

Brief History of Indian Railways

The first proposals for railways in India were being debated **in Great Britain in the 1840s** and the people out there started entering into lobbying in support of these proposals by banks, traders, shipping companies etc. The businessmen of England had a strong interest in seeing railways be formed in India. But they wanted the British Parliament to create a **Guarantee System**. In the Guarantee System, any company that constructed railways in India was **guaranteed a certain rate of interest on its capital investment**. This **guarantee was to be honoured by the East India Company** which then controlled large parts of India. The railways which were made on this arrangement were called **Guaranteed Railways**. The guarantee was for a return of 5% annually, and the right for the railway company to pull out of the venture and get compensation from the government at any time. Thus Indian Railways started on a Guarantee System.

It was during Lord Dalhousie's time that on **April 16, 1853** at 3:35pm a train with 14 railway carriages and 400 guests left Bombay's Bori Bunder for Thane, with a 21-gun salute. Thus, Indian Railways had its modest beginnings in 1853, when the first Railway train journeyed a distance of 22 miles from Bombay to Thana. The three locomotives were **Sindh, Sultan, and Sahib**. This 75 minutes journey was the first Journey of Indian Railway that embarked an era of development thereafter. But this was a passenger service. Prior to that also there is a trace of history of Railway in India.

Please note that in 1851, a steam loco, **Thomason**, was used for transporting construction material in Roorkee for the Solani viaduct, which was a part of the construction in the Salony Valley. The **locomotive Thomason** was assembled on the spot from parts transported from Calcutta.

Second locomotive to arrive in India was **Falkland** (named for a governor of Bombay), used by the contractors of the GIPR for shunting operations on the first line out of Bombay that was being built.

From the modest beginning in 1853, the **development of Railway was very fast**. The first railway foundry was set up at Jamalpur Workshop in 1893 and it produced the first steam locomotive in 1899. By 1900, around **40000 kilometer** of railway was completed. However, **in the next 50 years, the construction got slackened and only 16000 kilometers of Railway line was constructed in next 50 years**.

Operations in the beginning

Originally, the **railways were operated by the private companies owned by the British businessmen**. They were granted free land and given a guarantee of minimum returns on capital.

The first Railway Company was taken over by the government of India in 1925. Gradually, the other Railway companies were also taken over and in 1950; the railways from the princely states were also taken over by the Government of India. Thus, 1950 onwards, the Railways become a unified state enterprise.

State ownership of the Railways was **not achieved in a year** or two but it **took many decades in the process**. In 1869, it was John Lawrence, who recommended the development of Railway lines under the state and thus the development of Railways through government agencies started very early. But it was very slow and till 1891, the Government could add only 3297 miles.

In 1879, the first old guaranteed Railways was purchased and it was the East Indian Railway. In later era, the Indian princely states, district boards and other local authorities also took part in the development of Railways. But it was till 1900, that the Railways never showed profit. From 1882 till 1900, the existing companies became reluctant to invest in Railways and provide additional capital to development. So, a new modified guarantee system was developed which worked from 1882 till 1924. Under this, the Government took over the works such as branch and feeder lines which were unremunerative.

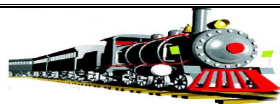
Railway's First Profit & Constitution of Railway Board

In 1900, Railways showed a small profit for the first time. In 1901, Thomas Robertson was appointed the special commissioner to examine the organization and working of the Railway and thus began the drastic changes in the administration of the Railways.

The Robertson commission recommended the appointment of a "Railway Board" with a chairman, 2 members and 1 secretary. In 1905, the Railway Board was set up. The Railway Board was made subordinate to the Government.

MacKay Commission

Sir James MacKay Commission was set up by Secretary of States for India, John Morley in 1907 to look into the problems of administration and finances of Railways. The commission found out that there was a friction in the Government and the Board and this caused bottlenecks in the speedy business of the Railways. The commission recommended the modification of the Railway



Board and thus in 1909; the Railway Board was reconstituted with 3 members. It was again modified in 1914 and one member with commercial and financial knowledge was appointed.

In 1920, it was decided that all 3 members of the Railway Board must possess experience and knowledge in the working of the Railways.

