*Railway Budget 2007-08: Review and Assessment**

The article presents an analytical overview of the Railway Budget for 2007-08 and a review of performance of the Railways during 2006-07. The Railway Budget 2007-08 continued with the dynamic pricing strategy, introduced in the previous year's Budget, to improve passenger earnings. It accorded priority to technological upgradation in all areas of the Railways so as to improve reliability of services and scale down operating and maintenance costs. In order to expand the rail network, the Budget proposed to encourage public-private partnerships through a transparent policy. The investment strategy outlined in the Budget accorded priority to route-wise throughput enhancement works on high density networks. Passenger fares were reduced while incentives were provided in the freight segment. The financial performance of the Railways improved during 2006-07 with the operating ratio turning out to be the lowest and return on capital the highest so far.

Overview

The major thrust of the Railway Budget 2007-08 was to sustain the growth momentum in traffic witnessed in recent years through a strategy of increased revenue from passenger services on the one hand, and in implementing measures to ensure maximum utilisation of freight capacity and a reduction in its unit cost on

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the other. The increase in passenger earnings was to be brought about by adopting a dynamic pricing strategy, which had been earlier successfully adopted in the freight segment, and by ensuring better quality in delivery of services. Towards this end, the Budget declared 2007-08 as 'Year of Cleanliness'. The Budget accorded priority to technological upgradation in all areas of the Railways so as to improve reliability of services and scale down operating and maintenance costs. In order to expand the rail network, the Budget proposed to encourage public and public-private partnerships through a transparent policy. The investment strategy outlined in the Budget accorded highest priority to route-wise throughput enhancement works on high density networks.

Against the backdrop of record expansion in the Railways' output during the first three quarters of 2006-07 supported by substantial increase in freight loading, the revised estimates (RE) placed gross traffic receipts in 2006-07 at Rs.63,220 crore, which was 5.4 per cent higher than the budget estimates of Rs.59,978 crore. Total working expenses in 2006-07 (RE) was placed at Rs.49,615 crore, lower by one per cent than the budget estimate of Rs. 50,124 crore on account of containment of net ordinary working expenses around the budgeted levels and also due to a decline in appropriation to pension fund and depreciation reserve fund. The operating ratio, *i.e.*, a ratio of total working expenses to gross traffic earnings, in 2006-07 improved to 78.7 per cent from the budgeted level of 83.8 per cent on account of higher internal resource generation.

The revenue targets set out in the Railway Budget 2007-08 were based on the continued buoyancy in freight loading with revenue earning originating freight traffic budgeted to increase by 59 million tonnes to 785 million tonnes or by 8.1 per cent over the level of 726 million tonnes in 2006-07. The originating passenger traffic was also expected to go up by about 5.8 per cent. The higher expectations in respect of freight and passenger traffic along with some rationalisation of freight structure formed the basis of drawing a projection of growth of 12.8 per cent in gross traffic receipts in 2007-08. The operating ratio for 2007-08 was estimated at 79.6 per cent.

The remainder of the article is organised into four sections. Section I sets out the major policy initiatives announced in the Budget. Sections II and III discuss the revised estimates for 2006-07 and the Budget estimates for 2007-08, respectively. The article concludes with an overall assessment of the Railway Budget 2007-08.

Section I

Major Policy Initiatives

The Railway Budget 2007-08 proposed to make further progress towards improving the quality of passenger services, modernisation, technological upgradation, greater application of information technology and enhancement of safety measures. It also proposed to improve capacity utilisation and continue with innovative pricing strategies to meet the stiff competition posed by the other segments of transportation.

Technological Upgradation and Modernisation

In view of the demands of growing traffic, along with expansion of network, the Budget proposed to increase availability of rolling stock through effective utilisation of available rolling stock, technical upgradation and modernisation, and by setting up new production units. It set a target of doubling the production of rolling stock during the Eleventh Five Year Plan. The Budget proposed to adopt a strategy of increasing capacity utilisation, producing energy efficient locomotives and establishing new factories which would produce locomotives equipped with the state of the art technology.

