC)	12.75
9.	Rail Vikas Nigam Ltd. (RVNL)	1,122.62
10.	Pipavav Railway Corporation Ltd. (PRCL)	NA

Railway finances were separated from the General finances through a Separation Convention in 1924 to secure stability for civil estimates by providing an assured contribution from railway revenues and also to introduce flexibility in the administration of railway finances. In 1949, the Separation

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Convention was reviewed and another convention resolution was adopted with effect from 1 April 1950, which recommended presentation of a separate railway budget every year, prior to presentation of the general budget. As contemplated in the convention of 1949, a Railway Convention Committee (RCC) was constituted in 1954 to review the rate of dividend payable by the Indian Railways to the general revenues and other ancillary matters.

The ensuing paragraphs contain the results of an analysis of the financial performance of Indian Railways during the year 2005-06.

1.2 Financial Results

Financial results of the Indian Railways for the year 2005-06, compared with the Budget Estimates (BE) and Revised Estimates (RE) 2005-06 and actuals of the previous year (2004-05), are shown below:

(Rupees in crore)

		Actuals 2004-05	Budget Estimates 2005-06	Revised Estimates 2005-06	Actuals 2005-06
1	Gross Traffic Receipts	47,370.21	50,968.00	54,700.00	54,491.38
2	(a) Miscellaneous Receipts	1,676.37	2,230.43	1,721.52	1,824.13
	(b) Miscellaneous Expenditure	1,014.16	1,140.45	2,720.43	2,736.10
	Net Miscellaneous Receipts (a)-(b)	662.21	1,089.98	(-) 998.91	(-) 911.97
3	Total Receipts (1 + 2)	48,032.42	52,057.98	53,701.09	53,579.41
4	Ordinary Working Expenses	33,388.88	35,600.00	35,184.00	35,029.53
5	Appropriation to				
	(a) Depreciation Reserve Fund	2,700.00	3,604.00	3,604.00	3,604.00
	(b) Pension Fund	6,670.00	6,940.00	6,940.00	6,940.00
6	Total Working Expenses (4 + 5)	42,758.88	46,144.00	45,728.00	45,573.53
7	Net Revenue (3 – 6)	5,273.54	5,913.98	7,973.09	8,005.87
8	Dividend Payable to General Revenues				
	(a) Current year	2,716.01	3,638.00	2,929.65	3,004.92
	(b) Provision for Deferred Dividend of previous years	483.30	300.00	663.00	663.00
	Net Dividend Paid	3,199.31	3,938.00	3,592.65	3,667.92
9	Net surplus available for appropriation (7 – 8)	2,074.23	1,975.98	4,380.44	4,337.96
10	Surplus appropriated to				
	(a) Development Fund	1,841.77	1,852.98	1,852.98	1,852.98
	(b) Special Railway Safety Fund	100.00	123.00	--	--
	(c) Railway Safety Fund	132.46	--	--	67.54
	(d) Railway Capital Fund	--	--	2,527.46	2,417.44

There was a growth of 15 per cent (Rs.7,121.17 crore) in gross traffic receipts over 2004-05 while the total working expenses rose by more than six per cent (Rs.2,814.65 crore) from the previous year. The net revenue also increased by almost 52 per cent over the previous year.

The miscellaneous expenditure has increased as the capital component of lease charges payable to IRFC amounting to Rs.1,615.59 crore, hitherto booked along with the interest portion as working expenses under Grant No.9–Operating Expenses–Traffic, has now been segregated and the

capital portion booked to the Capital Fund through miscellaneous expenditure. Audit pointed out that the charging of the capital component to revenue was not in order. Railways need to appropriate funds to the Capital Fund, from which the capital portion of the lease charges are finally paid, from the surplus available with them after payment of dividend which is the first charge on the net revenues of the Railways. Accordingly, the Railways are now considering charging the capital component of IRFC lease charges from surplus i.e. after payment of dividend. However, for the year 2005-06, the same has been booked as miscellaneous expenditure, resulting in a negative figure of Net Miscellaneous Receipts.

1.3 Gross Traffic Receipts

The detailed break-up of the traffic receipts of the Railways for the year 2005-06 along with the details of budget estimates (BE), revised estimates (RE) and actuals of previous year's receipts is shown below:

(Rupees in crore)

Traffic Earnings	Actuals 2004-05	Budget Estimates 2005-06	Revised Estimates 2005-06	Actuals 2005-06
Passenger	14,112.54	15,080.00	15,130.00	15,126.00
Goods	30,778.40	33,480.00	36,490.00	36,286.97
Other Coaching ¹	990.28	1,100.00	1,180.00	1,152.56
Sundries including Suspense	1,488.99	1,308.00	1,900.00	1,925.85
Total	47,370.21	50,968.00	54,700.00	54,491.38

There was an overall increase in traffic earnings by Rs.7,121.17 crore during the year 2005-06. The major portion (77 per cent) comprised goods earnings amounting to Rs.5,508.57 crore followed by Rs.1,013.46 crore (14 per cent) from passenger earnings.

Results of the review of the Railways, performance in passenger and goods traffic are discussed in the succeeding paragraphs.

1.3.1 Passenger Earnings

During 2005-06, the passenger earnings rose by seven per cent over the previous year. Indian Railways carried 259.33 million more passengers, as compared to the previous year. The earnings from passenger traffic during 2005-06 were estimated to yield Rs.15,080 crore in the BE and Rs.15,130 crore in the RE. The actual earnings of Rs.15,126 crore was more than the BE by Rs.46 crore but fell short of the RE by Rs.4 crore. The trends in passenger earnings vis-à-vis the average lead² and the average rate per passenger kilometre over the past five years are as follows:

¹ Other coaching includes minor heads other than passenger viz. special trains and reserved carriages, luggage, parcels, other coaching traffic, transport of post office mails and other miscellaneous coaching receipts

² Average haul of a passenger (or a tonne of freight)

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Year	Passenger earnings (Rupees in crore)	No. of passengers (in millions)	Passenger kilometres (in millions)	Average lead per passenger (in kilometres) Col. (4) / (3)	Average rate per passenger kilometre (in Paise) Col. (2) / (4) x100
(1)	(2)	(3)	(4)	(5)	(6)
2001-02	11,196.45	5,245.99	4,94,914	94.34	22.62
2002-03	12,575.44	5,125.51	5,16,500	100.77	24.35
2003-04	13,298.33	5,293.46	5,42,896	102.56	24.50
2004-05	14,112.54	5,573.06	5,76,514	103.45	24.48
2005-06	15,126.00	5,832.39	6,16,632	105.73	24.53

From the above, it can be seen that the Railways earned 24.53 paise for carrying a passenger over one kilometre in 2005-06 as against 24.48 paise in 2004-05. On an average, a passenger travelled 105.73 kilometres as against 103.45 kilometres in the previous year.

The earnings from passenger services increased over the previous year on all zonal railways. The percentage increase was more than ten per cent on East Central, East Coast, North Western, South Eastern, South East Central, South Western and West Central Railways. However, the shortfall in earnings on East Coast and Eastern Railways was more than Rs.20 crore as compared to RE. It was seen that the percentage increase in the passenger earnings was more than the percentage increase in the number of passengers over the previous year. Further, about 49 per cent (Rs.478.19 crore) of the increase in total passenger earnings was in Second Class (Mail and Express).

In his budget speech, the Railway Minister announced that there would be no increase in the passenger fares during the year 2005-06. However, various components of the passenger fares other than the basic fare such as reservation charges, superfast charges, cancellation charges, clerkage charges etc., were revised. Besides this, the Railways introduced a fixed quota in all trains under tatkal reservation scheme for which an additional amount of Rs.50 to Rs.300 per passenger was charged. These factors along with the increase in number of passengers, contributed to the overall increase in passenger earnings.

