

## RAILWAY BUDGET (VOTE-ON-ACCOUNT): 2004-05\*

### Introduction

The Railway Budget (Vote-on-Account) for 2004-05, was presented to the Parliament on January 30, 2003. The Budget reviewed the performance during the fiscal year 2002-03, provided revised estimates for the year 2003-04 and presented the budget estimates for 2004-05. As the Railway Budget for 2004-05 is a Vote-on-Account, it has not proposed any changes in passenger fares and freight rates. It has only provided for the estimated expenditure for the first four months of fiscal 2004-05. The Budget, however, provides for the continuance of policy initiatives in the areas of railway safety, modernisation and improved railway network and has proposed new initiatives in the area of customer services. Special emphasis has been laid in accelerating the completion of all existing projects in a time frame of five years. Further, the Railways has also embarked on several non-budgetary initiatives including cost sharing arrangements to raise funds for various projects.

This article analyses the financial position of the Railways as presented in the Railway Budget for 2004-05. Section I sets out the recent policy initiatives. Major developments in the revised estimates for 2003-04 are presented in Section II. Section III provides an analysis of the budget estimates for the year 2004-05.

### Section I: Recent Policy Initiatives

The Railways have undertaken various initiatives in the recent years in the areas of safety, track renewal, technological upgradation, passenger amenities and improving the share of the Railways in transportation of goods. The progress in these areas are set out below:

- Special Railway Safety Fund Programme (SRSF) set up in October 2001 for the purpose of replacement and renewals of over-aged assets in a time frame of six financial years, showed satisfactory progress as per the mid-period review. During the current year (2003-04), the total net allocation for SRSF was budgeted at Rs.2,311 crore which included Rs.1,600 crore from the general exchequer. This has further been enhanced by Rs.40 crore in the revised estimates.
- National Rail Vikas Yojana (NRVY) had been set up in August 2002, for removal of capacity bottlenecks in critical sections of the Railway network with an investment of Rs.15,000 crore in the next five years. Projects under this programme include strengthening of the golden quadrilateral, rail connectivity to ports and construction of four mega bridges.

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Most of the projects of the first two segments have been handed over to the Rail Vikas Nigam Limited (RVNL), a special purpose vehicle set up for fast track execution of these works. During 2004-05, the RVNL has planned an expenditure of Rs.1000 crore, out of which Rs.300 crore are expected to be raised from the market.

- Action has been initiated in the setting up of Technology Mission on Railway Safety to develop and adopt state-of-the-art control and design technologies. The Ministry of Railways has approved fourteen projects under four Mission Programmes.
- Jammu-Udhampur New line Project is to be commissioned on March 25, 2004.
- Railway Protection Force has been entrusted with the additional responsibilities to enquire and launch prosecution in respect of certain minor offences under the Railways Act. This

would enable the Government Railway Police (GRP) to concentrate on more serious offences.

- Workshops on Safety called "Safety Samvad" were organised. These workshops focused on various aspects of safety including safety consciousness, measures to enhance safety and positive steps to be taken by the rank and file of the Railways.
- Corporate Safety Plan (2003-13) has been formulated which has laid down the safety target for Indian Railways. It sets out to reduce consequential train accidents per million train kilometres from 0.44 in 2002-03 to 0.30 in the next four years.
- Ticketing initiatives include internet booking and computerised Unreserved Ticketing System (UTS).

The Budget also announced some new policy initiatives which are given in Box 1.

#### **Box 1 : New Policy Initiatives**

- A new scheme 'Remote Area Rail Sampark Yojana', with an additional outlay of Rs. 20,000 crore, targeted at various socio-economic objectives has been proposed.
- Proposal to introduce a number of new trains connecting different places to their respective state capitals.
- Regular incentive scheme to be introduced for frequent Rajdhani, Shatabdi and Jan Shatabdi travellers.
- Pilot project of e-ticketing to be started on select Shatabdi Express trains.
- Train reservations to be enabled through mobile phones.
- Train rescheduling information to be available through SMS.
- Tatkal Services to be extended to all trains.

## Section II

### Revised Estimates : 2003-04

The revised estimates for 2003-04 placed the Railways overall surplus at Rs.880 crore as against Rs.600 crore projected in the budget estimates. The increase in surplus is mainly on account of reduction in expenditure on ordinary working expenses by Rs.1,490 crore which more than offset the decline both in gross traffic receipts and miscellaneous receipts.