Investment Strategy

The Budget proposed to meet the increasing demand for transportation through a harmonious blend of short-term and long-term policies. In this context, the present short-term policy of investing in low cost high return projects to eliminate network bottlenecks and ensure effective utilisation of rolling stock would be continued. In consonance with this, the mid-term and long-term investment strategy would be pursued to enhance productivity through modernisation and technological upgradation on the one hand, and improve capacity of the network and rolling stock on the other.

The Budget proposed to commence the construction of the Eastern and Western Dedicated Freight Corridors from 2007-08 and complete it by the end of the Eleventh Five Year Plan at a cost of about Rs.30,000 crore. In order to construct East-West, East-South, North-South and South-South corridors for speedier, longer and heavy-haul trains, pre-feasibility surveys were also proposed to be undertaken.

The Budget also proposed to explore Public Private Partnership (PPP) options with the aim of modernisation of metro and mini-metro stations with world class passenger amenities, development of agro retail outlets and supply chains, construction of multi-modal logistic parks, warehouses and budget hotels, expansion of network and increase in production capacity (Box 1). A PPP Cell was constituted for this purpose. The Budget also announced that in future all options for award of PPP projects including awarding the project through open competitive bidding would be explored. While awarding the projects which were linked to a particular port or factory to a Special Purpose Vehicle (SPV), the concession period of each project would be fixed with a view to ensure reasonable rate of return on investment, rather than having a pre-determined concession period for all the projects.

Information Technology

During the Eleventh Five Year Plan, investment in Information Technology (IT) projects would be increased substantially to improve passenger and freight earnings, reduce operating costs, ensure effective utilisation of human and physical resources and help policy decisions. A commercial portal would be developed in the next three years for yield management, especially to attract traffic for returning empty trains and filling up vacant seats. A common website integrating more than 50 different websites of Railways would be developed with built-in facilities like e-payment and e-tendering. For an integrated approach in IT, Centre for

Box 1: Policy Initiatives/Proposed New Projects

- All types of vacuum brake rolling stock would be eliminated in two stages. Wagon examination and maintenance centres would be reorganised to minimise empty running of trains. This was being done to increase the payload and reduce the tare weight (empty wagon weight) of trains.
- Railways decided to stop procurement of open and covered wagons of old design from 2007-08. Production of 25 T axle load wagons and 22.9 T axle load wagons of new design would commence in 2007-08.
- Wagon manufacturers would be permitted to supply wagons of their own designs, with RDSO recommended bogies, coupler, draft and brake gear. RDSO would certify and approve the new designs of wagons from the safety angle within nine months.
- World class facilities would be provided at all train examination points where more than five goods trains were examined per day.
- Speedy expansion of capacity on the 20,000 kms long high-density network was considered imperative to maintain the present rate of growth. An integrated approach of route-wise planning and implementation would be undertaken to obtain full benefits from investment on these routes. High speed turnouts with a speed of 30 kms per hour would be laid on such routes. In 2007-08, 200 each diesel and electronic locomotives and 11,000 wagons would be produced.
- In order to broad base business and improve stability in the growth rate, Railways would diversify and increase the mix of carried commodities.
- Railways would design coaches with new layouts, having significantly higher capacity than the previous coaches.
- To ensure better utilisation of rake links, it was decided to increase the number of passenger trains having standard rake composition.
- The year 2007-08 would be observed as "Cleanliness Year".
- The Railways would target freight loading of 1,100 million tonnes and passenger traffic of 8,400 million number of passengers by the terminal year of the Eleventh Five Year Plan.
- Construction of the Eastern and Western Dedicated Freight Corridors would start from the year 2007-08 and would be completed during the Eleventh Five Year Plan at a cost of about Rs.30,000 crore.
- Efforts would be made to convert majority of meter gauge lines to broad gauge lines during the Eleventh Five Year Plan. Priority would be given to accord approvals for execution of projects which would serve as alternate routes on the network.
- Pre-feasibility studies would be conducted for construction of high speed passenger corridors, equipped with the state of art signaling and train control systems for running high speed trains at speeds of 300 to 350 kms per hour; one each in Northern, Western, Southern and Eastern regions of the country.
- During the Eleventh Plan period MUTP-Phase I would be completed. The work on Phase II costing Rs.5,000 crore was also proposed to be started. Financing of the Phase II project would be done with the participation of Railways, State Governments and multi-lateral funding institutions.
- During the Eleventh Five Year Plan, production of rolling stock would be doubled as compared with the previous plan. Capacity of existing rail coach and loco production units would be enhanced through expansion of these units. High horse power, energy efficient locomotives with new technology would also be produced.
- Investment in IT projects would be increased substantially to harness the immense possibilities offered by IT.
- The electrified network would be extended over the Golden Quadrilateral and its diagonals, in all directions from Kashmir to Kanyakumari and Guwahati to Amritsar by the end of the Eleventh Five Year Plan.
- PPP options would be explored with the aim of modernising of metro and mini-metro stations with world class passenger amenities, development of agro retail outlets and supply chains, construction of multi-model logistic parks, warehouses and budget hotels and expansion of network and increase in production capacity.