1.3.2 Goods Earnings

During the last five years, there has been an increasing trend in the goods traffic carried by the Railways in terms of Net tonne kilometres³ (NTKMs), as well as earnings. The trend for the last five years is given as follows:

Year	Net tonne kilometres (million)	Earnings (Rupees in crore)	Percentage of average annual growth over previous years		Rate per NTKM (in Paise) Col. (3)/(2)
			Volume	Earnings	
(1)	(2)	(3)	(4)	(5)	(6)
2001-02	3,33,228	24,845.40	6.68	6.61	74.56
2002-03	3,53,194	26,504.82	5.99	6.68	75.04
2003-04	3,81,241	27,617.96	7.94	4.20	72.44
2004-05	4,07,398	30,778.40	6.86	11.44	75.55
2005-06	4,39,596	36,286.97	7.90	17.90	82.55

³ Net tonne kilometre – Payload of one tonne carried over one kilometre

Railways earned 82.55 paise from carrying one tonne of goods over one kilometre in 2005-06 as against 75.55 paise in 2004-05. While the goods earnings increased by almost 18 per cent in 2005-06 as compared to 2004-05, the tonnage originating increased by more than ten per cent. Increase in production of certain commodities like coal and cement during 2005-06 were also contributing factors for the increased tonnage carried.

Against the budget projection of 635 million tonnes of originating revenue earning goods traffic, the Railways actually lifted 666.51 million tonnes. The increase was more than ten per cent (64.39 million tonnes) over the previous year. As compared to the performance of 2004-05, the NTKMs also increased by 32,198 million NTKMs. However, the average distance over which a tonne was carried decreased from 677 kms in 2004-05 to 660 kms in 2005-06.

The analysis of freight earnings for various commodities is given in the following table:

Commodity	Year	Tonnage Originating	Net Tonne Kilometres	Earnings	Average Lead	Increase/ Decrease in tonnage originating during 2005-06 over 2004-05	Increase/ Decrease in earnings during 2005-06 over 2004-05
		(Millions)	(Millions)	(Rupees in crore)	(in KMs)	(in Millions)	(Rupees in crore)
Coal	2004-05	271.40	161906	13134.41	596.56		
	2005-06	294.25	170340	14432.96	578.90	22.85	1298.55
POL	2004-05	32.00	21024	2682.54	657.00		
	2005-06	33.45	24281	3069.36	725.89	1.45	386.82
Cement	2004-05	53.78	28888	2334.93	537.15		
	2005-06	61.19	32830	2824.02	536.53	7.41	489.09
Food grains	2004-05	46.52	62597	2965.21	1345.59		
	2005-06	41.74	55103	3005.64	1320.15	-4.78	40.43
Pig Iron & Finished Steel	2004-05	15.24	14149	1402.66	928.41		
	2005-06	17.74	18655	1825.46	1051.58	2.50	422.80
Fertilisers	2004-05	28.75	21713	1192.61	755.23		
	2005-06	32.65	26707	1569.07	817.98	3.90	376.46
Raw Materials to Steel Plants	2004-05	44.26	15843	1302.20	357.95		
	2005-06	51.35	17406	1691.26	338.97	7.09	389.06
Iron Ore for Export	2004-05	36.41	18945	1548.60	520.32		
	2005-06	41.24	20980	2226.14	508.73	4.83	677.54
Other Goods	2004-05	73.76	62333	3926.07	845.08		
	2005-06	92.90	73294	4890.78	788.96	19.14	964.71
Misc. Goods Earnings	2004-05			289.17			
	2005-06			752.28		0.00	463.11
Total	2004-05	602.12	407398	30778.40	676.61		
	2005-06	666.51	439596	36286.97	659.55	64.39	5508.57

The increase in tonnage carried was mainly on account of enhancement in loading limits in respect of all the CC commodities by six tonne to ten tonne.

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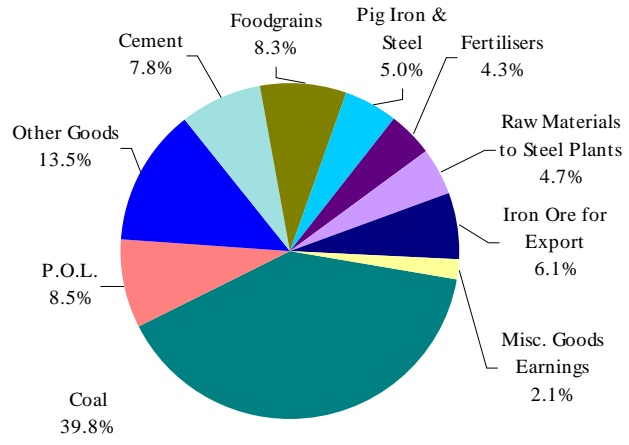
This, as well as the upward revision of classification of certain commodities such as coal, iron ore, cement, limestone, dolomite and food grains, resulted in the overall increase in freight earnings. The upward revision of classification at the fag end of 2004-05 had increased the freight rates of food grains (33 per cent), iron ore, lime stone and dolomite (17 per cent), coal (8 per cent) and cement (4 per cent) as can be seen from the following table:

Commodity	Classification during		Rates per tonne (Rs.)			Percentage variation in rates
	2004-05	2005-06	Distance slab	2004-05	2005-06	
Coal	130	140 (from 27.11.04)	500 kms	394.40	424.80	7.7%
			1000 kms	751.90	809.80	
			1500 kms	1,109.40	1,194.80	
			2000 kms	1,375.90	1,481.80	
Iron ore	130	140 from 27.11.04	500 kms	364.10	424.80	16.67%
			1000 kms	694.10	809.80	
			1500 kms	1,024.10	1,194.80	
			2000 kms	1,270.10	1,481.80	
Cement	135	140 (from 27.11.04)	500 kms	409.60	424.80	3.71%
			1000 kms	780.80	809.80	
			1500 kms	1,152.10	1,194.80	
			2000 kms	1,428.80	1,481.80	
Food grains	90	120 up to 30.11.05 and 110 thereafter	500 kms	273.10	364.10/333.70	33.32% / 22.19%
			1000 kms	520.60	694.10/636.20	
			1500 kms	768.10	1,024.10/938.70	
			2000 kms	952.60	1,270.10/1,164.20	
Lime stone & Dolomite	120	140 Upto 31.11.05 and 160 thereafter	500 kms	364.10	424.80	16.67%
			1000 kms	694.10	809.80	
			1500 kms	1,024.10	1,194.80	
			2000 kms	1,270.10	1,481.80	

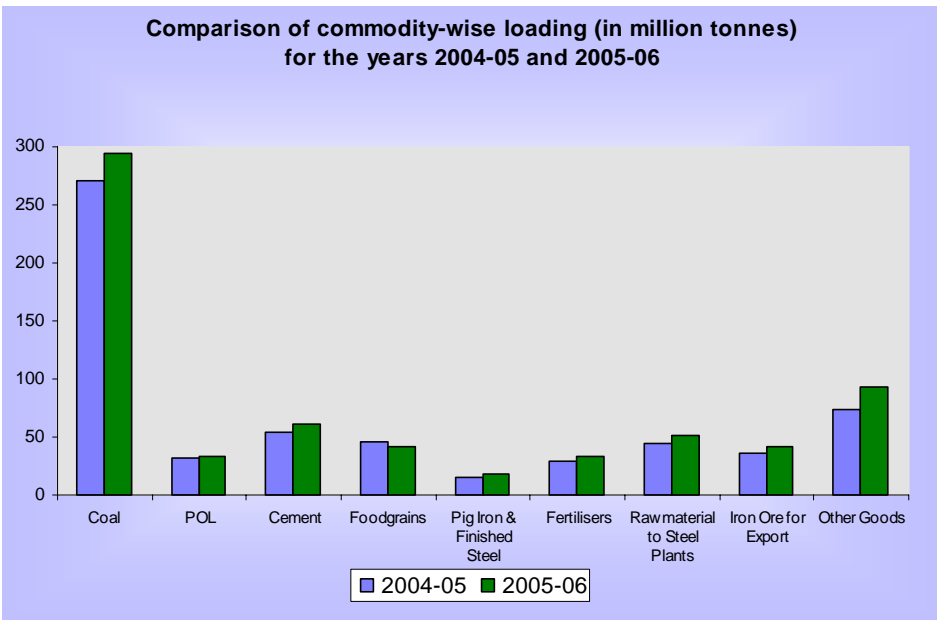
In respect of food grains, the earnings increased despite a decrease in tonnage carried, as the rates of food grains meant for Public Distribution System, which forms a major portion of the food grain traffic were increased by almost 33 per cent.

