

Railways Budget 2014-15

Key highlights and proposals

- Surplus is expected to decrease by 24% to Rs 6,064 crore after dividends. Operating ratio is projected to increase to 92.5% in 2014-15.
- Total Revenue is expected to increase by 14% to Rs 1,64,374 crore and total expenditure is projected to increase by 16% to Rs 1,49,176 crore in 2014-15.
- In 2014-15, both passenger and freight traffic are expected to grow by 5%. Gross traffic receipts are expected to increase by 14% to Rs 1,60,165 crore.
- The Plan outlay for 2014-15 is Rs 65,445 crore which is a 3% increase from 2013-14.
- The Ministry plans to create the Diamond Quadrilateral Network of High Speed Rail.
- Strategic management initiatives include Near Plan Holiday approach (i.e., not taking up new projects), prioritising and completing ongoing projects.

Overview of Finances

The Minister of Railways, D V Sadananda Gowda, presented the Railways Budget 2014 to Parliament on July 8, 2014. In his address, he assessed the performance of Railways in 2013-14 and laid out his budget proposals for 2014-15. The Ministry targets to become the largest freight carrier in the world.

Budget v/s Revised Estimate 2013-14

(Details in Appendix II)

As part of the Budget process, the Ministry includes revised estimates for expenditure and revenue for the current year. Some of the key deviations in the revised estimates compared to the budget estimates in 2013-14 are:

- Total revenue in 2013-14 undershot budget estimates by Rs 2,458 crore.
- Total expenditure overshot estimates by Rs 1,155 crore.
- The net surplus was lower by Rs 5,204 crore.
- Appropriations to the Railways Capital Fund was lower by Rs 875 crore.
- Operating ratio stood at 90.8% compared to the Budget Estimate of 87.8%. Operating Ratio is the ratio of Total Working Expenditure to Gross Traffic Receipts; a higher ratio indicates a lower ability to generate a surplus that can be 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.

Budget Estimates 2014-15

(Details in Appendix II)

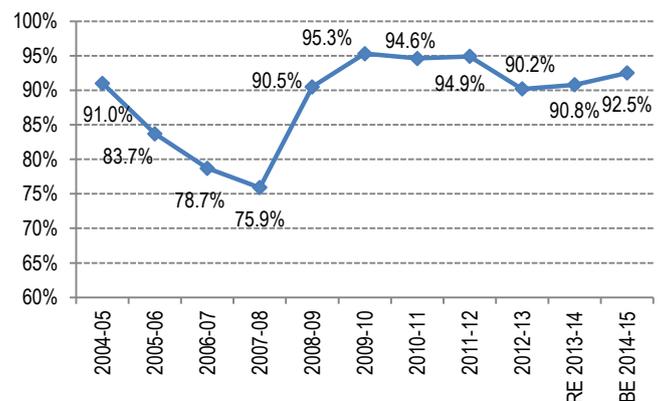
In 2014-15, the railways surplus is expected to decrease by 24% to Rs 6,064 crore thereby increasing the operating ratio to 92.5%.

Gross traffic receipts are expected to increase to Rs 1,60,165 by 14% over 2014-15 on account of the recent hike in freight rates and passenger fares. Total expenditure is projected to increase by 16% to Rs 1,49,176 crore.

To meet its annual expenditure, the Ministry hiked freight rates and passenger fares in June 2014. Passenger fares were increased by 14.2% which was inclusive of 4.2% Fuel Adjustment Component (FAC). Freight rates were increased by 6.5% (inclusive of 1.5% FAC). According to the Ministry, the FAC will be linked to fuel prices to insulate the revenue from increase in fuel cost. The hike in passenger fares was to reduce losses in passenger business that increased from 10 paise per passenger kilometer in 2000-01 to 23 paise in 2012-13. Loss of revenue on account of rolling back the suburban fare hike is estimated to be Rs 610 crore.

The operating ratio is expected to be 92.5%. The operating ratio has been above 90% in the last 6 years indicating lower surplus amounts.

Figure 1: Operating Ratio (%)



Source: Railways Budget documents; Railways Annual Report; PRS

Plan Outlay

The Minister proposes a plan investment of Rs 65,445 crore in 2014-15. Compared with 2013-14, this would be a 3% increase with the extra funds coming largely via Gross Budgetary Support (an increase of 16%). The main focus of the investment would be safety related works. Since the internal resource component has been increased, the Extra Budgetary Support or market borrowings have been scaled down by 16%.