Railway Information Service (CRIS) would be entrusted with the coordination of all IT applications of the Railways and for development of a comprehensive vision on IT. CRIS would be developed as an autonomous and empowered organisation, drawing officers from various Railways' services.

Railway Safety

The Budget allocated Rs.5,350 crore towards Depreciation Reserve Fund for the year 2007-08. It proposed to utilise the resources in Special Railway Safety Fund to complete all work relating to renewal of over aged tracks, bridges, track circuiting and rolling stock by March 2008. To enhance the safety system, the Budget proposed to increase the number of improved crashworthy coaches. Measures to enhance railway security were also announced.

Improving Freight Business

In order to widen the freight business, the Budget focused on increasing the share of transportation of certain key commodities. Accordingly, targets of 200 million tonnes each in cement and steel traffic and 100 million tonnes in container traffic by the terminal year of the Eleventh Five Year Plan have been set. A High Level Working Group was constituted for this purpose.

Proposed Projects

In order to widen the rail network across the country, the Budget proposed to introduce 32 pairs of new train services and increase in frequency of 14 pairs of trains. Extension of trains would be made for 23 pairs. The Budget also proposed to introduce eight new low cost AC trains by name *Garib Raths.* On a pilot basis, triple stack container trains with low height container was proposed to be run on diesel routes and double stack container trains on electrified routes. Such containers would be useful for loading of motor vehicles.

Passenger Amenities

The Budget proposed to increase the number of unreserved compartments, both in old as well as new trains. It also proposed to make unreserved travelling more comfortable by replacing wooden seats with cushion seats. Production of wooden seats would, therefore, be stopped from 2007-08. Specially designed coaches were to be introduced for physically handicapped passengers. The Budget also proposed to improve the facilities at 225 major stations by March 2007 and another 300 stations by March 2008.

Passenger Fares and Freight

The Budget proposed to continue the dynamic pricing policy for freight as well as passenger for peak and non peak seasons, premium and non-premium services and for busy and non-busy routes. It proposed to have variable fare reductions under dynamic pricing policy whereby passenger fares would be cut across the board. Freight rates in general remain unchanged; however, rationalisation of classes would reduce the freight rates of diesel, petrol, ammonia, *etc.* by 5 per cent and for minerals by 6 per cent (Box 2).

Box 2: Passenger Fare and Freight Proposals

Passenger Fares

- ***Dynamic pricing policy in passenger segments***:

  1. *Reduction in passenger fares*

     a. AC First Class: reductions of 3 per cent in busy season and 6 per cent in lean season were proposed.

     b. AC 2 Tier Class: reductions of 2 per cent in busy season and 4 per cent in lean season were proposed.

     c. Fares of second class in non-suburban ordinary passenger and non-superfast mail/ express trains were reduced by one rupee per passenger.