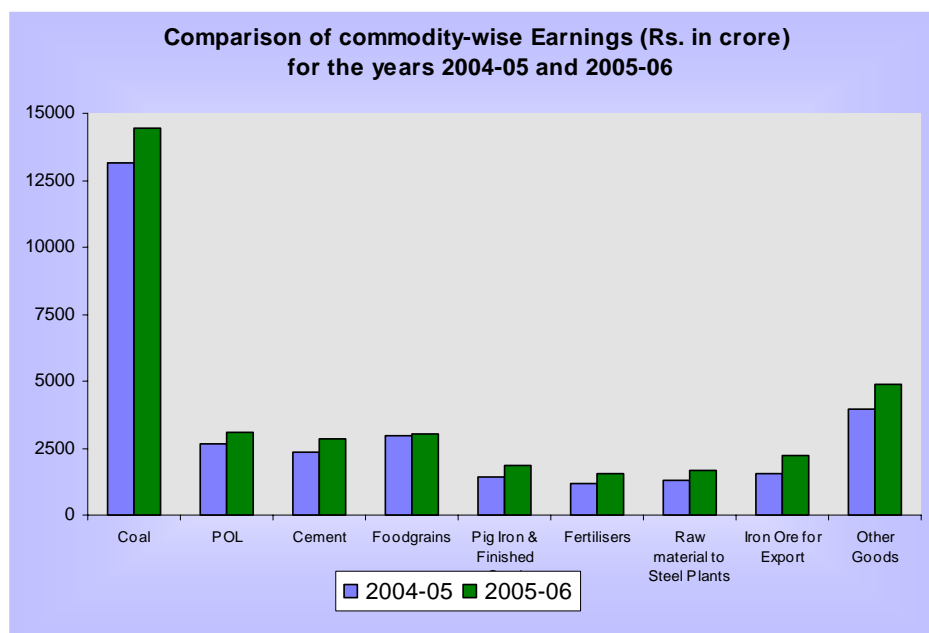
The percentage share of earnings of various commodities during 2005-06 can be seen in the following chart:

2005-06



The overall increase/ decrease in originating tonnage and earnings of various commodities in 2005-06 over the past year are depicted in the following graphs:





Though the goods earnings in respect of all the zonal railways were more than the previous year and ranged from an increase of 5 per cent (Central Railway) to 41 per cent (South Western Railway), the earnings fell short of RE by more than Rs.50 crore in Eastern, West Central, East Coast, South Central and South East Central Railways.

1.4 Unrealised Earnings

The Budget and Revised Estimates 2005-06 projected clearance of Rs.100 crore from the unrealised earnings. Against these projections, the actual clearance (exclusive of Demands Recoverable) was Rs.78.11 crore, bringing the balance of unrealised earnings from Rs.1,664.53 crore at the end of 2004-05 to Rs.1,586.42 crore at the end of 2005-06.

About 82 per cent (Rs.1,304.67 crore) of the unrealised earnings (Rs.1,586.42 crore) was on account of outstanding dues recoverable from the State Electricity Boards (SEBs)/ Power Houses, almost all of which was on account of freight (Rs.1285.39 crore).

The outstanding dues against various SEBs as on 31 March 2006 were as follows:

Sl. No.	Name of State Electricity Board/ Power House	Outstanding dues as on 31 March 2005	Outstanding dues as on 31 March 2006	Increase (+)/ decrease (-) during the year
1.	Badarpur Thermal Power Station (BTPS)	618.00	581.32	(-) 36.68
2.	Punjab State Electricity Board (PSEB)	442.20	442.19	(-) 0.01
3.	Delhi Vidyut Board (DVB)	177.69	176.61	(-) 1.08
4.	Rajasthan State Electricity Board (RSEB)	46.59	39.34	(-) 7.25
5.	Uttar Pradesh State Electricity Board (UPSEB)	28.78	31.75	(+) 2.97
6.	Haryana State Electricity Board	8.91	18.75	(+) 9.84
7.	National Thermal Power Corporation	6.84	4.91	(-) 1.93
8.	West Bengal State Electricity Board	0.94	3.53	(+) 2.59
9.	Bihar State Electricity Board	0.90	1.36	(+) 0.46
10.	Maharashtra State Electricity Board	1.41	1.25	(-) 0.16
11.	Damodar Valley Corporation	0.61	1.21	(+) 0.60
12.	Tamil Nadu State Electricity Board	1.25	0.90	(-) 0.35
13.	Private Power House – Sabarmati	0.75	0.90	(+) 0.15
14.	Madhya Pradesh State Electricity Board	0.52	0.41	(-) 0.11
15.	Gujarat State Electricity Board	1.95	0.14	(-) 1.81
16.	Jharkhand State Electricity Board	1.28	0.08	(-) 1.20
17.	Andhra Pradesh State Electricity Board	0.07	0.02	(-) 0.05

An analysis in respect of five SEBs, where the outstanding dues were more than Rs.25 crore as on 31 March 2006 revealed the following:

- A large portion of the outstanding dues pertained to the period prior to 2004-05.
- As against the commitment of paying Rs.60.42 crore out of the outstanding dues of Rs.618 crore during the year 2005-06, BTPS paid only Rs.35 crore.
- In order to ensure timely realisation of Railway dues, the parties are required to maintain a security deposit with the Railways adjustable with the freight accruing during a specific period. In case the amount of freight exceeds the amount of security deposit, the parties are required to pay the same along with replenishment of security deposit within a specified period. If the above conditions are not fulfilled, a ‘To-pay’ surcharge is levied on the amount that exceeds the security deposit. It was observed that, though the outstanding dues in respect of PSEB and RSEB were on account of levy of ‘To-pay’ surcharge, the same were disputed by these SEBs and not paid. An amount of Rs.442.19 crore was outstanding against PSEB. The matter is sub-judice. Further, an amount of Rs.36.96 crore was disputed by RSEB on similar grounds and its settlement is pending the decision in the PSEB case.
- In respect of DVB, though Rs.76 crore pertained to the period prior to the constitution of DVB, the amount was yet to be settled in consultation with the Ministry of Power.

- Outstanding dues in respect of PSEB have been increasing consistently since 2000-01. In respect of UPSEB also, the outstanding dues have increased further, due to non-payment of freight for the year 2005-06.

In view of the increasing trend of dues, the Ministry of Railways need to take urgent steps not only to realise the outstanding dues but also to ensure that there are no further accruals.

1.4.1 Demands Recoverable

The Demands Recoverable, which represent outstandings in respect of (i) rent/lease charges for letting out Railway land and buildings and (ii) interest and maintenance charges from siding owners, decreased by Rs.8.72 crore

(almost 8 per cent), from Rs.110.81 crore at the end of March 2005 to Rs.102.09 crore at the end of March 2006. Though the overall position of demands recoverable has decreased in 2005-06 as compared to the previous year, the demands recoverable on North Western, East Coast, Northern, South Western and South East Central Railways had increased by Rs.5.96 crore.

1.5 Operating Ratio

The Operating Ratio represents the percentage of working expenses (including the expenses not yet paid) to traffic earnings (including the earnings not yet realised). The operating ratio, which was 90.98 per cent in 2004-05, improved to 83.72 per cent (by 7.26 per cent) in 2005-06 for the Railways as a whole. As brought out in paragraph 1.3.2, increase in rates of commodities like coal, cement, iron ore and food grains, as a result of upward revision in classes, was one of the major contributors in improved earnings of the Railways.

Another reason for an improved operating ratio for Indian Railways was the change in the accounting treatment of the capital component of leasing charges to IRFC. This amount was earlier booked to working expenses (Grant No.9 - Operating expenses-Traffic) and from 2005-06 onwards the capital component was being booked as capital expenditure sourced through the Capital Fund. This has resulted in decrease in working expenses of Rs.1,615.59 crore, thereby improving the operating ratio by 2.97 per cent.

