

## **BOX I**

### **STATUS PAPER ON INDIAN RAILWAYS : SOME ISSUES AND OPTIONS**

A Status Paper on the Indian Railways was presented to Parliament by the Ministry of Railways (Railways Board), Government of India on May 27, 1998. The Paper, inter alia, attempts to answer the issues confronting the Railways in the form of a growth strategy to propel Railways on a high growth path in tandem with that of the Indian economy.

The Indian Railways today are required to strike a balance between their dual role of a commercial enterprise and a public utility. This is particularly difficult, in the context of reducing capital support from the General Exchequer, declining market share while demands for better and improved rail services, new lines and gauge conversion have increased. The cross-subsidisation of passenger services by freight traffic has led to the compulsion of freight rates being hiked significantly to compensate for low passenger fares. The extent of cross-subsidisation can be gauged from the fact that while passenger traffic vis-a-vis freight in terms of the number of trains is in the proportion of 60:40, the revenue contributed is in the ratio of only 28:72. This has led to a significant decline in the market share of Railways, which are by far more cost-efficient and environment-friendly than other modes of transport. Market share of Indian Railways vis-à-vis Roads declined from 89 per cent in 1950-51 to 40 per cent in 1996-97 in respect of freight and from 80 per cent to 20 per cent in case of passenger traffic.

The Paper highlights that public service obligations discharged by the Railways amount to over Rs. 1,800 crore annually, which are not adequately compensated for. The Paper puts forth for consideration whether these public service obligations should become explicit charges of the Government of India and the Railways be compensated for this burden. The capital support from the Exchequer has been reduced from a level of 75 per cent in the Fifth Plan to 23 per cent in the Eighth Plan. In this context, it highlights the need for enhanced inflow of subsidised loan from the General Exchequer to the extent of at least 35 per cent, to accord due priority to Railways. The overall fund requirement of Railways during the Ninth Plan is estimated at Rs.85,000 crore as compared with that of Rs.32,500 crore in the Eighth Plan.

The Paper has emphasised the need for evolving a financing strategy to tap private funds and make optimal use of scarce resources, sharpen the Railways marketing capabilities to attract more freight and strengthen the high-density routes connecting the four metros. In order to strengthen Rail Over/Road Under Bridges infrastructure the Paper recommended the creation of a Rail Infrastructure Development Fund by levying 1 per cent ad valorem duty on the purchase price of road vehicles. Recommendation for commercial exploitation of land and air space available with Railways is also sought to garner funds for upgradation of passenger and freight terminals. Besides, the Paper suggested an exclusive study on financing Railway infrastructure on the lines of the Rakesh Mohan Committee Report on financing Indian infrastructure which would generate resources for the "renaissance of the Indian Railways".