

Railway Budget 2013

Key highlights and proposals

- Surplus expected to increase with operating ratio projected to fall to 88.8% in 2012-13 and 87.8% by 2013-14.
- Introduction of a fuel adjustment component in freight tariffs; railway tariff authority to be established.
- In 2013-14, passenger traffic to grow by 5.8%, freight traffic by 4.7%; gross traffic receipts to increase by 14%.
- Plan outlay of Rs 63,363 crore in 2013-14.

Budget overview

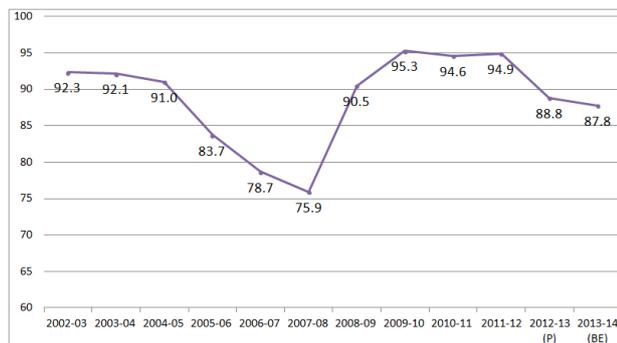
The Minister of Railways, Pawan Kumar Bansal, presented the Railway Budget 2013 to Parliament on 26th February. In his address, he commented on the performance of Railways in 2012-13 and laid out his budget proposals for 2013-14.

Finances

According to the Minister, the railways have struggled to generate resources to meet its operational expenditure and this has hindered investment in planned activities like safety, capacity and passenger amenities.

Operating Ratio is a metric used to measure the railways' ability to generate a surplus; a higher ratio indicates a lower ability to generate a surplus. Typically the surplus is used for capital investments such as laying new lines, deploying more coaches etc. Therefore, a smaller surplus (higher ratio) affects the railway's capability to make such investments.

Figure 1: Operating ratio (%)



Source: Budget documents; Railways Annual Report; PRS

The operating ratio in 2011-12 was 94.9%. However this is expected to fall significantly to 88.8% in 2012-13, this would be lower than the level over the last 3 years

Budget estimates 2013-14

(Details in Appendix I)

In 2013-14, the railways surplus is expected to increase to Rs 13,147 crore thereby reducing the operating ratio to 87.8%. In last year's Budget, the Ministry had set a long term target of 74% for the operating ratio, to be achieved by the end of the 12th Five Year Plan (i.e. 2017).

Gross traffic receipts are expected to increase by 14% over 2012-13, driven by increased second class passenger earnings. Total expenditure is projected to rise by 13% to Rs 127,230 crore. One reason for the increase in expenditure is higher fuel costs; around 20% of railways' working expenses can be accounted for by fuel. In January 2013, diesel prices increased and this is expected to add Rs 3,300 crore to the fuel bill.

To compensate for fluctuating fuel prices, the Railways Minister proposes implementing a fuel adjustment component (FAC). The FAC will only apply to tariff for freight from April, 2013 and is expected to increase prices by 5.8%. Passenger fares remain unchanged. (However passenger fares had been revised earlier in January 2013, in a move expected to generate additional receipts of Rs 6,600 crore in 2013-14).

Budget v/s Revised estimates 2012-13

(Details in Appendix I)

As part of the Budget process, the Ministry includes revised estimates for expenditure and revenue for the current year. Comparing the revised estimates with the budget estimates provides an insight into performance against targets set.