During the year, the Railways permitted private parties to run container trains for which a number of applicants came forward and deposited registration fees amounting to Rs.540 crore. The amount has enhanced the sundry earnings of Northern Railway and further improved the operating ratio of Indian Railways by 0.84 per cent.

The operating ratio of zonal railways and Metro, Kolkata during the last three years is shown in the following table:

S. no.	Zonal Railway	Operating Ratio			Improvement (+)/ Deterioration (-) in 2005-06 over 2004-05
		2003-04	2004-05	2005-06	
1.	South East Central	62.80	56.10	49.97	6.13
2.	East Coast	66.64	61.75	54.01	7.74
3.	North Central	76.33	66.71	61.06	5.65
4.	South Eastern	81.24	83.51	67.54	15.97
5.	South Central	85.72	83.62	79.70	3.92
6.	South Western	91.35	86.15	80.97	5.18
7.	East Central	93.65	98.90	82.29	16.61
8.	West Central	80.99	84.08	82.67	1.41
9.	Northern	91.08	92.89	84.21	8.68
10.	Central	80.29	82.48	84.82	(-)2.34
11.	Western	93.21	90.85	85.15	5.70
12.	North Western	106.26	104.98	93.94	11.04
13.	Southern	118.55	120.79	114.46	6.33
14.	Northeast Frontier	147.98	159.45	142.53	16.92
15.	North Eastern	151.93	160.88	144.72	16.16
16.	Eastern	161.30	152.84	145.42	7.42
17.	Metro, Kolkata	247.40	264.38	237.92	26.46

From the above it can be seen that -

- Operating ratios of all the zonal railways, except Central Railway improved as compared to the previous year.
- The operating ratio of Central Railway has deteriorated by 2.34 per cent from 82.48 per cent in 2004-05 to 84.82 per cent in 2005-06, mainly due to the fact that the percentage increase in the traffic receipts of Central Railways (3.7 per cent) was much less than the percentage increase in its working expenses (6.64 per cent). Further, the percentage increase in traffic receipts for Central Railway was not on par with the percentage increase on all other zonal railways.
- The main reason for improved operating ratio of Northern Railway was increase in sundry earnings by Rs.604.71 crore of which, Rs.540 crore was on account of registration fee from container services.

1.6 Plan Expenditure

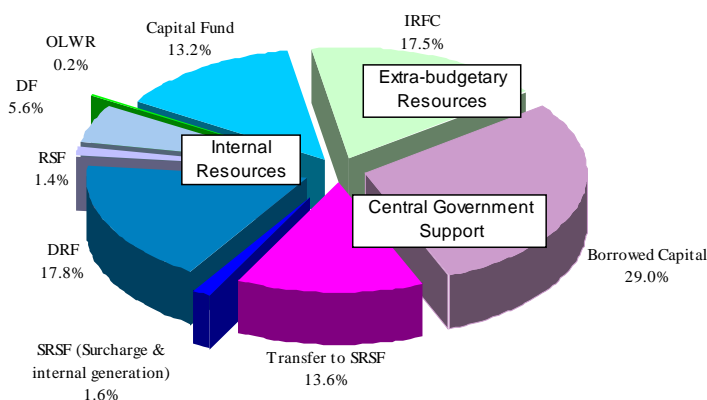
1.6.1 The Indian Railways finance their expenditure on acquisition, construction, replacement and renewal of assets from budgetary support, market borrowings and their own internal resources. The following table shows the break-up of various sources of finance vis-à-vis expenditure incurred during the year 2005-06:

Actual expenditure vis-à-vis sources of finance

(Rupees in crore)

S. no.	Sources of Finance	Actuals 2004-05	Budget Estimate 2005-06	Revised Estimate 2005-06	Actuals 2005-06
1	Central Government Support				
	(i) Budgetary Support				
	(a) Borrowed Capital from General Revenues	5,492.99	3,821.00	4,686.00	5,312.46
	(b) Transfer to Special Railway Safety Fund	2,975.00	2,699.00	2,499.00	2,499.00
	(ii) Contribution from Central Road Fund to Railway Safety Fund (RSF)	201.37	710.81	710.81	262.24
	Total Central Government Support	8,669.36	7,230.81	7,895.81	8,073.70
2	Internal Resources				
	i) Depreciation Reserve Fund (DRF)	2,234.58	2,650.00	3,026.00	3,255.59
	ii) Development Fund (DF)	736.88	1,200.19	1,216.00	1,024.96
	iii) Capital Fund (CF)	-	-	2,433.59	2,426.11
	iv) Special Railway Safety Fund ⁴ (SRSF)	702.78	823.00	511.00	284.14
	v) Open Line Works – Revenue (OLWR)	37.56	45.00	50.00	42.80
	Total Internal Resources	3,711.80	4,718.19	7,236.59	7,033.60
	Grand Total of Plan Funds (1+2)	12,381.16	11,949.00	15,132.40	15,107.30
3	External Resources				
	(i) Indian Railway Finance Corporation (IRFC)	2,990.66	3,400.00	3,400.00	3,213.05
	(ii) Rail Vikas Nigam Limited (RVNL)	0.00	0.00	443.40	780.92
	Total External Resources	2,990.66	3,400.00	3,843.40	3993.93
	GRAND TOTAL	15,371.82	15,349.00	18,975.80	19101.27

Sources of Finance



1.6.2 The Plan Expenditure met out of borrowed capital from General Revenues was budgeted at Rs.3,821 crore, which was further increased to Rs.4,686 crore at the RE stage. The actual expenditure (Rs.5,312.46 crore) was more than the BE and RE by Rs.1,491.46 crore and Rs.626.46 crore respectively, but less than the actuals of 2004-05 by Rs.180.53 crore.

1.6.3 Against the expenditure of Rs.3,711.80 crore incurred during 2004-05, the Railways expended Rs.7,033.60 crore (an increase of Rs.3,321.80 crore)

⁴ SRSF is financed by levy of safety surcharge, railway surplus as well as allocation from General Revenues.

from their own internal resources during 2005-06. This expenditure was more than the BE by Rs.2,315.41 crore but less than the RE by Rs.202.99 crore.

1.6.4 Railways proposed an investment of Rs.3,400 crore for acquisition of rolling stock from funds to be mobilised by Indian Railway Finance Corporation (IRFC). The actual investment for acquisition of rolling stock, however, was only Rs.3,213.05 crore which was less than the BE and RE by Rs.186.95 crore. The lease charges paid by the Railways on market borrowings from IRFC during 2005-06 was Rs.3,315 crore.

An analysis of actual expenditure incurred on procurement of Rolling Stock through funds mobilised by IRFC vis-à-vis the BE revealed that while there has been improvement in the procurement of Rolling Stock, there is still a shortfall as compared to the targets set for the year. In respect of wagons particularly, the shortfall has been ranging between 45 per cent (2001-02) to nine per cent (2005-06) of the BE.

1.6.5 A review of plan head-wise expenditure against the Tenth Five-year Plan outlay revealed that expenditure on works under the head doubling and railway electrification, which are aimed at enhancing operational efficiency and performance of the Railways was only 57 per cent and 39 per cent, even after lapse of four years of the Plan.

Rs. in crore

Plan Heads	Total Tenth Plan 2002-03 to 2007-08 (Proposed)	Plan Expenditure during 2002-03 to 2004-05 (Actuals)	Plan Expenditure during 2005-06 (Actuals)	Total Plan Expenditure in first four years of Tenth Plan	Percentage of Tenth Plan
New Lines (Const.)	2,500.00	2,929.21	991.15	3,920.36	156.81
Gauge Conversion	2,500.00	3,066.67	1,241.74	4,308.41	172.34
Doubling	4,000.00	1,597.94	687.21	2,285.15	57.13
Rolling Stock	16,175.00	10,305.15	5,822.52	16,127.67	99.71
Track Renewals	7,420.00	3,472.90	2,164.17	5,637.07	75.97
Electrification Projects	1,500.00	513.96	73.00	586.96	39.13
Signalling & Telecommunication	610.00	649.91	427.15	1,077.06	176.57
Passenger Amenities	650.00	578.70	256.19	834.89	128.44
Others	25,245.00	6,712.99	2,874.25	9,587.24	37.98
Total	60,600.00	29,827.43	14,537.38	44,364.81	73.21

1.6.6 The accumulated Capital-at-charge for which dividend is payable to the General Revenues stood at Rs.53,062.43 crore and the accumulated assets created out of Capital Fund was Rs.12,815.94 crore as on 31 March 2006.

