Part - II

BUDGET ESTIMATES, 2002-03

77. Sir, I shall now deal with the Budget Estimates for 2002-03.

78. The Railways are expecting to carry 510 million tonnes of revenue earnings originating traffic during 2002-03, which is 21 million tonnes more than the traffic of 489 million tonnes likely to be lifted in the current year. The originating passenger traffic is estimated to go up by about 4 per cent resulting in increase in earnings of 10% over the Revised Estimates of the current year. In view of the initiatives taken in the parcel segment, ‘Other Coaching’ earnings are expected to grow by 7%. Sundry Other Earnings, for 2002-03 have been estimated at Rs 1,000 cr, representing a growth rate of 11 % over the Revised Estimates of the current year.

79. On the basis of these assumptions, and at the current level of fares and freight rates, the Gross Traffic Receipts (GTR) are estimated at Rs 40,178 cr. This is Rs 2,458 cr higher than the Revised Estimates of the current financial year.

80. Ordinary Working Expenses at Rs 31,160 cr provide for a minimal increase of 7 % over the Revised Estimates of the current year. Appropriation to Pension Fund is placed at Rs 5,990 cr. Based upon the anticipated requirement for plan resources, a provision of Rs. 1978 cr has been made towards Appropriation to Depreciation Reserve Fund.

81. The total Working Expenses will, thus, amount to Rs 39,128 cr leading to the Net Traffic Receipts of Rs 1,050 cr. Net Miscellaneous Receipts are estimated at Rs 1,289 cr, which also takes into account the amount likely to be collected through levy of surcharge on passenger fares for being appropriated to the newly created Special Railway Safety Fund and the Rs 450 cr being received from General Revenues for Railway Safety Works for constructing ROBs or RUBs and manning of unmanned level crossings. Thus, the Net Revenue works out to Rs 2,339 cr.
82. A memorandum on the rate of dividend payable to General Revenues has been submitted to the Railway Convention Committee. Meanwhile, dividend for 2002-03, has been provided at the same rate as adopted for 2001-02. On this basis, dividend liability for 2002-03, works out to Rs 2,679 cr. Pending repayment of a loan of Rs 249 cr taken by the Railway Ministry from the General Revenues, interest of about Rs 17 cr has to be paid annually to them. Accordingly, an amount of Rs 2,696 cr becomes payable to the General Revenues. It gives me immense pleasure in announcing that the entire liability becoming due to the General Revenues in the coming year will be discharged fully.

83. Based on the above projections, there is a "Shortfall" of Rs 340 cr in the receipts over expenditure in 2002-03, due to which the funds required for the Plan fall short by Rs 1,360 cr. This is proposed to be covered through additional mobilisation of resources as detailed below.

84. Sir, I am sure that the august House will recognize the fact that it is in the long term interests of the railway system that the organisation maintains its financial viability. The Railways have not been passing on fully the cost of running the system on to the users, particularly, the passengers. They themselves have been bearing the financial burden of implementation of the recommendations of the V Pay Commission along with escalation in other inputs. Sir, I feel that the time has now come when the Railways just cannot do without transferring at least some of the increase in the cost of operating the system.

85. Sir, the competitive pressures on Indian Railways in the liberalised economy require the Railway Freight and Fare structure to be made more appropriate to attract larger volumes of traffic.

Freight Services

86. I do not propose across-the-board increase in freight rates for the year 2002-03.
87. Over the years certain anomalies had crept up in the freight structure due to adhoc changes in the freight rates. A need for rationalisation was being felt for quite some time. The freight structure for the Base Class-100 has been rationalised to remove the anomalies and make the freight rates more attractive. This has been done by modifying the taper in the freight structure to provide a smooth reduction in rate per km with increase in distance. As a result the freight rates for the Base Class-100 will be marginally lower in the distance ranges 101 to 165 km and 501 to 1575 km and a minimal increase at other distances. The same taper has been applied to all other classes, which will have an exact percentage relationship with the Base Class-100.

88. At present there are as many as 59 classes for charging freight for different commodities. The freight rate for the highest class is nearly 8 times higher than that for the lowest class. I propose to reduce the total number of classes from 59 to 32. Class-90 will be the lowest class and Class-300 will be the highest class. In the revised classification, the freight rate for the highest class will be 3.3 times higher than that for the lowest class.