Gross traffic receipts have been revised downwards by Rs. 890 crore (or by 2 per cent) as both receipts under passenger earnings as well as under goods earnings are expected to be lower than the budgeted levels for the current fiscal year (Statement 1). However, the Railways expect to achieve the targeted level of freight traffic and same has been revised upward to 550 million tonnes from 540 million tonnes budgeted for the year 2003-2004.

On account of savings of Rs.1,490 crore in the Ordinary Working Expenses, mainly under 'Repairs and Maintenance' and 'Fuel'(Statement 2), and reduction in the appropriation to Pension Fund by Rs. 295 crore, the total Working Expenses have been revised downward from Rs. 40,850 crore to Rs. 39,327 crore.

Provision for discharge of deferred dividend liability continued this year and thus, the provision for dividend payment in the revised estimates has been increased to Rs.3,268 crore from Rs.2,933 crore in the Budget. With these changes, the "Excess" of receipts over expenditure works out to Rs.880 crore as against

Rs.600 crore anticipated in the Budget. This is appropriated to the Development Fund and the Special Railway Safety Fund.

Appropriation to Pension Fund was also reduced to Rs.6,090 crore as against the budget estimates of Rs.6,385 crore. The appropriation to Depreciation Reserve Fund was, however, higher at Rs. 2,267 crore than the budgeted level of Rs. 2,005 crore.

With the reduction in working expenses, there was some improvement in the operating ratio from 94.1 per cent in the budget estimates to 92.6 per cent in the revised estimates. The return on capital investment, as per the revised estimates, also turned out to be higher at 7.1 per cent than the budgeted level (6.4 per cent) (Table 1).

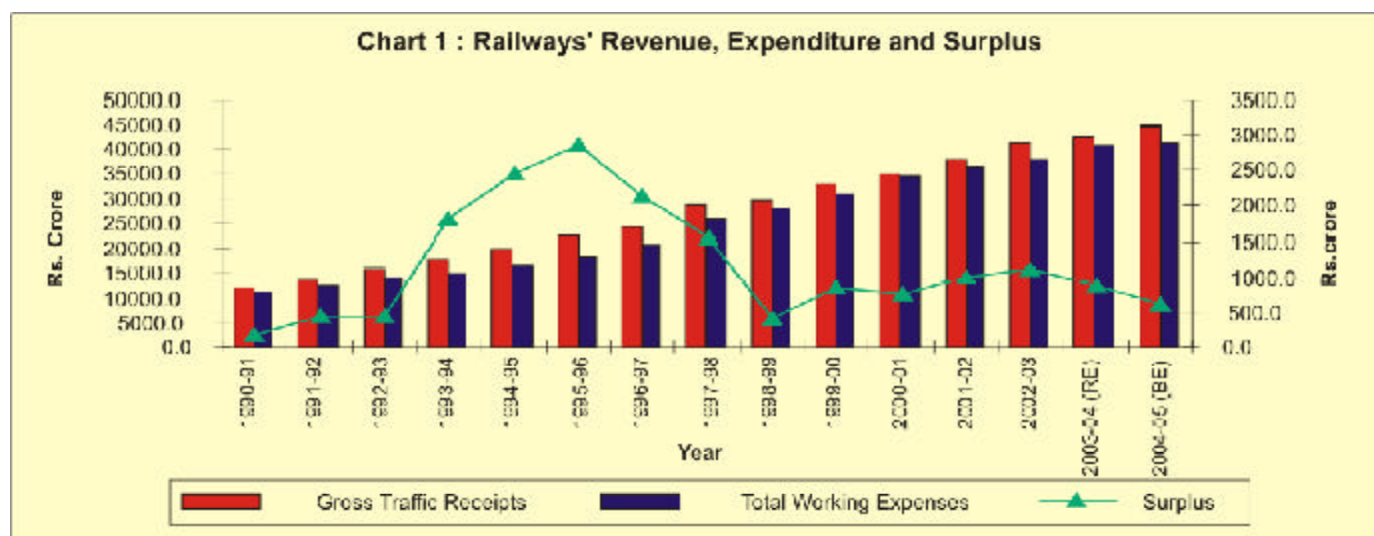
The Railways have been witnessing steady decline in surplus generation since the mid-1990s (Chart 1). The deceleration in surplus generation has been due to persistent rise in working expenses and non-realisation of targeted revenue.