1.7 Undischarged liabilities

The Railways are required to pay dividend at a fixed rate on the Capital borrowed from the Central Government. The Railway Convention Committee of Parliament determines the rate of dividend payable by the Railways to the General Revenues every year. For the year 2005-06, the rate of dividend payable has been fixed at 6.5 per cent on the entire capital invested on the Railways from the General Revenues, irrespective of the year of investment. The undischarged liabilities on account of payment of interest (dividend) on investments made on new lines and shortfall in payment of current dividend

due to inadequate net revenue, stood at Rs.6,263.24 crore as on 31 March 2006 as discussed below:

- The Railway Convention Committee allows a moratorium on payment of dividend on investments in new lines during the period of construction and for the first five years after it is opened to traffic; cumulative dividend is payable when the line shows surplus after meeting current dividend liability. The account of accumulated dividend liability is closed after 20 years, extinguishing such unliquidated liability. The liability on this account, which was Rs.4,538.32 crore as on 31 March 2005 further increased to Rs.4,936.24 crore as on 31 March 2006. This increase, made up of Rs.405.92 crore accrued during the year, was partially set-off by payment of Rs.8 crore during the year.
- The deferred dividend liability of the Railways due to shortfall in the payment of current dividend of previous years as on 31 March 2005 was Rs.1,990 crore. During 2005-06, the Railways paid Rs.663 crore towards deferred dividend, bringing down the balance outstanding on this account to Rs.1,327 crore as on 31 March 2006.
- Net dividend shows a variation of Rs.75.27 crore as compared to the Revised Estimates. Though the rates of dividend payable were revised from seven per cent to 6.5 per cent in 2004-05, the Ministry of Railways overestimated their current dividend liability for the year 2005-06 by Rs.633.08 crore with respect to BE.

1.8 Railway Funds

Railways operate various funds to meet the requirement of asset acquisition, construction, replacement and renewal as well as pension payments to the railway employees. These funds are either fully or partially financed by railway revenues/surplus, in addition to budgetary support from the Central Government and market borrowings. The details of some of the Railway Funds for the year 2005-06 are discussed below:

1.8.1 Depreciation Reserve Fund: Railways maintain Depreciation Reserve Fund (DRF) for replacement and renewal of assets. This fund is financed by transfers from revenues and Workshop Manufacture Suspense. The fund received interest at the rate of 6.5 per cent per annum (the same as the rate of dividend payable to general revenues). The balances in DRF for the last five years are shown in the following table:

(Rupees in crore)				
Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2000-01	50.81	2,429.25	2,402.02	78.04*
2001-02	78.10*	2,124.49	1,569.61	632.98*
2002-03	632.90*	2,585.30	1,464.75	1,753.45*
2003-04	1,753.13*	2,842.83	1,905.03	2,690.93
2004-05	2,690.93	2,993.29	2,234.58	3,449.64
2005-06	3,453.64	3,943.06	3,255.59	4,141.11

Note: * Differences between closing and opening balances are due to transfer made between DRF and Capital. Accretion during the year includes interest earned on the balance in the fund.

As projected in the BE and RE during 2005-06, an amount of Rs.3,604 crore was appropriated to DRF from revenue. The actual expenditure during the year

2005-06 was Rs.3,255.59 crore, which exceeded the BE and RE by Rs.605.59 crore and Rs.229.59 crore respectively.

The expenditure was also more than the actual expenditure of the previous year by Rs.1,021.01 crore. The increase in expenditure from DRF was mainly on account of more expenditure as compared to the previous year viz. Rs.699.64 crore for Track Renewal Works (48 per cent), Rs.283.12 crore on Rolling Stock (100 per cent), Rs.46.85 crore on Bridge Works (42 per cent) and Rs.26.31 crore on Signalling and Telecommunication (28 per cent). It was observed that while the expenditure under DRF especially for track renewal works was less in the initial years of creation of SRSF, the pace of expenditure has picked up under DRF now.

1.8.2 Special Railway Safety Fund: SRSF was set up in 2001-02, to wipe out the arrears of replacements/ renewals of vital safety equipment on the Railways by 2006-07 which are normally financed through DRF. This fund was to be financed partly through railway revenues by levy of safety surcharge (Rs.5,000 crore) and balance (Rs.12,000 crore) through additional financial assistance (dividend free Capital) from General Revenues. The balance in the fund does not earn interest. The details of balance in the fund since 2001-02 along with transfer from Capital, appropriations from railway surplus and receipts from safety surcharge are shown in the following table:

(Rs. in crore)

Year	Opening balance	Appropriation to the fund			Transfer from capital	Total accretion (5) + (6)	Withdrawal during the year	Closing balance
		Receipt from safety surcharge	from surplus	Total (3) + (4)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2001-02	0.00	304.86	150.24	455.10	1,000.00	1,455.10	1,434.28	20.82
2002-03	20.82	602.51	565.40	1167.91	1,350.00	2,517.91	2,486.31	52.42
2003-04	52.42	631.57	361.41	992.98	1,600.00	2,592.98	2,583.77	61.63
2004-05	61.63	679.16	100.01	779.17	2,975.00	3,754.17	3,677.78	138.02
2005-06	138.02	748.60	0.00	748.60	2,499.00	3,247.60	2,783.14	602.48
Total		2,966.70	1,177.06	4,143.76	9,424.00	13,567.76	12,965.28	

As can be seen during the five years of operation of SRSF, as against the total budgetary support of Rs.12,000 crore upto 2006-07, the Railways have used only Rs.9,424 crore (almost 79 per cent) so far (March 2006). Further, as against a target of Rs.5,000 crore to be realised through levy of safety surcharge up to 2006-07, the Railways have realised only Rs.2,966.70 crore (59 per cent) through safety surcharge so far (March 2006). In addition, the Railways have also appropriated an amount of Rs.1,177.06 crore to SRSF from their revenue surplus.

During the year 2005-06, this fund received Rs.2,499 crore by transfer from Capital and appropriation of Rs.748.60 crore being receipts from safety surcharge. The outgo on account of plan expenditure chargeable to this fund was Rs.2,783.14 crore against Budget and Revised Estimates of Rs.3,522 crore and Rs.3,010 crore respectively leaving a balance of Rs.602.48 crore in the fund on 31 March 2006. The major expenditure from SRSF was on Track Renewal (Rs.1,059.46 crore), Rolling Stock (Rs.800 crore), Signalling and

Telecommunication (Rs.615.39 crore) and Bridge Works (Rs.248.41 crore). The year 2006-07 is the last year for completion of works under SRSF. The financial progress of these works by the end of the year 2005-06, under various Plan heads was as follows:

Plan head	Financial target up to 2006-07 (Rs. in crore)	Financial progress up to 2005-06 (Rs. in crore)	Percentage of financial progress up to 2005-06
Track renewal works	7,670	7,414	96.66
Bridge Works	1,722	873	50.70
Signalling and Telecommunication Works	3,652.36	2,181	59.71
Rolling Stock	3,698.40	2,376	64.24
Other safety enhancement works	257.24	121	47.04

It was observed that though the Railways had more or less achieved their financial target in respect of track renewal works, they were far behind in achieving their financial targets under other Plan heads viz. Bridge works, Signalling and Telecommunications, Rolling stock and other safety enhancement works. A further analysis showed that the physical progress up to 31 March 2006 was not up to the mark in Signalling and Telecommunications works (62 per cent) and wagon procurement (70 per cent).