89. In the past, while various commodities were exempted from increase in freight rates, certain others were given differential treatment in respect of changes in the freight rates. As a result, 25 classes with suffixes A, B, C, K, M & X had gradually evolved. I now propose to abolish all such classes to remove the anomalies that have crept up. However, keeping in view the essential nature of certain commodities of common use such as Edible Salt, Fruits, Vegetables, Gur, Jaggery, Shakkar, certain items of Edible Oils, Food Grains, Pulses, Organic Manures, Urea, Fodder and Dry Grass are proposed to be carried at the lowest Class-90. In doing so, there would be an increase in freight charges for some of these commodities. However, such increases will not materially affect the common man, as the incidence of freight increase on the prices of these commodities will be minimal. For example, in the case of Edible Salt the increase in freight rates may affect the price of salt to the consumer by less than a rupee per month for a family of four. Similarly, the impact on the price of Edible Oils and Food grains & Pulses will be negligible and the common man will not feel any hardship on this account.
90. For key commodities like Coal, Iron Ore and Raw materials to Steel Plants etc, there is marginal increase in freight rates due to rationalisation. The freight rates for Iron & Steel, Pig Iron, Cement, most of the Petroleum products and many other commodities would be marginally lower, again as a result of rationalisation. Details of the re-classification of selected commodities, along with existing and proposed freight rates at selected distances, are given in the Memorandum explaining the Budget proposals for adjustment in freight rates and fares. I am ready to consider any other suggestion from the industry that will help in improving the share of railways in the transport sector without adversely affecting the railway revenues.

91. These modifications in the freight rates are expected to yield additional revenue of Rs 450 cr during the year.

**Passenger Services**

92. Sir, despite increase in the working expenses of Railways there was no increase in the Passenger fares during the last two years. A Safety surcharge on fares was levied from October 2001 to create a non-lapsable Special Railway Safety Fund to wipe out the arrears of replacement of assets in a time bound manner. I, now propose to rationalise the Passenger fares for proper tariff re-balancing by modifying the taper in the fare structure to remove the existing anomalies and making other marginal changes in respect of minimum fares and rationalizing the relativity of fares of various classes.

93. During the Budget for 1999-2000, the policy of rationalisation of fares for different classes of travel, treating the Second Class (Mail/Express) fare as a base, was adopted. Keeping the fares of Second Class (Mail/Express) as index 100, the relativity index for the Sleeper class (Mail/Express) is proposed to be increased from 155 to 160 and that for AC Chair Car from 300 to 350. The relativity index for AC First Class will be reduced from 1440 to 1400 to improve the utilisation of this service and make it more competitive with Air travel. There would be no change in the relativity index for the fares of other classes.
94. The minimum fare for Second Class (Mail/Express) is proposed to be increased from Rs 15 to Rs 16. This minimum fare will be applicable up to a distance of 15 km. The other increases in fares vary from Re 1 to Rs 6 up to a distance of 341 km, which is the average distance of travel for this class.

95. The minimum fare for the Second Class (Ordinary) is proposed to be increased from Rs 3 to Rs 4. This fare will be applicable up to a distance of 10 km. I am fully conscious of the need for providing a cheap mode of transport to the common man. As a result of rationalisation of fares for this class, the fares would be lower by Re.1 to Rs. 2 at certain distances. The maximum increase in the fare for any distance up to 100 km, which is the average distance of travel for this class, would be Rs 3 per ticket. At present there is no fixed relationship between the fare structures of Second Class (Mail/Express) and Second Class (Ordinary). The fares for distances beyond 100 km will be fixed at 55 percent of the Second Class (Mail/Express) fares.

96. I also propose to introduce rationalisation of Monthly Season Ticket fares. At present, the Monthly Season Ticket holders pay for 10 to 19 single journeys as against 50 single journeys normally undertaken in a month. The fares for the Second Class Monthly Season Tickets are proposed to be fixed equivalent to fares for 15 single journeys by Second Class (Ordinary), uniformly for all distances. First Class Season Tickets will continue to be charged at 4 times the Second Class Season Ticket fares.

97. I also do not propose any change in the system of charging for Quarterly Season Tickets, which are charged at 2.7 times the Monthly Season Ticket fares.

98. I do not propose to make any change in existing fare structure for Rajdhani and Shatabdi Express trains.

99. I also do not propose to make any change in the existing rates for booking of Parcel and Luggage, including newspapers and magazines.
100. The above changes in the passenger fares are expected to yield additional revenue of Rs 910 cr during the year.

101. The total additional revenue mobilization on account of these changes in the freight rates and fares is expected to be Rs 1,360 cr during the year.

102. All these proposals will come into effect from 1.4.2002.

103. Sir, I would like to express my appreciation to all railwaymen for their hard work and zeal in taking up the challenge to move this vast organisation to new heights of achievements. Sir, before concluding, I, on behalf of Indian Railways, would again like to express my heartfelt gratitude to Hon’ble Prime Minister and Finance Minister for their continued support to the Railways. I am confident that they would be equally generous during the coming year, as they have been during the current year, and Railways would be allotted additional funds for accelerated completion of projects.

104. Sir, with these words I commend the Railway Budget 2002-03 to the House.

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