Acworth Committee:

In 1920, an East Indian Railway Committee was constituted under the chairmanship of Sir William Acworth. This committee consisted of 10 members and among them 3 were Indians viz.

1. V S Srinivas Sastri (Member of Council of States),
2. Purshottam Das Thakurdas (representing Indian Commercial Interests) and
3. Rajendra Nath Mukherjee.

The Acworth Committee recommended the consolidation and nationalization of the Indian Railways. Based upon the recommendations of Acworth Committee, the Finances of Railways were separated in 1924 and thus from 1924 onwards, the Railway Budget is separated from the General Budget.

Current Route length

Indian Railway is World's fourth largest railway US, Russia and China. The Railways carry over 25 million passengers and 2.5 million tons of freight daily. It is one of the world's largest commercial or utility employers, with more than 1.6 million employees. Indian Railways owns 230,000 (freight) wagons, 60,000 coaches and 9,000 locomotives approximately.

As on March 31, 2010, the Route Length of Indian Railways was **63, 974 Kilometers** with running track length of **87, 087**

Kilometers. If we include the total trackage of yards, sidings etc. it comes out to be 113, 617 kilometers. The following table shows the breakup of the Tracks in total and electrified tracks since 1950-51. ([Source of this info is Here](#))

Year	Route kms.		Running track kms.		Total track kms.#	
	Electrified	Total	Electrified	Total	Electrified	Total
1950-51	388	53,596	937	59,315	1,253	77,609
1960-61	748	56,247	1,752	63,602	2,259	83,706
1970-71	3,706	59,790	7,447	71,669	9,586	98,546
1980-81	5,345	61,240	10,474	75,860	13,448	104,480
1990-91	9,968	62,367	18,954	78,607	25,305	108,858
2000-01	14,856	63,028	27,937	81,865	36,950	108,706
2006-07	17,786	63,327	33,623	85,389	44,804	109,996
2007-08	18,274	63,273	34,700	85,158	47,296	111,599
2008-09	18,559	64,015	35,471	86,937	47,862	113,115
2009-10	18,927	63,974	35,811	87,087	48,639	113,617

Includes track in yards, sidings, crossings at stations, etc.

✎ The above table makes it clear that **Indian Railways 29.6% Route length** is electrified as in 2009-10.

State -Union Territory wise Route Kilometers

In India, the largest route kilometers are in Uttar Pradesh with 8726 kilometers. This comes out to be 13.6% of India's total Route Kilometers. The Five states with largest route kilometers are as follows:

1. **Uttar Pradesh :** 8726
2. **Rajasthan :** 5780
3. **Maharashtra:** 5602
4. **Andhra Pradesh:** 5241
5. **Gujarat :** 4999

The following Table shows the state wise break-up of the Route Kilometres of Indian Railways.



State/Union Territory	Route kms.	State/Union Territory	Route kms.
Andhra Pradesh	5,241	Mizoram	2
Arunachal Pradesh	1	Nagaland	13
Assam	2,433	Orissa	2,386
Bihar	3,568	Punjab	2,133
Chhatisgarh	1,186	Rajasthan	5,780
Delhi	183	Tamil Nadu	4,061
Goa	69	Tripura	151
Gujarat	4,999	Uttarakhand	345
Haryana	1,553	Uttar Pradesh	8,726
Himachal Pradesh	296	West Bengal	3,890
Jammu & Kashmir	256		
Jharkhand	2,001		
Karnataka	3,073		
Kerala	1,050	Union Territory	
Madhya Pradesh	4,948	Chandigarh	16
Maharashtra	5,602	Pondicherry	11
Manipur	1		
		Total	63,974

Note: The remaining States/Union Territories have no railway line.

Route Length on Each Gauge

The following table shows the Indian Railways Route Length on Each Gauge. It shows that the 54,257 Kilometer is Broad Gauge (1676mm) which is 85% of Total Route length in India. The share of the meter gauge and narrow gauge is 11.2% and 3.8% respectively. The share of the Total Electrified Route length is 4790 + 14137 = 18927 Kilometers which is 29.5% of the Total Route length of India.