Table 1: Plan expenditure (In Rs Crore)

	2013-14 (BE)	2014- 15(BE)	% change
Gross Budgetary Support	26,000	30,100	16%
Internal Resources	14,260	15,350	8%
Extra Budgetary Support	21,103	17,795	-16%
Railway Safety Fund	2,000	2,200	10%
Total	63,363	65,445	3%

Sources: Highlights of the Railways Budget 2014-15

Key Proposals

The Minister put forward several proposals for the coming year.

Resource Mobilization

To fund major infrastructure projects, the Ministry will explore alternate means of resource mobilisation so as to not be overly dependent on revenues from passenger and freight. This would be achieved by the following:

- Leveraging railway Public Sector Undertaking (PSU) resources by bringing in surplus funds from these organizations to fund Railways' infrastructure projects.
- Domestic and foreign direct investment for which the Ministry will seek Cabinet approval. While roads and highways receive investments from Foreign Direct Investment (FDI), Railways has primarily been funded by public resources.
- Public Private Partnerships (PPP) through which the Ministry plans to finance the bulk of its future projects.
- Strategic management initiatives include a Near Plan Holiday approach within which no new projects will be taken up for the next few years and the focus will be on prioritising and completing ongoing projects.
- The Ministry proposes to increase transparency in procurements and create a decision support system for project implementation.

Organisational Reform

- At a structural level, the Railway Board's overlapping functions of policy formulation and implementation are being separated.
- In order to overcome delays in project execution, a Project Management Group will be set up at the level of Railway Board. Similarly, to expedite projects at the ground level, a Project Monitoring and Coordination Group consisting of officials of State Government, Railways and professionals will be set up.

Passenger Amenities and Services

- The Ministry proposes to provide passenger amenities such as escalators, lifts, foot-over bridges through PPP mode.
- Services of Battery-operated Carts to facilitate access for differently-abled and senior citizens will be extended at all major stations.
- Online booking facility of Railway Retiring Room will be extended to all the stations during the course of the year.
- Budget allocation for cleanliness in the current budget will be increased by 40%. Cleaning activities will be outsourced at major stations and a separate Housekeeping Wing will be set up.
- A Corpus Fund will be set up for the upkeep of stations.
- The use of bio-toilets will be increased. Bio-toilets have been introduced by Railways in about 2,500 coaches as of February 2014.

Speed

- The Railways propose to create the Diamond Quadrilateral Network of High Speed Rail, connecting major Metros and growth centres of the country. A provision of Rs 100 crore has been made in this Budget for High Speed Rail Project (HSR) as an initial grant towards Rail Vikas Nigam Ltd (RVNL). In July 2012, the High Speed Rail Corporation, under RVNL, was set up to evaluate ways to implement high-speed train projects in India. Six corridors for HSR have been identified up till now.
- Bullet trains will be introduced by starting off with an already identified Mumbai-Ahmedabad sector.
- Effort will be made to increase the speed of existing trains to 160-200 kmph in select sectors to reduce travel time between major cities.

Safety and Security

- The budget allocates Rs 1,785 crore for Road-under-bridges and Road-over-bridges towards safety improvements.
- Proposed safety measures include elimination of all unmanned crossings after inspection of each site.
- Use of Vehicle Borne Ultrasonic Flaw Detection System is proposed to detect rail and weld fractures. In addition Ultrasonic Broken Rail Detection System will also be tried as a pilot project.
- 4000 women constables will be recruited who will escort the ladies coaches.

Rail Tourism

- Eco-Tourism and Education Tourism will be taken up in North Eastern States.
- New trains will be introduced in the identified Special Pilgrim Circuits.

IT Initiatives

- Railways proposes to achieve a paperless office in five years.
- IT proposals also include introduction of Wi-fi Services in all A1 and A category stations and in select trains, real-time tracking of trains and rolling stock, station navigation information system, digital reservation charts at Stations.
- The Ministry proposes the extension of Computerised Parcel Management System and extension of logistics support to various e-commerce Companies by providing designated pick-up centres at identified Stations.
- Land assets of Indian Railways will be digitized using GIS mapping.