**Table 1 : Major Financial Ratios of Railways**

(Per cent)

Year	Operating Ratio	Net Railway Revenue As percentage of Capital-at-Charge
1990-91	92.0	6.9
1995-96	82.5	14.9
1996-97	86.2	11.7
1997-98	90.9	8.9
1998-99	93.3	5.8
1999-00	93.3	6.9
2000-01	98.3	2.5
2001-02	96.0	5.0
2002-03	92.3	7.5
2003-04 (BE)	94.1	6.4
2003-04 (RE)	92.6	7.1
2004-05 (BE)	93.0	6.9

Source : Railway Budgets.



### Plan Outlay

The Plan outlay for 2003-04 which was set at Rs.12,918 crore was increased to Rs.13,918 crore in the Revised Estimates. The increase was the result of separate allotment of Rs.500 crore for the National Project of Udhampur-Srinagar-Baramulla New Line, additional budgetary support of Rs.300 crore for increasing the pace of completion of certain projects and increased outlay of Rs.200 crore in the internally financed segment.

### Section III

#### Budget Estimates: 2004-05

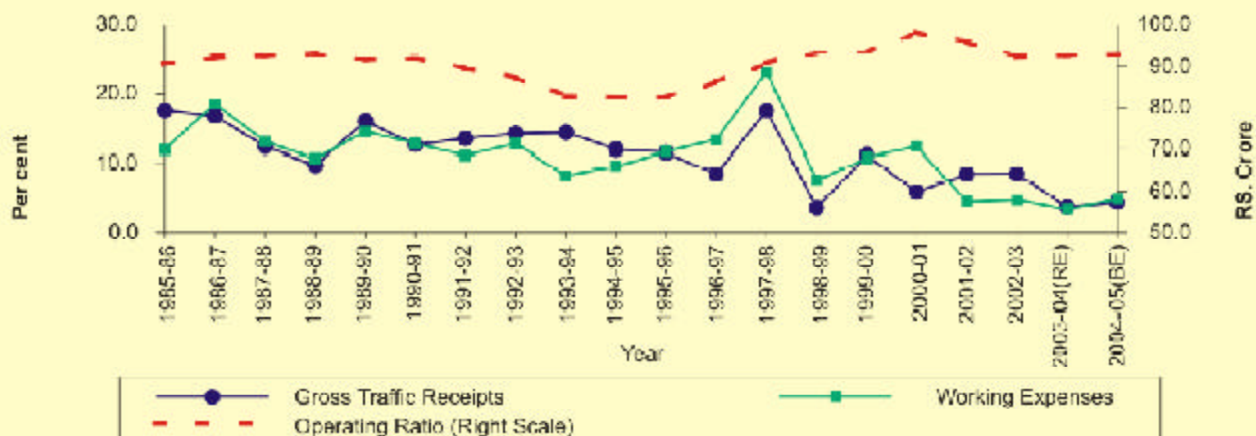
The Railway Budget estimates for 2004-2005 place gross traffic receipts for the year at Rs.44,482 crore which is higher by Rs.1,877 crore over the revised estimates for the current year. These estimates are based on a growth of 3.2 per cent in passenger traffic and an increase in revenue earning freight traffic by 20 million tonnes over the revised targets for 2003-04.

The total working expenses are estimated to be higher at Rs.41,250 crore as compared to the revised estimates of Rs. 39,327 crore. This includes increase in ordinary working expenses (by Rs.1,990 crore) and appropriation to the pension fund (by Rs.300 crore) over the revised estimates. The appropriation to Pension Fund has been increased to meet the higher pensionary payments due to increased number of pensioners and higher dearness relief.

Dividend to General Revenues for the year 2004-2005 has been proposed to be higher at Rs.3,305 crore, which would be paid fully. In addition, payment of Rs.300 crore is also proposed towards deferred dividend liability.

With this, the Railway Budget for 2004-05 projects a surplus of Rs.620 crore which is lower than the revised estimates for 2003-04 by Rs.260 crore. With higher growth in working expenses, the operating ratio is projected to be higher at 93.0 per cent in 2004-05 as against 92.6 per cent in 2003-04 (RE) (Chart 2).