Some of the key deviations in the revised estimates compared to the budget estimates in 2012-13 are:

- Total revenue in 2012-13 expected to undershoot budget estimates by Rs 7,492 crore.
- Total expenditure to decrease by Rs 1,008 crore.
- Thus, an overall reduction of Rs 5,258 crore in the net surplus. This implies an increase in operating ratio to 88.8% (compared to the target of 84.9%).
- Appropriations to the Railway Capital Fund to decrease significantly by Rs 4,575 crore

Growth in traffic

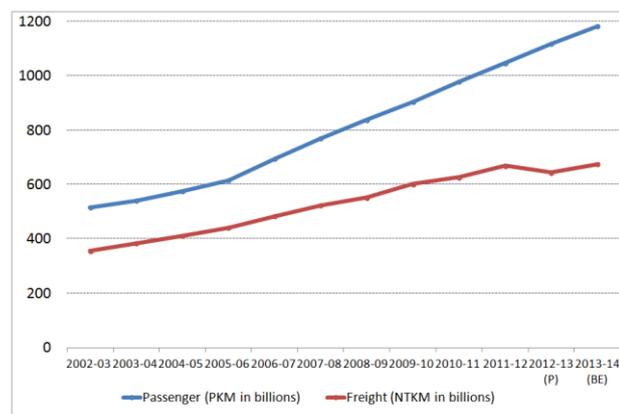
During 2012-13, passenger traffic (measured in Passenger Kms/PKM) is expected to grow by 6.7%, while freight traffic is expected to contract by 3.6% (measured by Net tonne Kms).

(NTKM or Net Tonne Km is a measure of freight movement; 1 NTKM implies 1 tonne of freight was

transported over 1 Km. PKM is the equivalent measure for passenger travel).

Passenger traffic growth, averaging 7.9% over the last 10 years, has outpaced freight traffic growth (6.0%). However freight traffic is more important for railway revenues, contributing 68% to gross traffic receipts in 2012-13 (passenger traffic accounts for 26%).

Figure 2: Growth in traffic



Source: Budget documents; Railways Annual Report; PRS

Next year, passenger traffic is projected to increase by 5.8% while freight traffic by 4.7%. In terms of receipts, passenger revenues are expected to total Rs 42,210 crore, a 30% hike. In contrast, freight traffic receipts are projected to only increase by 9% to Rs 93,554 crore in 2013-14.

Infrastructure

Plan outlay

The Minister proposes a plan investment of Rs 63,363 crore in 2013-14. The main focus of the investment would be doubling of tracks, safety and passenger and staff welfare. Compared with 2012-13, this would be a 5% increase with the extra funds coming largely via extra budgetary support.

Plan expenditure (In Rs Crore)

	2012-13 (BE)	2013-14 (BE)	% change
Gross Budgetary Support	24,000	26,000	8%
Internal Resources	18,050	14,260	-21%
Extra Budgetary Support	16,050	21,103	31%
Railway Safety Fund	2,000	2,000	0%
Total	60,100	63,363	5%

The overall expenditure for the 12th Plan has been pegged at Rs 5.2 lakh crore. In comparison, the projected outlay of the 11th Plan was Rs 2.3 lakh crore but only Rs 1.9 lakh crore was actually spent.

Status of some infrastructure projects

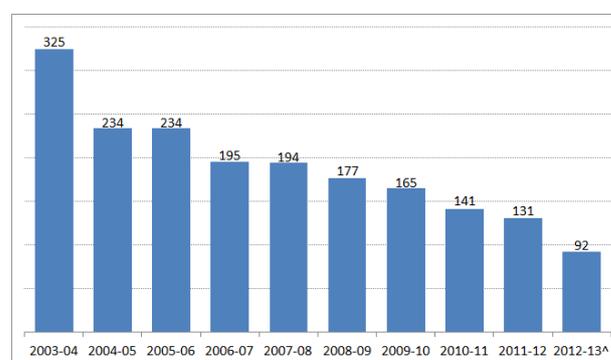
Laying new lines, electrification of tracks, augmentation of rolling stock etc. are some of the infrastructure projects that the railways have undertaken. In 2012-13, the railways are expected to fall short of its targets for laying new lines and gauge conversion. However targets for electrification and doubling for routes are expected to be met.

(See Appendix II for detailed figures on infrastructure development)

Safety

Railway safety has improved over the last few years; the number of consequential train accidents* per million train kilometre has fallen from 0.41 in 2003-04 to 0.12 in 2011-12.