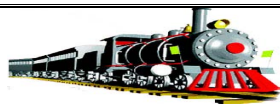


Gauge	Single line			Double/multiple line			Grand Total
	Electrified	Non-electrified	Total	Electrified	Non-electrified	Total	
Broad (1676 mm)	4,790	30,861	35,651	14,137	4,469	18,606	54,257
Metre (1000 mm)	-	7,180	7,180	-	-	-	7,180
Narrow (762mm/610 mm)	-	2,537	2,537	-	-	-	2,537
Total	4,790	40,578	45,368	14,137	4,469	18,606	63,974

Zones and Divisions

The number of Zones of Indian Railways was 6 before 1951. 2 more Zones were added in 1951. In 1952, the number of Zones became 9. At present Indian Railway has 17 Zones. The latest zone is Kolkata Metro which became 17th Zone of Indian Railways on 28 December 2010.

Sl. No	Name	Abbr	Established	Headquarters	Divisions
1	Central	CR	1951	Mumbai	Mumbai, Bhusawal, Pune, Solapur, Nagpur
2	Southern	SR	1951	Chennai	Chennai, Tiruchirappalli, Madurai, Palakkad, Salem, Trivandrum(Thiruvananthapuram)
3	Western	WR	1951	Mumbai	Mumbai Central, Ratlam, Ahmedabad, Rajkot, Bhavnagar, Vadodara
4	Eastern	ER	1952	Kolkata	Howrah, Sealdah, Asansol, Malda
5	North Eastern	NER	1952	Gorakhpur	Izzatnagar, Lucknow, Varanasi
6	Northern	NR	1952	Delhi	Delhi, Ambala, Firozpur, Lucknow, Moradabad
7	South Eastern	SER	1955	Kolkata	Adra, Chakradharpur, Kharagpur, Ranchi
8	Northeast Frontier	NFR	1958	Guwahati	Alipurduar, Katihar, Rangia, Lumding, Tinsukia
9	South Central	SCR	1966	Secunderabad	Secunderabad, Hyderabad, Guntakal, Guntur, Nanded, Vijayawada
10	East Central	ECR	2002	Hajipur	Danapur, Dhanbad, Mughalsarai, Samastipur, Sonpur
11	North Western	NWR	2002	Jaipur	Jaipur, Ajmer, Bikaner, Jodhpur
12	East Coast	ECoR	2003	Bhubaneswar	Khurda Road, Sambalpur, Visakhapatnam
13	North Central	NCR	2003	Allahabad	Allahabad, Agra, Jhansi
14	South East	SEC	2003	Bilaspur	Bilaspur, Raipur, Nagpur



	Central	R			
15	South Western	SW R	2003	Hubli	Hubli, Bangalore, Mysore
16	West Central	WC R	2003	Jabalpur	Jabalpur, Bhopal, Kota
17	Kolkata Metro		2010	Kolkata	Kolkata Metro

Each Zone is headed by a General Manager (GM) who reports directly to the Railway Board.

Railway Finances

The Railway Finances were a part of the Central Government Finances prior to 1924. From 1934 onwards, the Railway Finances were separated from the Central Government. At that time, the general taxpayer was given the status of shareholder in Indian Railways but in practice Central Government was the sole shareholder of the Railways.

The finances of the Railways are determined by the Railway Convention committees since the Railway Convention 1950.

The Railway Convention 1950 had entitled the Government of India to receive a guaranteed dividend of 4% on the loan capital invested on Railways.

The railway convention committees are appointed every 5 years by convention to review the finances of the Indian Railways, constitution and administration of the various railway funds including the Railway Revenue Fund, Railway Reservation Fund etc.

Historic Revenues of Indian Railways

The Revenue of Indian Railways was mere ₹ 260 Crore in 1950-51. In the same year, total working expenses were ₹ 210 crore giving a net earnings of ₹ 50 crore. Following table shows some historic data about the revenues of Indian Railways post independence.