  2. *In case of newly designed high-capacity reserved coaches:*

     a. AC-3 tier and AC chair car fares in the newly designed coaches would be reduced by 8 per cent in lean season and 4 per cent in peak season. In popular trains, this reduction would be uniformly 4 per cent, throughout the year.

     b. Sleeper Class fares would be reduced by 4 per cent in all seasons.

- ***Super fast surcharge reduction and other concessions***

  a. The super fast surcharge levied on second class tickets for super fast trains would be reduced by 20 per cent.

  b. The per e-ticket charge for Sleeper class and AC classes e-tickets were to be reduced from Rs.25 to Rs.15 and from Rs.40 to Rs.20, respectively. An additional charge of Rs.5 per passenger would be charged for booking through e-ticket for every additional passenger subject to the maximum charges for one ticket being Rs.25 in sleeper class and Rs.40 for AC classes.

  c. Concession of 50 per cent in fares was proposed to be given for students appearing for the main written examination conducted by the Union Public Service Commission (UPSC) and Central Staff Selection Commission.

Freight Rates

- There was no across the board increase in freight rates for 2007-08.
- Classification for petroleum and diesel was to be reduced from 220 to 210, resulting in the reduction of freight rates for diesel, petrol and ammonia, *etc*, by about 5 per cent.
- Freight rates for transportation of all minerals including iron ore and limestone were to be charged at Class 160 in place of 170 resulting in the reduction of freight rates for these commodities by about 6 per cent.
- To overcome the problem of empty running of wagons throughout the year, empty flow discount of 30 per cent would be given during the peak season also and would be applicable to both open and covered wagons in both peak and lean seasons for traffic with a lead of more than 700 kms.
- In order to attract Food Corporation of India (FCI) and various fertilisers and cement companies to load in open wagons returning empty, the discount for incremental loading of cement, wheat and fertilizers in bags in empty flow direction was increased to about 40 per cent.
- If train load traffic was offered in covered wagons for both up and down directions, a discount of 20 per cent in lean season and 15 per cent in peak season would be given for traffic in both directions. However, this discount would not be available for commodities placed in LR-1 or lower classes.
- The incremental freight discount of 15 per cent would now be made available on all commodities except for all types of coal, coke, iron ore and commodities placed in class 120 or below during the lean season. The maximum distance between two unloading points would be increased from 200 to 400 kms for the immensely popular two point rake scheme during lean season.
- A commodity based tariff policy was to be implemented on an experimental basis from April 1, 2007 through an exclusive package for cement.
- The free time allowed for loading and unloading was increased and wharfage rates (charge assessed against cargo or merchandise) reduced at under utilised small terminals.
- Goods traffic originating and terminating on underutilised routes would be given a discount on normal freight rates.

Section II

Revised Estimates: 2006-07[1]

The financial performance of the Railways in the revised estimates for 2006-07 showed an improvement *vis-a-vis* the corresponding budget estimates in respect of the key operating indicators, *viz.,* surplus, operating ratio and return on capital. According to the revised estimates for 2006-07, the operations of the Railways showed a higher surplus of Rs.10,628 crore as against Rs.6,743 crore projected in the budget estimates. While the gross traffic receipts increased by Rs.3,242 core over the budget estimates, the total working expenses declined by Rs.509 crore, resulting in a significant increase in the internal generation of resources during 2006-07. As a result, there was an improvement in the operating ratio to 78.7 per cent in the revised estimates from 83.8 per cent and the return on capital investment increased by five percentage points in the revised estimates to 19.6 per cent from 14.6 per cent in the budget estimates (Statement 1).