1.8.3 Development Fund: The Development Fund is financed by appropriation from surplus and/or loans from General Revenues to meet expenditure on works relating to amenities for users of Railway transport, labour welfare works, safety works and unremunerative operating improvement works. The fund received interest at the rate of 9.58 per cent per annum (being the rate of interest on loan from general revenues for developmental works). As projected in the BE and RE an amount of Rs.1,852.98 crore was appropriated from surplus to the Development Fund during 2005-06. However, as against a budgeted expenditure of Rs.1,200.19 crore, which was further revised to Rs.1,216 crore, the expenditure by the Railways was only Rs.1,024.96 crore. Shortfalls in meeting the budgeted expenditures have resulted in accumulation of fund balance over the years as can be seen from the following table:

(Rupees in crore)				
Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2001-02	0.52	449.51	449.47	0.56
2002-03	0.62	553.85	483.86	70.61
2003-04	70.60	748.99	554.29	265.30
2004-05	265.30	1,943.96	736.88	1,472.38
2005-06	1,532.76	2,039.46	1,024.96	2,547.26

Note: Difference between closing balance of 2001-02 and opening balance of 2002-03 is due to transfer of Rs.0.06 crore from Capital and DRF. Difference between closing balance of 2002-03 and opening balance of 2003-04 is due to rounding off. Difference between closing balance of 2004-05 and opening balance of 2005-06 is due to transfer of Rs.60.38 crore from RSF.

Accretion includes interest on the balance in the fund.

1.8.4 Capital Fund: The Capital Fund was created with effect from 1 April 1993 to finance the capital works of the Railways. The balance amount of surplus left after appropriation to Development Fund is credited to

this fund. The fund received interest at the rate of 6.5 per cent per annum (the same as the rate of dividend payable to general revenues). The operation of the fund ceased due to non-availability of surplus in the year 2001-02. The same has been revived in the year 2005-06 due to availability of surplus revenue. As against projected appropriation of Rs.2,527.46 crore in the RE, the actual appropriation to Capital Fund from surplus was Rs.2,417.44 crore. An amount of Rs.1,615.59 crore was also appropriated to the fund from revenue as projected in the RE for repayment of principal portion of lease charges to IRFC. A number of on going projects of Doubling, Gauge Conversion and Traffic Facilities were transferred under Capital Fund and an amount of Rs.810.52 crore spent. The balances in Capital Fund for the last five years are shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2001-02	21.56	249.62	257.71	13.47
2002-03	13.47	0.94	0	14.41
2003-04	14.41	1.01	0	15.42
2004-05	15.42	1.00	0	16.42
2005-06	16.42	4,086.32	2,426.11	1,676.63

Note: * Difference between closing and opening balance is due to transfer between Capital and Capital Fund.
Accretions from 2002-03 onwards are on account of interest on the balance in the fund.

1.8.5 Railway Safety Fund: The Railway Safety Fund was created with effect from 1 April 2001 to finance works relating to Road Safety works viz. (i) manning of un-manned level crossings and (ii) conversion of level crossings into road over/ under bridges. The fund is to be funded from three sources viz. (i) contribution from Central Road Fund, (ii) Railway surplus left after payment of dividend and (iii) contribution made by the Ministry of Railways to the Railway Safety Works Fund (maintained by the Ministry of Finance) out of the Dividend payable to General Revenues. The balance in the fund does not earn interest. During the year 2005-06, the Ministry received an amount of Rs.710.81 crore from the Central Road Fund, appropriated an amount of Rs.67.54 crore from surplus and Rs.2.57 crore out of dividend payable to General Revenues as contribution to this fund. The balances in Railway Safety Fund for the last five years are shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2001-02	226.84	305.47	140.28	392.03
2002-03	392.03	266.74	164.08	494.69
2003-04	494.69	435.74	166.12	764.31
2004-05	764.31	536.03	201.37	1,098.97
2005-06	1,038.58	780.92	262.24	1,557.26

Note: The opening balance of Rs.226.84 crore represents the transfer from DF on 1 April 2001.
Difference between closing balance of 2004-05 and opening balance of 2005-06 is due to transfer of Rs.60.38 crore to DF.

The expenditure on road safety works is shared equally between the Railways and the respective State Governments. During the past five years, the shortfall in expenditure on Railway Safety Works has always been more than fifty per cent of the budgeted provision. During 2005-06 also, the percentage of

shortfall was 63 per cent. In 2005-06, the Railways could expend only Rs.262.24 crore against the budget provision of Rs.710.81 crore. The shortfall in expenditure was due to State Governments not providing their portion of funds for taking up road safety works viz. construction of road over/under bridges, delay in finalisation of approach alignment and acquisition of land by the State Government/ Local Bodies, difficulties in removing encroachments on approach portion of bridges and delay in shifting of services coming under the approach portion of work etc. Despite Railways' inability to take up the works of ROBs/RUBs as planned, another 24 ROBs/RUBs were taken up on 'out of turn' basis through Supplementary Demand for Grants during the year.

1.9 Comments on Appropriation Accounts

1.9.1 The Summary of Appropriation Accounts (Railways) for the sums expended during the year ended 31 March 2006, compared with the sums authorised in the Demands for Grants for expenditure of Central Government on Railways and passed under Articles 114 and 115 of the Constitution of India, is given in Appendix - 1. The position is briefly summed up as follows:

(Rupees in crore)

	Original Grant/ Appropriation	Supple- mentary	Total	Actual Expenditure	Saving (-)/ Excess (+)
I. Revenue					
Voted	60,839.94	5,378.01	66,217.95	64,044.41	(-) 2,173.54
Charged	32.23	18.77	51.00	43.47	(-) 7.53
Total	60,872.17	5,396.78	66,268.95	64,087.88	(-) 2,181.07
II. Capital: Assets Acquisition, Construction and Replacement (Expenditure met from Loan Capital, Depreciation Reserve Fund, Development Fund, Capital Fund, Railway Safety Fund, Special Railway Safety Fund and Open Line Works –Revenue)					
Voted	27,656.29	4,343.98	32,000.27	32,964.37	(+) 964.10
Charged	10.04	33.09	43.13	37.47	(-) 5.66
Total	27,666.33	4,377.07	32,043.40	33,001.84	(+) 958.44
Total Voted	88,496.23	9,721.99	98,218.22	97,008.78	(-) 1,209.44
Total Charged	42.27	51.86	94.13	80.94	(-) 13.19
Grand Total	88,538.50	9,773.85	98,312.35	97,089.72	(-) 1,222.63

The overall saving of Rs.1,222.63 crore constituted 1.24 per cent of the total provision of Rs.98,312.35 crore. The saving was the net result of savings in sixteen grants and five appropriations⁵ and excess in four grants and eleven appropriations.

1.9.2 Supplementary Grants

Ministry of Railways had obtained three Supplementary Grants for a total amount of Rs.9,773.85 crore during 2005-06. Supplementary grant for Rs.425 crore was sought in August 2005, Rs.200.01 crore in December 2005 and Rs.9,148.84 crore in March 2006, for accelerating the progress of various ongoing works and for taking up 'out of turn' works during 2005-06, which constitute 'New Service/New Instruments of Service'.

1.9.3 Excess under Grants and Appropriations

⁵ Railways operate 16 Grants (15 Revenue Grants and one Capital Grant). Capital Grant No. 16 has five segments; reappropriation of funds is not permissible between the five segments. As such the total number of Grants has been taken as twenty.

There was an aggregate excess of Rs.2,296.12 crore in four Grants (three Revenue and one Capital) and eleven Appropriations (ten Revenue and one Capital) as detailed below. These excesses require regularisation by Parliament under Article 115(1) (b) of the Constitution of India.