Year	Total Earnings	Total Expenses	net earnings	Dividend to General Revenue	Surplus/ Deficit
1950-51	260	210	50	30	20
1980-81	2620	2500	120	320	-200
1996-97	24625	21000	3625	1507	2118
2006-07	64780	50380	14450	4250	10200

Its worth note that after meeting its all the expenses and also providing the dividend to the general reserve, the Indian Railways had continuous positive surplus almost every year till 1965-66. From 1966-67 onwards, all the years till 1975-76 showed the deficits except two years. In certain years, Railways was even unable to meet its dividend liability. When the Railways was not able to meet the dividend liability to the general exchequer of the country, a separate account was created which was called **Differed Dividend Liability Account**. This account was used to credit the differed dividend liability of the Railways, so that the railways could pay the dividend in future. This Differed Dividend Liability Account was worth ₹ 500 Crore by 1984-85 and was liquidated only by 1996-97.

However, from the middle of the 1980s, the Railways not only started earning sufficient income but also get a surplus. Again when the NDA Government came into power, the Railway finances deteriorated. But in the UPA-I Regime, the Railways done extremely well and was able to convert large losses in surplus. The railways Minister Lalu Prasad Yadav was credited for this turnaround, though when the next elections finished his political career almost, he was alleged of playing with the revenue numbers.

But still, that time was a turning point in the history of Indian Railways. The reason of this successful turnaround was an approach which focused on "playing on volumes and making the unit cost down".

- ✦ The maximum load permissible per container was increased and this increased the yield per train rather than increasing tariff per passenger or tariff per ton.
- ✦ The wagon turnaround time was reduced and incremental loading was achieved. This gave an additional ₹ 14000 Crore in next 4 years.
- ✦ The Freight charges were rationalized, increased for some commodities such as iron ore and decreased for others. The discounts for lean season and extra charges for peak season were started.
- ✦ Length of the passenger trains was increased, rather than increasing the charges per person.
- ✦ A new investment policy was adopted in which the low cost and high return projects were given importance.
- ✦ The surplus was to be reinvested in several funds that augmented the Railway Capacity.

Budget 2012-13: Main Points

Here are some highlights from the Railway Budget 2012-13

The Plan Layout



The **Railway Budget for 2012-13** provides for a Plan size of Rs 60,100 crore. Of this, railway minister Dinesh Trivedi plans to spend **Rs 30,045.50** crore on new lines, doubling, gauge conversion and for acquisition of rolling stock. In Mamata Banerjee's speech last year, she promised construction of 700 km of rail lines, whereas Trivedi mentioned he would target 725 km this year. But the **emphasis seems to be on Modernization of Railways**. The railways have set a **target of 1,100 km for electrification** in 2012-13.

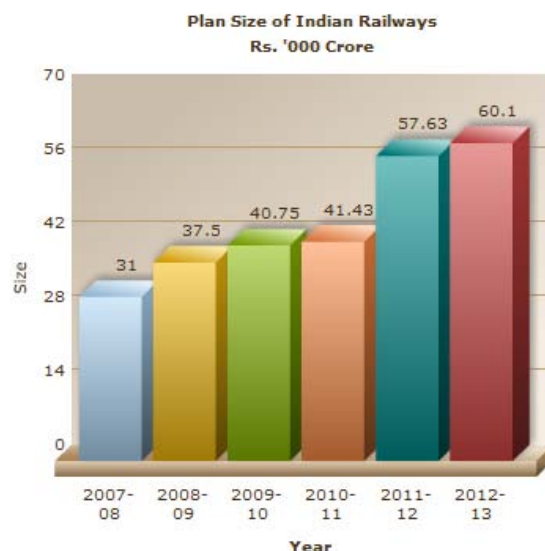
- The focus and long term of the Railway Budget 2012 are Safety, Consolidation, Decongestion & Capacity Augmentation, Modernisation and **Improve Operating Ratio from 95% to 74%** in terminal year of 12 th Five Year Plan.