Improving Resources

- 8 to 10 capacity augmentation projects on congested routes will be identified to attract investment through PPP. Zonal Railways will be empowered to finalise and execute such projects.
- As a priority, Indian Railways will improve port connectivity through PPP mode of funding in tandem with Sagar Mala Project of Port Development.
- Railways will speed up construction of critical coal connectivity lines to facilitate faster transportation of coal.
- Logistics Parks will be set up to modernize logistics operations.
- More than 33% of freight trains over the system run empty since return traffic at existing freight rates is not forthcoming. A pilot project will be launched where automatic rebates will be available through computerised FIOS system to customer who book for return traffic. This would help reduce the empty flows on freight lines and generate additional revenue.
- The Ministry plans to segregate parcel traffic from passenger traffic to separate terminals to improve traffic flows. Also, parcel trains running on fixed time table will be introduced.
- A new design of parcel vans with better tare (weight of empty container/ vehicle) to pay load is being finalized.
- To develop network of freight terminals, policy of Private Freight Terminals on PPP model is being developed.

Transparency in Railway Functioning

- The Ministry will give high priority to transparency in administration, execution of projects and procurement.
- E-procurement will be made compulsory for procurements worth Rs 25 lakh and above. The status of ongoing projects will be made available online.

Urban Transport

- Mumbai city will get 864 additional state-of-the-art EMUs over a period of two years.
- A study to explore the possibility of enhancing the existing IR network of Bengaluru will be taken up to improve the flow of commuters into the city from surrounding rural areas.

Freight Business

- Online Wagon Demand registration will be launched in the next two months to facilitate online payment of Wagon Registration fee as well as registering demand for wagons.
- A US \$1100 million loan agreement for Kanpur-Mughalsarai section of Eastern corridor of Dedicated Freight Corridor will be signed with the World Bank in the current year.

New Services

- The Ministry proposes to introduce 5 Jansadharan Trains, 5 Premium Trains, 6 AC Express Trains, 27 Express Trains, 8 Passenger Trains, 2 MEMU services and 5 DEMU services and extend the run of 11 existing trains.
- Railways also proposes to construct 18 new lines.

Others

- In 2014-15, an outlay of Rs 5,116 crore is earmarked for projects of North-East which is 54% higher from last year.
- Many stoppages have been provided on experimental basis on the request of public representatives. These stoppages will be continued till September 30, 2014 and allowed after that solely on the basis of operational feasibility and commercial justification.
- An Innovations Incubation Center will be set up to harness ideas from the Railways staff and convert them to practical solutions.
- The contribution towards Staff Benefit Fund will be increased from Rs 500 per capita to Rs 800 per capita.
- Railways proposes to improve system capabilities for e-ticketing to support 7200 tickets per minute as against 2000 tickets per minute and allow 1,20,000 simultaneous users at any point in time.

- Branded ready-to-eat meals will be introduced on-board. Catering services will be improved by Quality Assurance Mechanism through Third Party Audit by National Accreditation Board for Certification Bodies certified agencies to improve catering services.
- The Ministry is considering a Railway University for both technical and non-technical subjects. They will also tie up with technical institutions for introducing railway oriented subject for graduation and skill development.

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Appendix I: Comparison with NTDPC India Transport Report 2032

The National Transport Development Policy Committee (NTDPC) chaired by Mr. Rakesh Mohan, recently published the India Transport Report 2032. The report tries to project transport and policy requirements for the transport sector for the next 20 years and makes recommendations accordingly. Shown below is a brief comparison of how the present Railways budget compares with the recommendations in the report.