(Rupees in thousand)

S.No	Grant/ Appropriation No.	Supple- mentary Provisio n	Excess Expend- iture
1.	Appropriation No. 3 – General Superintendence and Services	699	11
2.	Appropriation No. 4 – Repairs and Maintenance of Permanent Way and Works	1,30,57	46,14
3.	Appropriation No. 5 – Repairs and Maintenance of Motive Power	40	205
4.	Appropriation No. 6 – Repairs and Maintenance of Carriages and Wagons	73	5
5.	Appropriation No. 7 – Repairs and Maintenance of Plant and Equipment	1,80	1,45
6.	Appropriation No. 8 – Operating Expenses – Rolling Stock and Equipment	6,00	6,59
7.	Appropriation No.9 – Operating Expenses – Traffic	26,08	5,17
8.	Appropriation No. 10 – Operating Expenses – Fuel	50,00	1,61,00
9.	Appropriation No. 11 – Staff Welfare and Amenities	22,52	17,16
10.	Appropriation No. 13 – Provident Fund, Pension and Other Retirement Benefits	12,99	3,07
11.	Appropriation No. 16 – Assets, Acquisition, Construction and Replacement – Railway Funds	10,68	2,63,50
12.	Grant No. 4 – Repairs and Maintenance of Permanent Way and Works	35,04,35	10,16,37
13.	Grant No. 6 – Repairs and Maintenance of Carriages and Wagons	1,44,46,78	27,00,63
14.	Grant No. 10 – Operating Expenses – Fuel	10,13,25,87	95,37,70
15.	Grant No. 16 – Assets, Acquisition, Construction and Replacement – Capital	15,54,45,22	21,58,51,64

- In all the above Grants/ Appropriations, excess expenditure was incurred even after obtaining supplementary provisions. This indicates the need for better budgetary control.
- Excess expenditure of more than Rs.100 crore was incurred under the following Minor Heads of Grants:

(Rupees in crore)

Minor / Plan Head	Original	Supple- mentary	Total Sanctioned Grant	Actual Expenditure	Excess
Grant 10 – Operating Expenses – Fuel					
Diesel Traction	4,713.24	967.21	5,680.45	5,941.47	261.02
Grant 15 – Dividend to General Revenues					
Deferred Dividend	300.00	--	300.00	663.00	363.00
Grant 16 – Assets, acquisition, construction and replacement – Capital					
New Lines (Construction)	647.79	92.57	740.36	971.47	231.11
New Lines–Dividend Free	--	720.00	720.00	999.83	279.83
Gauge Conversion	689.04	120.06	809.10	949.11	140.01
Stores Suspense	6,983.86	302.38	7,286.24	9,672.14	2,385.90
Manufacture Suspense	7,471.44	207.57	7,679.01	7,780.52	101.51

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Grant 16 – Assets, acquisition, construction and replacement – Railway Funds					
Doubling	3.00	260.34	263.34	412.73	149.39
Track Renewals	2,070.79	217.14	2,287.93	2,526.19	238.26

It was observed that there is an increasing trend in the excess over expenditure under various grants by the Railways over the past years. The amount of excess expenditure has increased from Rs.1,175.28 crore in 2003-04 to Rs.2,296.12 crore in 2005-06. While under Grant No.16 – Capital there has been excess expenditure in three consecutive years, under Grant No.4, Grant No.6 and Grant No.10, there has been excess expenditure for two consecutive years.

1.9.4 Savings under Grants and Appropriations

There was an aggregate saving of Rs.3,518.75 crore in sixteen grants and five appropriations. The savings ranged from Rs.0.26 crore (Grant No.1) to Rs.1,660.41 crore (Grant No.9 – Operating Expenses – Traffic) indicating defective budgeting or shortfall in performance or both.

➤ In the following four grants, the savings were more than Rs.100 crore:

(Rupees in crore)

S.No	Particulars	Amount
1.	Grant No.9 – Operating Expenses - Traffic	1,660.41
2.	Grant No.15 – Dividend to General Revenues	317.58
2.	Grant No.16 – Railway Safety Fund	447.90
3.	Grant No.16 – Special Railway Safety Fund	650.91

➤ Under the following Minor Heads of Grants, savings exceeded Rs.100 crore:

(Rupees in crore)

Plan Head	Original	Supple- mentary	Total Sanctioned Grant	Actual Expenditure	Saving (-)
Grant No. 9 – Operating Expenses - Traffic					
Other Miscellaneous Expenses	3,768.42	--	3,768.42	2,037.84	(-) 1,730.58
Grant 10 – Operating Expenses – Fuel					
Electric Traction	4,459.95	45.78	4,505.73	4,340.13	(-) 165.60
Grant 15 – Dividend to General Revenues					
Dividend to General Revenues	3,638.00	--	3,638.00	3,004.92	(-) 633.08
Grant No. 16 – Assets, acquisition, construction and replacement – Capital					
Doubling	505.05	20.25	525.30	275.13	(-) 250.17
Investment in Government Undertakings	493.00	--	493.00	172.67	(-) 320.33
Transfer to SRSF	2,699.00	--	2,699.00	2,499.00	(-) 200.00
Grant No. 16 – Assets, acquisition, construction and replacement – Railway Funds					
Traffic Facilities	327.41	102.46	429.87	232.52	(-) 197.35
Rolling Stock	702.00	1,779.96	2,481.96	2,370.93	(-) 111.03
Grant No. 16 – Assets, acquisition, construction and replacement – RSF					
Road Safety Works – LC	300.00	--	300.00	117.26	(-) 182.74
Road Safety Works – ROB	410.78	--	410.78	145.62	(-) 265.16
Grant No. 16 – Assets, acquisition, construction and replacement – SRSF					
Rolling Stock	999.00	--	999.00	799.99	(-) 199.01

Bridge Works	611.85	--	611.85	248.62	(-) 363.23
Signalling & Telecommunication	763.85	--	763.85	618.01	(-) 145.84

- In respect of Appropriation No.16 – SRSF the budget provision of Rs.1 crore remained fully unutilised.
- Supplementary grants of Rs.18.61 crore, Rs.77.68 crore and Rs.4.89 crore were taken in respect of Grant No.12, Grant No.13 and Grant No.16 – OLWR respectively. However, these supplementary grants remained fully unutilised.
- The supplementary provisions were partially utilised in respect of Grant No.3, Grant No.11 and Grant No.16 – Railway Funds.
- As per the recommendations of the PAC, the Railways were required to furnish work-wise explanations for the variations (excess/savings) in respect of various Plan heads under Grant No.16. The Railways furnished explanations for excess and savings during the year in respect of 504 projects/works (Plan heads – new lines, gauge conversion, doubling, railway electrification and track, bridge and signalling and telecommunications works costing Rs.20 crore or more).

1.9.5 Surrender of Funds

Against the aggregate savings of Rs.3,518.75 crore referred to in paragraph 1.9.4 above, the amount surrendered at the final modification stage was Rs.3,215.19 crore which included certain injudicious surrenders.

- Under Grant No.16 – Capital, an excess expenditure of Rs.2,158.52 crore was incurred against the sanctioned grant, which further increased due to inappropriate surrender of Rs.79.28 crore at the final modification stage. The same phenomenon had also occurred in the previous year under this grant.
- Under Grant No.1, Grant No.15 and Grant No.16-SRSF inappropriate surrender of funds lead to excess expenditure over the final grant.

1.9.6 Reappropriations

Several instances of reappropriation of funds between Plan Heads (Minor Heads) under Works Grant No. 16 indicated defective budgeting as follows:

(Rupees in crore)

Minor / Plan Head	Original	Supple- mentary	Reappro- priation	Final Allotment	Actual Expenditure	Savings
Grant No. 16 – Assets, acquisition, construction and replacement –Railway Funds						
Signalling & Telecommunication	378.08	27.96	15.07	421.11	384.43	(-) 36.68
Amenities for Staff	76.00	3.87	0.11	79.98	78.64	(-) 1.34
Grant No. 16 – Assets, acquisition, construction and replacement – OLWR						
Signalling & Telecommunication	3.00	0.08	0.07	3.15	2.12	(-)1.03

In these Plan heads, the sanctioned provisions were unnecessarily supplemented by reappropriation, whereas the actual expenditure was less than the sanctioned provisions.

In the following cases, excess expenditure was incurred against the sanctioned grant, which was further increased due to inappropriate surrender of funds:

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(Rupees in crore)

Plan Head	Sanctioned Grant (Original + Supplementary)	Amount Surrendered	Final Allotment	Actual Expenditure	Excess (after Surrender)
Grant No.16-Assets, acquisition, construction and replacement-Capital					
Other Specified Works	57.53	2.67	54.86	58.76	3.90
Manufacture Suspense	7,679.01	150.01	7,529.00	7,780.52	251.52

In the following cases, the savings with respect to the sanctioned provision became excess due to inappropriate surrender of funds at the time of final allotment.