Rs 60,100 crore, as mentioned above will be arranged as follows:

Subject	Rs. Crore	Graphic Representation
Gross Budgetary Support	24000	
Railway Safety Fund	2000	
Internal Resources	18050	
Market Borrowing	15000	
PPP	1050	
Total	60100	

- 725 km new lines, 700 km doubling, 800 km gauge conversion and 1100 km electrification targeted in 2012-13. Rs. 6,872 cr provided for new lines, Rs. 3,393 cr for doubling, Rs. 1,950 cr for gauge conversion, Rs. 828 cr for electrification

The annual plan outlay for 2012-13 is the **highest ever** at Rs. 60100 crore. Of this, Rs. 24,000 crore will be supported by the gross budgetary support, Rs. 2000 crore through the Railway Safety Fund, Rs. 18050 crore through the railways' internal resources and Rs. 15000 crore from **market borrowings** through the **Indian Railway Finance Corporation**, considering its past excellent performance in the financial markets. An additional amount of Rs. 1050 crore would be raised through external sources of financing through PPP and other initiatives

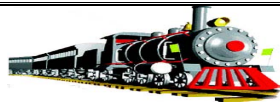


Please note that the **Gross Budgetary support has increased in last few years**. The Gross Budgetary Support for last year was Rs. 20000 Crore.

New Entities in the Railways (This is important)


- The Railway Budget 2012-13 envisions setting up of a **Railway Safety Authority as a statutory regulatory body as recommended by Kakodkar Committee**.

-: About this document:-



- For **Modernization** of Railways, the ministry plans creating **Missions** as recommended by **Sam Pitroda Committee**.
- The ministry would align the Annual Plan investment with **five focus** areas identified by Kakodkar and Pitroda Committees i.e. (a) Track (b) Bridges (c) Signalling & Telecommunication (d) Rolling Stock and (e) Stations & Freight Terminals.
- A **new Board member (Safety/Research) to be inducted in Railway Board**. A New Board Member (PPP/Marketing) to be inducted.
- Setting up of "**Rail-Road Grade Separation Corporation**" with an **objective to eliminate level crossings**.
- Railway forays into the **skill development for disaster management** by establishing Three '**Safety Villages**' to be set up at **Bengaluru, Kharagpur and Lucknow**
- For redeveloping of the stations through PPP (Public Private Partnership) Indian **Railway Station Development Corporation** will be set up.
- For development & management of existing railway goods sheds and multi-modal logistics parks, the Budget proposes to set up a "**Logistics Corporation**".
- A **National High Speed Rail Authority** to be set up.
- **Dedicated Railway Design Centre to be set up in the National Institute of Design, Ahmedabad.**
- **Institution of 'Rail Khel Ratna' Award for 10 rail sports-persons every year.**
- **Setting up of Railway Tariff Regulatory Authority to be considered**

Development Plans

- Plan allocation to priority works so as to reap benefits after completion in a time bound manner
- The Railway Budget 2012-13 proposes to make more attractive private investment schemes for Wagon leasing, Sidings, Private Freight Terminals, Container train operations, Rail connectivity projects (**R3i and R2C-i**). 
- New stations to be covered under the Kolkata Metro.
- An Special Purpose Vehicle (SPV) will be set up with the **Andhra Pradesh** Government for commercial management of the MMTS (**Multi-Modal Transport System**: Hyderabad – Secunderabad).
- MRVC (Mumbai Railway Vikas Corporation) will conduct feasibility study for construction of faster corridors on CSTM – Panvel and Virar-Vasai-Diva-Panvel sections.
- Work to be taken up facilitating running of 12-car rakes on Harbour line.
- Financial modeling of the elevated rail corridor from Churchgate to Virar firmed up with Government of Maharashtra through PPP mode.
- A pre-feasibility survey for a similar corridor between CST and Kalyan proposed.
- Pre-feasibility studies on **six high speed corridors** already completed; study on **Delhi-Jaipur-Ajmer-Jodhpur** to be taken up in 2012-13.

Collaboration with State Governments

- At present 31 projects covering a length of more than 5000 km in 10 states being executed with contribution from state governments. MoU signed with Government of Chhatisgarh to develop three rail corridors in state for movement of passenger and freight. Four projects on cost sharing basis with Governments of Haryana, Andhra Pradesh & West Bengal proposed. 12 projects on cost sharing basis with Government of Karnataka, Andhra Pradesh, Madhya Pradesh, Jharkhand, Rajasthan & Maharashtra sent to Planning Commission for approval. 17 projects to facilitate the first and list mile connectivity proactively sanctioned and another 28 projects identified.