Chart 2 : Growth of Revenue and Expenditure of Railways



The developmental expenditure for 2004-2005 has been kept at Rs.13,425 crore. This is lower than revised estimates for the current financial year (Rs.13, 918 crore). Budgetary support and extra budgetary resources account

for 33.8 per cent and 22.7 per cent of the total financing requirement respectively. Other major sources of financing include Special Railway Safety Fund (20.8 per cent) and internal resources (19.6 per cent).

Statement 1 : Financial Results of Railways (Rs. crore)

Items	2002-03 (Actuals)	2003-04 (Budget Esti- mates)	2003-04 (Revised Esti- mates)	2004-05 (Budget Esti- mates)	Annual Variations					
					Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col. 4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
					6	7	8	9	10	11
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>						
<b>I. Gross Traffic Receipts (a to d) *</b>	<b>41,068.2</b>	<b>43,495.0</b>	<b>42,605.0</b>	<b>44,482.0</b>	<b>-890.0</b>	<b>-2.0</b>	<b>1,536.8</b>	<b>3.7</b>	<b>1,877.0</b>	<b>4.4</b>
a) Passengers Earnings	12,575.4	13,620.0	13,460.0	14,200.0	-160.0	-1.2	884.6	7.0	740.0	5.5
b) Goods Earnings	26,504.8	27,815.0	27,115.0	28,100.0	-700.0	-2.5	610.2	2.3	985.0	3.6
c) Sundry Other Earnings (including suspense)	1,079.5	990.0	1,050.0	1,112.0	60.0	6.1	-29.5	-2.7	62.0	5.9
d) Other Coaching Earnings	988.0	1,020.0	930.0	990.0	-90.0	-8.8	-58.0	-5.9	60.0	6.5
<b>II. Total Working Expenses (a to c)</b>	<b>38,025.8</b>	<b>40,850.0</b>	<b>39,327.0</b>	<b>41,250.0</b>	<b>-1,523.0</b>	<b>-3.7</b>	<b>1,301.3</b>	<b>3.4</b>	<b>1,923.0</b>	<b>4.9</b>
a) Ordinary Working Expenses	29,684.3	32,460.0	30,970.0	32,960.0	-1,490.0	-4.6	1,285.7	4.3	1,990.0	6.4
b) Appropriation to Depreciation Reserve Fund	2,401.4	2,005.0	2,267.0	1,900.0	262.0	13.1	-134.4	-5.6	-367.0	-16.2
c) Appropriation to Pension Fund	5,940.0	6,385.0	6,090.0	6,390.0	-295.0	-4.6	150.0	2.5	300.0	4.9
<b>III. Net Traffic Receipts (I-II)</b>	<b>3,042.5</b>	<b>2,645.0</b>	<b>3,278.0</b>	<b>3,232.0</b>	<b>633.0</b>	<b>23.9</b>	<b>235.5</b>	<b>7.7</b>	<b>-46.0</b>	<b>-1.4</b>
<b>IV. Net Miscellaneous Receipts (a-b)</b>	<b>787.8</b>	<b>887.7</b>	<b>869.9</b>	<b>993.2</b>	<b>-17.8</b>	<b>-2.0</b>	<b>82.1</b>	<b>10.4</b>	<b>123.3</b>	<b>14.2</b>
a) Total Miscellaneous Receipts	1,673.3	1,986.2	1,915.4	2,110.7	-70.8	-3.6	242.1	14.5	195.3	10.2
b) Total Miscellaneous Expenditure	885.5	1,098.5	1,045.5	1,117.5	-53.0	-4.8	160.0	18.1	72.0	6.9
<b>V. Net Railway Revenue (III+IV)</b>	<b>3,830.3</b>	<b>3,532.7</b>	<b>4,147.9</b>	<b>4,225.2</b>	<b>615.2</b>	<b>17.4</b>	<b>317.6</b>	<b>8.3</b>	<b>77.3</b>	<b>1.9</b>
<b>VI. Payment to General Revenue @</b>	<b>2,714.8</b>	<b>2,932.7</b>	<b>3,267.9</b>	<b>3,605.2</b>	<b>335.2</b>	<b>11.4</b>	<b>553.1</b>	<b>20.4</b>	<b>337.3</b>	<b>10.3</b>
<b>VII. Deferred Dividend Liability Fund</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>VIII. Surplus(-)/Deficit (-)</b>	<b>1,115.4</b>	<b>600.0</b>	<b>880.0</b>	<b>620.0</b>	<b>280.0</b>	<b>46.7</b>	<b>-235.4</b>	<b>-21.1</b>	<b>-260.0</b>	<b>-29.5</b>
<b>IX. Appropriation to (+)/withdrawal from (-)</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
a) Railway Development Fund	550.0	600.0	730.0	600.0	130.0	21.7	180.0	32.7	-130.0	-17.8
b) Appropriation to Railway Safety Fund	565.4	..	150.0	20.0	150.0	..	..	..	-130.0	..
c) Capital Fund	..	..	..	..	0.0	0.0	..	0.0	0.0	..
<b>X. Operating Ratio @@ (per cent)</b>	<b>92.3</b>	<b>94.1</b>	<b>92.6</b>	<b>93.0</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>XI. Net Railway Revenue as Percentage of Capital-at-charge and Investment from Capital Fund- Railways ***</b>	<b>7.5</b>	<b>6.4</b>	<b>7.1</b>	<b>6.9</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