Figure 3: Number of consequential train accidents



*till December 2012. Source: Outcome budget; PRS

Two committees – Kakodkar Committee on Railway Safety and the Pitroda Committee on Railway Modernization – had called for large investments towards rail safety in the next five years. Some of the recommendations have been implemented by the Ministry while the rest are still under active consideration.

Key proposals in Budget 2013-14

The Minister put forward several proposals for the coming year. He proposes to[†]:

Infrastructure

- Add 500 km of new lines, 750 km of doubling and 450 km gauge conversion targeted in 2013-14.
- Raise Rs 1,000 crore through PPP for both the Rail Land Development Authority and Station Development Corporation in 2013-14.
- Establish a new fund – Debt Service Fund – to meet liabilities of debt servicing for World Bank and JICA

* Consequential train accidents are those that lead to loss of human life, human injury, loss to railway property or interruption to rail traffic.

[†] To know the current status of projects proposed last year, see Appendix III

Loans for Dedicated Freight Corridors and other future liabilities.

New factories/ workshops

- Establish the following factory/workshops:

Function	Location	Collaboration
Forged wheel factory	Rae Bareli, Uttar Pradesh	Rastriya Ispat Nigam Limited
Coach manufacturing Unit	Sonepat, Haryana	State Government
Greenfield Mainline Electrical Multiples Unit manufacturing facility	Bhilwara, Rajasthan	State Government, BHEL
Midlife Rehabilitation Workshop	Kurnool, Andhra Pradesh	State Government
Periodical overhaul of BG wagons workshops	Bikaner, Rajasthan and Pratapgarh, Uttar Pradesh	-
Repair and rehabilitation of motorized bogies	Misrod, Madhya Pradesh	-
Wagon maintenance workshop in	Kalahandi, Odisha	-
Modern signalling equipment facility	Chandigarh	PPP

Passenger business

- Introduce 67 new Express trains and 26 new passenger services. Increase frequency of 24 trains.
- Additional services in Mumbai (72) and Kolkata (18) introduced.
- Introduce the first AC EMU (electric multiple unit) rake on the Mumbai suburban network.

Passenger amenities

- Identify 104 important stations for improving cleanliness.
- Extend the use of bio-toilets on trains.
- The Unreserved Ticketing System (UTS), automatic Ticket Vending Machines, Coin-operated ticket Vending Machines (CO-TVMs) and scheme of Jan Sadharan Ticket Booking Sevaks to be extended.
- Provide free Wi-Fi facility on several trains.
- Increase accessibility for elderly and differently abled by installing 179 escalators and 400 lifts at major stations.
- Introduce an 'anubhuti' coach in certain trains providing excellent ambience, facilities and services.

- Use aadhar for various passenger (and staff) related services.
- Introduce executive lounge at 7 stations: Bilaspur, Visakhapatnam, Patna, Nagpur, Agra, Jaipur and Begaluru.

Ticketing Measures

- Internet ticket hours available from 0030 to 2330 hours.
- Permit e-ticketing through mobile phones. Introduction of SMS alerts to passengers providing updates on reservation status.
- Roll out a 'Next-Gen' e-ticketing system capable of handling 7,200 tickets per minute (2000 currently) and 1.20 lakh users.

Safety and Security

- Develop a Corporate Safety Plan for ten years (2014-24).
- Eliminate 10,797 level crossings by the end of the 12th Plan.
- Introduce a Train Protection Warning System on Automatic Signalling Systems.
- Introduce 160/200 kmph Self Propelled Accident Relief Trains.
- Rehabilitate 17 distressed bridges over the next year.
- Provide comprehensive fire and smoke detection systems.

Tariff proposals

- The proposed establishment of the Tariff Regulatory Authority is at an inter-ministerial consultation stage.
- Fuel Adjustment Component (FAC) linking freight tariff to fuel prices to be introduced from April, 2013.
- Supplementary charges for super fast trains, reservation fee, clerkage charge, cancellation charge and tatkal charge increased marginally.

Others

- Establish the Railway Energy Management Company (REMC) to harness the potential of solar and wind energy.
- Increase the use of agro-based and recycled paper; ban use of plastic in catering.
- Create fund a balance of Rs 30,000 crore by the end of the 12th Plan.