New development in International Connectivity

- Construction of **Jogbani-Biratnagar** and **Jaynagar-Bijalpura-Bardibas** new lines already in progress to provide connectivity to **Nepal**.
- Project to connect Agartala with Akhaura in **Bangladesh** to be taken up in 2012-13.

New Railway Industries

- Rail Wheel Plan at Chhapra produced 78 wheels during 2011-12; the plant would be fully commissioned in 2012-13.
- Rae Bareli coach factory manufactured 10 coaches in 2011-12; phase-II of the factory would be commissioned in 2012-13.



- Diesel Component Factory at Dankuni has commenced trial production and would be fully commissioned in 2012-13.
- Wagon Manufacturing Factory at Kulti and fiat bogey frame unit at Budge Budge to commence production in 2012-13. A wagon factory to be set up at Sitapali (Ganjam District of Odisha).
- A rail coach factory with the support of Government of Kerala to be set up at Palakkad; two additional new manufacturing units for coaches to be established in the Kutch area in Gujarat and at Kolar in Karnataka with active participation of the State Governments.
- A plant for manufacture of traction alternators for high horse power diesel locomotives to be set up at Vidisha in Madhya Pradesh.
- Setting up of a factory at Shyamnagar in West Bengal to manufacture next generation technology propulsion system for use in high power electric locomotives.
- Augmenting the electric loco Ancillaries Unit of CLW at Dankuni for fabrication of locomotive shells and assembly of three phase locomotives for manufacturing of new generation 9000 HP locomotives.
- Sick wagon unit 'Braithwaite' taken over by Railways has been conferred with Turn Around Award by the Board of Reconstruction of Public Sector Enterprise.

Initiatives in Green Railways

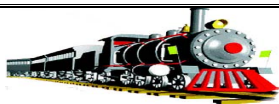
- Setting up of 72 MW capacity windmill plants in Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and West Bengal.
- Setting up of 200 remote railway stations as 'green energy stations' powered entirely by solar energy.
- Providing solar lighting system at 1000 manned level crossing gates. Introduction of mobile emission test cars to measure pollution level of diesel locomotives.
- Commissioning of two bio diesel plants at Raipur and Tondiarpet. Introduction of a 'Green Train' to run through the pristine forests of North Bengal. 2500 coaches to be equipped with bio toilets.

New Passenger Amenities

- 321 escalators at important stations (50 in this year),
- 12 State of art mechanized laundries already set up (6 more in this year)
- SMS on passenger mobile phone in case of e-ticket to be accepted as proof of valid reservation, regional cuisine at affordable rates,
- Book-a-meal scheme (meals through SMS or email)
- AC Executive lounges at important stations,
- New Rail Neer Plants at Palur in Tamil Nadu and Ambernath in Maharashtra,
- Expansion of housekeeping schemes, Rail Bandhu on-board magazines on Rajdhani, Shatabdis and Duronto trains,
- coin/currency operated ticket vending machines,
- Alternate Train Accommodation System to accommodate waitlisted passengers on alternate trains,
- Model rake with world class interiors, 929 stations to be upgraded as Adarsh Stations including 84 stations proposed in 2012-13 (490 completed),
- Multi-functional complexes at 24 locations completed,
- Sale of PRS tickets through 151 post offices,
- Implementation of electronic transmission of RR for freight traffic.
- Satellite based real time train information system (SIMRAN) to provide train running information to passengers through SMS, internet, etc,
- On board passenger displays indicating next halt station and expected arrival time to be introduced
- Specially designed coaches for differently-abled persons to be provided in each Mail/Express trains,
- **Dedicated Railway Design Centre to be set up in the National Institute of Design, Ahmedabad.**

Security

- Installation of Integrated Security System at all 202 identified stations to be completed in 2012-13. Escorting of trains by RPF/GRP extended to 3500 trains.



- Integration of RPF helpline with the All India Passenger Helpline.

Welfare of Railway Staff

- This year, Railways would introduce a wellness programme for railway staff at their work places. The NID (National Institute of Design) to design appropriate outfits for various categories of workforce.

Training and Recruitment

- The Budget says that 80000 persons were recruited in 2011-12. In the coming year, Railways would recruit 1 Lakh people and will wipe-off the backlog of SC/ST/OBC and other categories.