\* Includes receipts of worked lines.

\*\* Ratio based on net Revenue before payment of dividend to General Revenues.

@ Includes dividend to General Revenues, Payment-in-lieu of passenger fare tax and contribution to Railway Safety Works Fund.

@@@ Includes Metro Railway, Kolkata.

Source : Railway Budget (Vote on Account), 2004-2005.

Statement 2 : Ordinary Working Expenses

(Rs. crore)

Items	2002-03 (Actuals)	2003-04 (Budget Estimates) mates)	2003-04 (Revised Estimates) mates)	2004-05 (Budget Estimates) mates)	Variations						Compounded Growth	
					Col. 4 over Col. 3		Col. 4 over Col. 2				Col. 5 over Col. 4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11		
<b>Total Ordinary Working Expenses (a to h)</b>	<b>29,684.3 (100.0)</b>	<b>32,459.8 (100.0)</b>	<b>30,970.0 (100.0)</b>	<b>32,960.0 (100.0)</b>	<b>-1,489.9</b>	<b>-4.6</b>	<b>1,285.6</b>	<b>4.3</b>	<b>1,990.1</b>	<b>6.4</b>		
a) General Superintendence and Services	1,517.2 (5.1)	1,695.3 (5.2)	1,609.8 (5.2)	1,706.8 (5.2)	-85.5	-5.0	92.7	6.1	97.0	6.0		
b) Repairs and Maintenance	9,199.9 (31.0)	10,120.1 (31.2)	9,608.4 (31.0)	10,241.0 (31.1)	-511.7	-5.1	408.5	4.4	632.6	6.6		
c) Operating Expenses (Traffic)	6,438.5 (21.7)	6,928.2 (21.3)	6,558.1 (21.2)	7,021.2 (21.3)	-370.1	-5.3	119.6	1.9	463.1	7.1		
d) Operating Expenses (Fuel)	7,382.5 (24.9)	7,963.5 (24.5)	7,715.0 (24.9)	8,249.3 (25.0)	-248.5	-3.1	332.6	4.5	534.2	6.9		
e) Operating Expenses (Rolling Stock and Equipment)	2,524.4 (8.5)	2,826.6 (8.7)	2,652.5 (8.6)	2,733.9 (8.3)	-174.1	-6.2	128.1	5.1	81.4	3.1		
f) Staff Welfare and Amenities	1,244.4 (4.2)	1,351.9 (4.2)	1,315.6 (4.2)	1,407.8 (4.3)	-36.3	-2.7	71.2	5.7	92.2	7.0		
g) Suspense	28.9 (0.1)	-36.0 (-0.1)	-60.0 (-0.2)	-60.0 (-0.2)	-24.0	66.7	-88.9	-307.6	0.0	0.0		
h) Others*	1,348.7 (4.5)	1,610.2 (5.0)	1,570.5 (5.1)	1,660.0 (5.0)	-39.7	-2.5	221.8	16.4	89.5	5.7		

\* Includes miscellaneous working expenses, Provident Fund, Pension and Other Retirement Benefits.

Note : Figures in brackets represent percentages to total.

Source : Budget At a Glance &amp; Statement of Revenue Receipts &amp; Expenditure of Railways -2004-05.