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Appendix I: Railway revenue and expenditure (In crore)

	Actual (2011-12)	Budget (2012-13)	Revised (2012-13)	Revised - Budget (2012-13)	Budget (2013-14)	% change (FY13 /FY 12)
Receipts						
Passenger - Upper Class	7,330	8,383	8,293	(90)	10,106	22%
Passenger - Second Class	20,916	27,690	24,207	(3,483)	32,104	33%
Other Coaching	2,717	2,994	3,083	89	3,422	11%
Freight	69,548	89,339	85,956	(3,383)	93,554	9%
Sundry	3,643	4,096	4,096	-	4,506	10%
Suspense	(43)	50	45	(5)	50	11%
Gross Traffic Receipts	1,04,110	1,32,552	1,25,680	(6,872)	1,43,742	14%
Miscellaneous	2,135	3,142	2,522	(620)	2,884	14%
Total Revenue	1,06,245	1,35,694	1,28,202	(7,492)	1,46,626	14%
Expenditure						
Ordinary Working Expenses	74,537	84,400	84,400	-	96,500	14%
Appropriation to Depreciation Reserve Fund	6,520	9,500	7,000	(2,500)	7,500	7%
Appropriation to Pension Fund	17,610	18,500	20,000	1,500	22,000	10%
Total Working Expenditure	98,667	1,12,400	1,11,400	(1,000)	1,26,000	13%
Miscellaneous	796	1,061	1,053	(8)	1,230	17%
Total Expenditure	99,463	1,13,461	1,12,453	(1,008)	1,27,230	13%
Dividend payable to General Revenues	5,656	6,676	5,340	(1,336)	6,249	17%
Net Surplus after payment of Dividend	1,126	15,557	10,409	(5,148)	13,147	26%
Operating Ratio	94.9%	84.9%	88.8%		87.8%	-1%
Appropriation to Railway Development Fund	610	10,557	9,984	(573)	3,550	
Appropriation to Capital Fund	516	5,000	425	(4,575)	5,434	

Explanatory Notes

Other sources of earning

1. Coaching earnings include income from parcels and luggage
2. Sundry earnings represent earnings from lease of railway land, advertisement and publicity etc.
3. Suspense represents unrealized traffic earnings

Performance parameters

4. 'Net Surplus after payment of Dividend' represents excess of receipts over expenditure after the Dividend liability (payment for investment in Railway capital) of General Revenues has been paid off
5. 'Operating Ratio' is the ratio of operating expenses to receipts. A lower ratio indicates higher surplus availability for investments.

Railway Funds

6. Depreciation Reserve Fund – Finances the cost of new assets replacing old assets including the cost of any improved features. Appropriation to this fund are made on the recommendations of the Railway Convention Committee (RCC)
7. Pension Fund – Finances all pension payments to retired Railway staff
8. Development Fund – Finances expenditure on Passenger and Other Railway Users' Amenities Works, Staff Welfare Works, Un-remunerative operating improvements etc.
9. Capital Fund - Used for capital augmentation. Appropriations to this fund are made only after making necessary appropriations to other funds

Appendix II: Infrastructure/ stock augmentation

Infrastructure (in Route-Kms)

	2010-11		2011-12		2012-13		2013-14
	Target	Actual	Target	Actual	Target	Provisional	Target
New lines	700	709	700	727	700	470	500
Gauge conversion	800	837	825	856	800	575	450
Electrification	1,000	975	1,110	1,165	1,100	1,200	1,300
Doubling	767	769	867	752	700	705	750

Rolling stock augmentation (in vehicle units)

	2010-11		2011-12		2012-13		2013-14
	Target	Actual	Target	Actual	Target	Provisional	Target
Wagons	14,500	14,703	18,000	18,357	16,000	16,000	16,000
Coaches	905	836	3,786	3,637	3,512	4,000	4,130
Diesel Loco	250	267	275	284	330	330	375
Electric Loco	280	260	280	298	300	300	300

Note: Existing infrastructure and rolling stock

As of end 2011-12, the total route network of the Indian railways was 64,600 km. Of the total route network 86% (or 55,956 km) is broad gauge, 31% (20,275 km) has been electrified and 30% (19,368 km) has been doubled.