NTDPC Recommendation	Railways Budget 2014-15 Proposals
Work closely with state and local authorities to set up rail based logistics parks to attract increasing volumes of cargo to rail. Develop 15-20 logistics parks at main network hubs.	Logistics Parks will be set up to modernize logistics operations.
Upgrade speed to 160-200 kmph on select corridors.	Effort will be made to increase the speed of existing trains to 160-200 kmph in select sectors.
Increase supply (more trains/ longer trains) to meet demand.	Introduction of 58 new trains, 18 new lines and extension of 11 existing trains.
Construction of 6 DFCs as top priority. Highest priority to the Eastern DFC.	A US \$1100 million loan agreement for Kanpur-Mughalsarai section of Eastern corridor of Dedicated Freight Corridor will be signed with the World Bank in the current year.
Expand partnership with the private sector.	Most new projects except train operations are being planned to be implemented as PPPs.
Consider High speed corridors (speed potential 350 kmph) on a pilot basis, only when deemed economically viable.	A provision of Rs 100 crore has been made in this Budget for High Speed Rail Project as an initial grant towards RVNL.
Encourage private players in setting up manufacturing units for tolling stock and components.	Private organizations have been encouraged to engage with the government on various projects such as station maintenance, passenger amenities etc.
Fare revision to reduce/ eliminate losses on passenger services. Govt may subsidize up to 25% of the cost of suburban rail and no subsidies for non-suburban rail services.	In June 2014, passenger fares were increased by 14.2% and freight rates were increased by 6.5%, both inclusive of FAC. The hike in suburban fares was rolled back.
Establish Railway Research and Development Council and Railway Research and Development Institute. Establish Academic Centres of Excellence or Railway Research Centres in technical institutes and at least 2 IIMs.	An Innovations Incubation Center will be set up to harness ideas from the railways Staff and convert them to practical solutions. The Ministry is considering a Railway University for both technical and non-technical subjects. They will also tie up with technical institutions for introducing railway oriented subject for graduation and skill development.
Improve North East Rail Connectivity through new rail lines.	In 2014-15, an outlay of Rs 5,116 crore is earmarked for projects of North-East which 54% higher from last year.

Sources: NTDPC India Transport Report 2032; Railways Budget; PRS

Appendix II: Railways Revenue and expenditure

	Actual (2012-13)	BE (2013-14)	RE (2013-14)	% Change RE/BE (2013-14)	BE (2014-15)	% Change (2014-15 BE/ 2013- 14 RE)
Receipts						
Passenger - Upper Class	9,350	10,106	11,176	11%	13,330	19%
Passenger - Second Class	21,973	32,104	26,324	-18%	31,315	19%
Other Coaching	3,054	3,422	3,665	7%	4,200	15%
Freight	85,263	93,554	94,000	0%	1,05,770	13%
Sundry	4,261	4,506	5,285	17%	5,500	4%
Suspense	-168.42	50	50	0%	50	0%
Gross Traffic Receipts	1,23,733	1,43,742	1,40,500	-2%	1,60,165	14%
Miscellaneous	2,448	2,884	3,668	27%	4,209	15%
Total Revenue	1,26,180	1,46,626	1,44,168	-2%	1,64,374	14%
Expenditure						
Ordinary Working Expenses	84,012	96,500	97,060	1%	1,12,649	16%
Appropriation to Depreciation Reserve Fund	6,850	7,500	6,500	-13%	6,850	5%
Appropriation to Pension Fund	20,710	22,000	23,700	8%	28,550	20%
Total Working Expenditure	1,11,572	1,26,000	1,27,260	1%	1,48,049	16%
Miscellaneous	993.2	1,230	1,125	-9%	1,127	0%
Total Expenditure	1,12,565	1,27,230	1,28,385	1%	1,49,176	16%
Dividend payable to General Revenues	5,349	6,249	7,840	25%	9,135	17%
Net Surplus after payment of Dividend	8,266	13,147	7,943	-40%	6,064	-24%
Operating Ratio	90.2%	87.8%	90.8%	3%	92.5%	1.7%
Appropriation to Railways Development Fund	7,815	3,550	2,675	-25%	300	-89%
Appropriation to Capital Fund	451	5,434	0	-100%	5,663	
Appropriation to Debt Service Fund		4,163	5,268	27%	101	-98%

Source: Budget of Railways Revenue and Expenditure of the Central Government for 2014-15

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 III: Infrastructure/ stock augmentation

	2012-13	2013-14	2014-15
	Achievement	Target	Target
1. Electrification (Route Kms.)	1,317	1,350	1,300
2. Track Renewals (Track Kms.)	3,296	2,100	2,100
3. Construction of New Lines (Route Kms.)	501	450	300
4. Gauge Conversion (Route Kms.)	605	404	450
5. Rolling Stock			
(a) Locos			
(i) Diesel	348	375	375
(ii) Electric	330	300	250
(b) Coaches including			
(i) EMU/MEMU/DMUs/Metro/etc.	4,023	4,085	3,658
(c) Wagons (in terms of vehicle units)	16,894	15,666	12,857

Source: Explanatory Memorandum to Railways Budget 2014-15