Sports

- In the Budget year 2011-12, 7 Railway sportsperson honoured with Arjuna Award and Major Dhyanchand Award in 2011-12. 5 Railway sportsperson qualified for Olympics 2012.
- The Budget envisages development of a roadmap for railway sports.
- The budget announces institution of 'Rail Khel Ratna' Award for 10 rail sports-persons every year.

Concessions and new Trains

- 50% concession in fare in AC-2, AC-3, and Chair Car & Sleeper classes to patients suffering from 'Aplastic Anaemia' and 'Sickle Cell Anaemia'. **(Kindly expect one question in UPSC Prelims 2012 on the difference of these two diseases)**
- Extending the facility of travel by Rajdhani and Shatabdi trains to Arjuna Awardees. Travel distance under 'Izzat Scheme' to increase from 100 kms to 150 kms.
- 75 additional services to run in Mumbai suburban.
- 18 additional services to be run in Chennai area.
- 44 new suburban services to be introduced in Kolkata area.
- 50 new services to be introduced in Kolkata Metro in 2012-13.
- 75 new Express trains to be introduced.
- 21 new passenger services, 9 DEMU services and 8 MEMU services to be introduced.
- Run of 39 trains to be extended.
- Frequency of 23 trains to be increased.

Financial Performance of Indian Railways

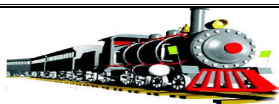
The following table shows the performance of the Railways in last year and the estimates of the Budget 2012-13.

RAIL BUDGET 2012-13	KEY FIGURES			
	Accounts 201011	Budget Estimates 2011-12	Revised Estimates 2011-12	Budget Estimates 2012-13
Gross Traffic Receipts	945,356,271	1,062,390,000	1,039,170,000	1,325,520,000
Total Receipts	966,810,248	1,093,931,300	1,066,467,808	1,356,938,900
Work Expenditure	310,124,459	352,600,000	331,511,300	440,500,000
Total Expenditure	966,810,248	1,093,931,300	1,066,467,808	1,356,938,900

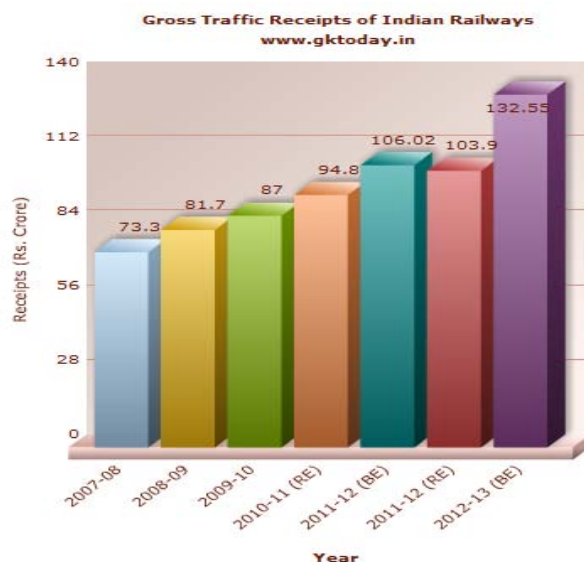
PTI GRAPHICS Source: Railway Budget 2012-13 documents

This picture shows that as per the Budget estimates, the Gross Traffic Receipts of Indian Railways are going to be ₹ 135.70 crore for 2012-13, which is historic in itself as Railways would cross this figure for the first time. This hike is equivalent to 27% jump from the revised estimates of Railway Budget 2011-12. From where this money will come? Certainly, as we are reading in newspapers that the fares have been hiked after a decade. The political drama begun just after the budget says that how daring step it might have been for the minister, who takes such decision.

- Please note that the Railway Budget estimate for the year 2011-12 was a 12 per cent increase over the revised budget estimates of 2010-11. It was 13.1 % in 2007-08 and has come down to 12% last year.