In terms of rolling stock, there were 5,197 diesel locomotives, 4,309 electric locomotives, 7,793 coaches (EMU/MEMU/DMU etc) and 239,321 wagons.

Appendix III: Status of some key initiatives proposed in Budget 2012-13

Project <i>(Proposed last year, in Budget 2012-13)</i>	Current status/ Comments <i>(As reported in the Budget Speech/ Explanatory Memorandum/ Outcome Budget 2012-1/ Parliament questions)</i>
Infrastructure	
<ul style="list-style-type: none"> ▪ Set up the: <ul style="list-style-type: none"> – Indian Railway Station Development Corporation to redevelop stations through PPP mode – Logistics Corporation for the development & management of existing railway goods, sheds and multi-modal logistics parks. – National High Speed Rail Authority ▪ Increase the attractiveness of private investment schemes for Wagon leasing, private freight terminals, container train operations, rail connectivity projects for PPP partners. 	<ul style="list-style-type: none"> ▪ A special purpose vehicle (SPV), Indian Railway Stations Development Corporation Ltd. (IRSDC), has been set up as a joint venture between IRCON and Rail Land Development Authority (RLDA). Presently, the Corporation is in a nascent stage and will take up station development projects in hand in due course. ▪ The Draft Bill for the formation of National High Speed Rail Authority (NHSRA) has already been moved for approval by the Government. ▪ The Cabinet Committee on Infrastructure has approved a policy for participative models in rail-connectivity and capacity augmentation projects. Under the policy, there are five models for private participation including joint venture partnerships and build, operate and transfer models.
Freight business	
<ul style="list-style-type: none"> ▪ Award contracts for civil and track works for about 1000 route Km on the Eastern and Western Dedicated Freight Corridors (DFCs) in 2012-13. 	<ul style="list-style-type: none"> ▪ Land acquisition for nearly 2,800 km of both corridors is almost complete. ▪ First major civil construction contractor on the 343 km Kanpur Khurja section has already been awarded. ▪ Constructions contracts covering up to 1,500 km to be awarded by the end of 2013-14.
Passenger business	
<ul style="list-style-type: none"> ▪ Introduce 75 new express trains, 21 new passenger services, 8 new MEMU and 9 DEMU services, extend the run of 39 trains and increase the frequency of 23 trains. ▪ Upgrade 84 stations to Adarsh Stations in 2012-13. ▪ Introduce satellite based real time train information system (SIMRAN) to provide train running information to passengers through SMS, internet, etc 	<ul style="list-style-type: none"> ▪ 46 express trains, 12 passenger service, 3 DEMU and 4 MEMU introduced. 35 trains extended and 15 trains increased in frequency. ▪ AS of December 2012, Adarsh development work on 621 of the 977 identified stations has been completed. ▪ The SIMRAN project has been officially closed. Based on the success of the pilot project, the Real-Time Train Information System has been established, providing real-time train running information.
Safety and Security	
<ul style="list-style-type: none"> ▪ Set up the: <ul style="list-style-type: none"> – Railway Safety Authority as a statutory regulatory body (as recommended by Kakodkar Committee). – Rail-Road Grade Separation Corporation to eliminate level crossings. ▪ Set up three 'Safety Villages' at Bengaluru, Kharagpur and Lucknow for skill development for disaster managements 	<ul style="list-style-type: none"> ▪ The Railway Ministry is considering setting up the Railway Safety Authority. ▪ The establishment of the Rail-Road Grade Separation Corporation is at the planning stage. ▪ PRS could not find information regarding this proposal.
Other	
<ul style="list-style-type: none"> ▪ Set up 200 remote railway stations as 'green energy stations' powered entirely by solar energy. 	<ul style="list-style-type: none"> ▪ 35 railway stations are completely solar powered and around 450 stations are partially powered by solar energy.