It may be noted that the improvement in the financial ratios was facilitated by 5.4 per cent increase in gross traffic receipts and a decline of 1.0 per cent in total working expenses. The decline in total working expenses was on account of a decline in appropriation to the pension fund by 4.8 per cent and decline in appropriation to depreciation reserve fund by 4.6 per cent. The total working expenses amounted to Rs.49,615 crore as against the budget estimates of Rs.50,124 crore (Statement 1).

[1] In this section, all comparisons are with respect to the budget estimates for 2006-07 unless stated otherwise.

The revised estimate of freight loading remained unchanged at 726 million tonnes (Statement 2).The revised freight earnings were, however, higher at Rs.42,299 crore than the budget estimates of Rs.40,320 crore. Coal, cement, raw materials to steel plants, iron ore and food grains contributed around 71.5 per cent of the freight earning traffic. The thrust of the improved freight performance hinged upon better utilisation of rolling stock and fixed infrastructure besides induction of additional locomotives, coaches and wagons. The improvement also reflected a positive market response to the dynamic pricing policy and other innovative measures.

Passenger traffic earnings were also estimated to be higher by 3.6 per cent (Rs.600 crore). Earnings from other coaching (including parcel and luggage) were estimated to be higher by 23.3 per cent. As a result, the gross traffic receipts in 2006-07 were estimated at Rs.63,220 crore, registering an increase of 5.4 per cent over the budgeted level.

The size of the Annual Plan for 2006-07 was placed at Rs.25,647 crore with the share of internal resources and budgetary support at 44.5 per cent and 30.6 per cent, respectively. Market borrowings and safety funds are estimated to finance 19.0 per cent and 5.8 per cent of the Annual Plan, respectively.

SECTION III

Budget Estimates: 2007-08[2]

The Annual Plan for 2007-08 was aimed at carrying forward the growth momentum

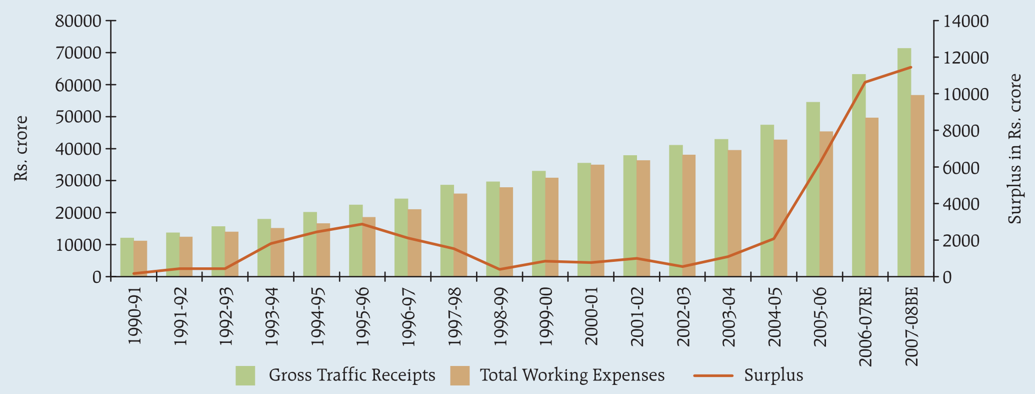
[2] In this Section, all references to the fiscal 2007-08 relate to budget estimates and all comparisons are with respect to the revised estimates for 2006-07 unless stated otherwise.

in traffic receipts and the subsequent financial turnaround achieved by the Indian Railways in recent years through early completion of enhancement works, traffic facilities and works related to network expansion and development of high traffic density routes. Furthermore, with the aim of achieving an ambitious freight loading target of 1,100 million tonnes and passenger traffic of 8,400 million number of passengers by the terminal year of the Eleventh Five year Plan (2007-08 to 2011-2012), the Railway Budget sought to expand and double the transport capacity, bring down the unit cost through increased volumes and to provide world-class services for the customers from the year 2007-08 onwards.