(Rupees in crore)

Minor / Plan Head	Sanctioned Grant (Original + Supplementary)	Amount Surrendered	Final Allotment	Actual Expenditure	Excess
Grant No. 16 – Assets, acquisition, construction and replacement – Capital					
Doubling	525.30	256.22	269.08	275.13	6.05
Traffic Facilities	149.97	22.87	127.10	131.02	3.92
Signalling & Telecommunication	50.29	10.26	40.03	41.00	0.97
Investment in Govt. Undertakings	493.00	344.36	148.64	172.67	24.03
Grant No. 16 – Assets, acquisition, construction and replacement – SRSF					
Rolling Stock	999.00	266.10	732.90	799.99	67.09
Track Renewal	1,337.30	94.86	1,242.44	1,251.95	9.51

Railways reappropriated amounts and incurred expenditure under the following Appropriations, for which no original or supplementary provision was sanctioned, thereby violating the codal provisions⁶:

(Rupees in crore)

Minor/ Plan Head	Original	Reappropriation	Final Allotment	Actual Expenditure	(-) Savings/ (+) Excess
Appropriation No.16-Assets, acquisition, construction and replacement – Capital					
<i>Electrification Projects</i>	--	0.21	0.21	0.36	0.15
<i>Other Electrical Works</i>	--	0.14	0.14	0.12	(-)0.02

1.9.7 Recoveries in reduction of expenditure

The demands for grants/ appropriations are for the gross amount of expenditure, inclusive of recoveries arising from use of stores, etc., procured in the past or expenditure transferred to other Departments or Ministries. Under revenue, against the estimated (revised) recoveries of Rs.7,957.52 crore, actual recoveries were Rs.7,815.17 crore. Under Capital, against estimated (revised) recoveries of Rs.24,488.34 crore, actual recoveries were Rs.25,147.58 crore. Thus, the actual recoveries were less than the estimated amount in Revenue, but more than the estimated amount in case of Capital.

⁶ Para 375 of Indian Railways Financial Code – Vol.I

A P P E N D I X - I

(Reference Paragraph No.1.9)

Grand Summary of Appropriation Accounts 2005-06

(In units of Rupees)

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)	
1	Revenue – Railway Board					
	Voted	79,30,16,000	–	79,30,16,000	79,04,41,586	(-) 25,74,414
2	Revenue – Miscellaneous Expenditure (General)					
	Voted	260,00,84,000	1,000	260,00,85,000	241,57,24,002	(-) 18,43,60,998
3	Revenue – Working Expenses – General Superintendence and Services					
	Charged	--	6,99,000	6,99,000	7,09,850	(+) 10,850
	Voted	1902,26,87,000	62,67,08,000	1964,93,95,000	1948,64,01,825	(-) 16,29,93,175
4	Revenue – Working Expenses – Repairs and Maintenance of Permanent Way and Works					
	Charged	1,00,000	1,30,57,000	1,31,57,000	1,77,70,542	(+) 46,13,542
	Voted	3605,44,32,000	35,04,35,000	3640,48,67,000	3650,65,03,633	(+) 10,16,36,633
5	Revenue – Working Expenses – Repairs and Maintenance of Motive Power					
	Charged	50,000	40,000	90,000	2,95,171	(+) 2,05,171
	Voted	1886,67,01,000	--	1886,67,01,000	1845,57,85,375	(-) 41,09,15,625
6	Revenue - Working Expenses – Repairs and Maintenance of Carriages and Wagons					
	Charged	--	73,000	73,000	77,518	(+) 4,518
	Voted	3776,83,74,000	144,46,78,000	3921,30,52,000	3948,31,14,503	(+) 27,00,62,503
7	Revenue - Working Expenses – Repairs and Maintenance of Plant and Equipment					
	Charged	3,15,000	1,80,000	4,95,000	6,40,184	(+) 1,45,184
	Voted	2042,20,47,000	--	2042,20,47,000	1998,46,68,092	(-) 43,73,78,908
8	Revenue - Working Expenses – Operating Expenses – Rolling Stock and Equipment					
	Charged	--	6,00,000	6,00,000	12,59,312	(+) 6,59,312
	Voted	3002,20,92,000	--	3002,20,92,000	2956,36,96,571	(-) 45,83,95,429
9	Revenue - Working Expenses – Operating Expenses – Traffic					
	Charged	--	26,08,000	26,08,000	31,24,678	(+) 5,16,678
	Voted	7330,00,53,000	--	7330,00,53,000	5669,59,26,882	(-) 1660,41,26,118
10	Revenue - Working Expenses – Operating Expenses - Fuel					
	Charged	--	50,00,000	50,00,000	2,11,00,000	(+) 1,61,00,000
	Voted	9175,17,56,000	1013,25,87,000	10188,43,43,000	10283,81,12,503	(+) 95,37,69,503
11	Revenue - Working Expenses – Staff Welfare and Amenities					
	Charged	--	22,52,000	22,52,000	39,68,156	(+) 17,16,156
	Voted	1523,93,32,000	43,72,56,000	1567,65,88,000	1541,27,46,947	(-) 26,38,41,053

Report No.6 of 2007 (Railways)

(In units of Rupees)

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)	
12	Revenue - Working Expenses – Miscellaneous Working Expenses					
	<i>Charged</i>	31,50,26,000	16,19,30,000	47,69,56,000	37,74,39,135	(-) 9,95,16,865
	Voted	1792,20,22,000	18,61,43,000	1810,81,65,000	1763,52,19,014	(-) 47,29,45,986
13	Revenue - Working Expenses – Provident Fund, Pension and Other Retirement Benefits					
	<i>Charged</i>	67,54,000	12,99,000	80,53,000	83,59,970	(+) 3,06,970
	Voted	7200,70,47,000	77,67,58,000	7278,38,05,000	7193,50,19,837	(-) 84,87,85,163
14	Revenue - Appropriation to Funds – Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund					
	Voted	13277,48,00,000	3982,55,00,000	17260,03,00,000	17256,15,06,117	(-) 3,87,93,883
15	Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation					
	Voted	3985,50,00,000	--	3985,50,00,000	3667,92,17,192	(-) 317,57,82,808
16	Assets – Acquisition, Construction and Replacement - Open Line Works – Revenue					
	<i>Charged</i>	--	11,28,000	11,28,000	11,27,766	(-) 234
	Voted	45,00,00,000	4,88,72,000	49,88,72,000	42,69,06,470	(-) 7,19,65,530
	Assets – Acquisition, Construction and Replacement - Other Expenditure – Capital					
	<i>Charged</i>	8,00,00,000	32,28,50,000	40,28,50,000	33,61,49,832	(-)6,67,00,168
	Voted	21124,83,06,000	1554,45,22,000	22679,28,28,000	24837,79,92,145	(+) 2158,51,64,145
	Assets – Acquisition, Construction and Replacement – Other Expenditure – Railway Safety Fund					
	<i>Charged</i>	4,00,000	58,25,000	62,25,000	2,000	(-) 62,23,000
	Voted	710,77,00,000	40,000	710,77,40,000	262,87,49,359	(-) 447,89,90,641
	Assets–Acquisition, Construction and Replacement–Other Expenditure–Special Railway Safety Fund					
	<i>Charged</i>	1,00,00,000	--	1,00,00,000	0	(-) 1,00,00,000
	Voted	1134,00,00,000	--	1134,00,00,000	483,08,84,752	(-) 650,91,15,248
	Assets – Acquisition, Construction and Replacement - Other Expenditure – Railway Funds					
	<i>Charged</i>	1,00,00,000	10,68,000	1,10,68,000	3,74,18,000	(+) 2,63,50,000
	Voted	4641,69,00,000	2784,63,39,000	7426,32,39,000	7337,91,15,253	(-) 88,41,23,747
	Grand Total					
	<i>Charged</i>	42,26,45,000	51,86,09,000	94,12,54,000	80,94,42,114	(-) 13,18,11,886
	Voted	88496,23,49,000	9721,98,39,000	98218,21,88,000	97008,77,32,058	(-) 1209,44,55,942
Grand Total						
Charged+Voted	88538,49,94,000	9773,84,48,000	98312,34,42,000	97089,71,74,172	(-) 1222,62,67,828	