- The problem was that Railways was unable to hike fares and that was marring the additional revenues it could garner. Last year the freight traffic projection was 993 Million Ton (MT). The performance of Railways shows that the Loading target got short of 23 MT and stands at 970 MT as of this year.
- Apart from that the Gross Traffic Receipts fixed at **Rs. 103.9 Crore in Revised Estimates** of last year have also got short by Rs. 2,322 cr over Budget Estimates of last year, which was 106.2 Crore. The following chart shows some values of Gross Traffic Receipts of Indian Railways of last years, in comparison to the current year.



Operating Ratio

The operating Ratio was 95.0% as compared to 91.1% in Budget Estimates. The following table shows, how Railways has been not able to maintain an operating Ratio which it had planned a year before.

2009-10 (Actual)	95.3
2010-11 (Budget)	92.3
2010-11 (Revised)	92.1
2011-12 (Budget)	91.1
2011-12 (Actual)	95
2011-12 (Budget)	84.9

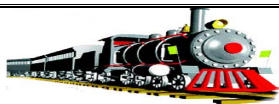
Please note that **Operating Ratio** is the comparison of operating expense to net sales. The **smaller the ratio, the greater the organization's ability to generate profit if revenues decrease**. The ministry's step to bring down the operating ratio by 10% within one FY is a bold step. This is a wishful thinking by the Indian Railways to improve the operating ratio to 84.9% for FY 2012-13 from current 95% with overall target to bring it to 74% by 2016-17.

Budget Estimates of year 2012-13

- In the coming year, the Railway plans a **Freight loading of 1025 MT**, which is 55 MT more than 2011-12.
- It expects a **Passenger growth at 5.4%**.
- The gross traffic receipts as mentioned above are Rs. 1,32,552 cr i.e. 27.6% increase over RE, 2011-12. This would include Ordinary Working Expenses - Rs. 84,400 cr, Appropriation to DRF at Rs. 9,500 cr and to Pension Fund at Rs. 8,500 cr. The dividend payment is pegged at Rs. 6,676 cr.
- The Railways had taken loan of Rs. 3,000 cr taken in 2011-12 to be fully repaid along with interest.
- The Railway plans to achieve an **operating Ratio estimated at 84.9%**.

Fare Hikes & Tariff Proposals (Minister loses job on this account)

- Passenger fares increased by 2 paise per km for suburban and ordinary second class; 3 paise per km for mail/express second class; 5 paise per km for sleeper class; 10 paise per km for AC Chair Car, AC 3 tier and First Class; 15 paise per km for AC 2 tier and 30 paise per km for AC I.



- Fares to be rounded off to the next nearest five rupees. Minimum fare and platform tickets to cost Rs. 5.
- Fuel Adjustment Component (FAC) in fares contemplated.

Review of the Railway Budget 2012-13

The Indian Railways is passing through tremendously difficult times and now this becomes explicit in the targets not getting achieved in the last year. Some of the steps announced by Railway Minister Dinesh Trivedi to prevent the Railways from going further "downhill". The budget has taken some bold steps by raising the passenger fares. The extent of the rise may not be enough. This is bound to cause the public displeasure of his party leader Mamata Banerjee's. One bolder step was his decision to alter the hitherto unchanging structure of the Railway Board by adding members for public-private partnerships, marketing, and safety. These all moves should be welcome. The minister tried to address a long-felt need to give top priority to both safety and earnings in an organisation, following an adage of "Service with Safety and Profit".

Indian Railways has been facing crises in both the financial and operational aspects. The Budget documents show that last year Indian Railways virtually ran out of cash and had to get a loan of Rs 3,000 crore from the government. The target of Operating Ratio was left far behind. Operating Ratio which measures the extent to which operating expenses eat up revenue, has touched 95 per cent, overshooting the Budget estimate by nearly four percentage points. All these problems were despite the fact that last year, there were no pay commission-related arrears. The Budget has projected a massive improvement – by about ten percentage points – in the projected operating ratio for 2012-13. This seems incredible but may come from the substantial rise in freight rates. However, the prices have been hiked in passenger fares, the Railways has not tried to re-price itself out in the one area where it makes money: goods carriage. The steps on modernisation and safety are welcome and pleasant to hear, but from where the money will be arranged is a quandary. We see that the budgetary support for the railway plan is increased substantially, yet we feel that the ability to meet internal resources generation targets remains unbelievable.