The gross traffic receipts for 2007-08 was budgeted at Rs. 71,318 crore, reflecting an increase of Rs.8,098 crore (12.8 per cent) over the revised estimates for 2006-07. The freight earning at Rs. 46,943 crore was estimated to show an increase of Rs. 4,644 crore (11.0 per cent) over that of 2006-07 whereas passenger earnings were expected to rise by 15.4 per cent. This was expected to be realised primarily on account of an increase in revenue originating freight traffic by 59 million tonnes to reach 785 million tonnes in 2007-08. The number of passengers was estimated to increase by 363 million to touch 6,606 million in 2007-08. This is expected to result in an increase in passenger earnings by 15.4 per cent in 2007-08 over the previous year (Statement 1). 'Other Coaching' earnings, which comprised revenue generated from parcels and luggage services, was budgeted to increase by 27.5 per cent in 2007-08. 'Sundry Other' earnings was budgeted to show an increase of 18.0 per cent in 2007-08 as against a decline of 7.8 per cent in 2006-07.

Total working expenses for 2007-08 at Rs.56,687 crore were budgeted to show an increase of 14.3 per cent as compared to 9.5 per cent rise during 2006-07. 'Ordinary working expenses', accounting for 75.9 per cent of the total working expenses, was budgeted at Rs.43,008 crore showing a growth of 12.0 per cent over 2006-07 (Statement 3). Appropriation to pension fund was placed at Rs.8,650 crore, higher than Rs.7,416 crore estimated for 2006-07. A significant appropriation of Rs.5,350 crore to Depreciation Reserve Fund was budgeted, which was around 30.2 per cent more than the appropriation of Rs.4,108 crore made in 2006-07. Reflecting this, the net railway revenue of the railways was budgeted to decelerate to a growth of 7.7 per cent (Rs.16,022 crore) from a growth of 46.6 per cent in 2006-07 (Rs.14,870 crore). The operating ratio was budgeted to be higher at 79.6 per cent in 2007-08 as compared with 78.7 per cent in 2006-07. Deferment of dividend transfer, which amounted to Rs.663 crore in 2006-07, was proposed to remain at almost the same level in 2007-08. The total dividend payment was budgeted to increase by 7.8 per cent in 2007-08 to Rs. 4,573 crore from Rs. 4,242 crore in the previous year. Net revenue adjusted for the total dividend payment, *i.e.*, surplus, was budgeted at Rs.11,449 crore for 2007-08 and was estimated to be higher by about 7.7 per cent than that of 2006-07 (Chart 1). The return on capital (*i.e.*, ratio of net revenue to Capital-at-Charge and Investment from Capital Fund) was budgeted at 18.0 per cent, which was lower than 19.6 per cent in 2006-07 (Table 1).

Chart 1: Railways' Revenue, Expenditure and Surplus



Plan Outlay

Total development expenditure for 2007-08 was budgeted at Rs. 37,905 crore of which Rs.31,000 crore was attributed to Plan outlay . The Plan outlay was Rs. 31,000 crore for 2007-08, which was higher by 32 per cent than that of 2006-07. Of the total outlay, 55.9 per cent (Rs.17,323 crore) would be financed through internal generation of resources and the budgetary support would finance 24.6 per cent (Rs.7,611 crore). Extra budgetary resources would include Rs.5,000 crore for leasing of rolling stock through IRFC, loan of Rs.240 crore to be raised by RVNL and investment of Rs.500 crore under the Wagon Investment Scheme. In all, three fourths of the Plan outlay would be sourced from internal and extra budgetary resources. In the allocations for development expenditure, the highest share was provided for rolling stock (39.5 per cent) followed by track renewal (11.5 per cent) and doubling of lines (5.3 per cent).

Table 1:Major Financial Ratios

(Per cent)

Items	Operating Ratio	Net Railway Revenue as percentage of Capital-at- Charge
1	2	3
1995-96	82.5	14.9
1996-97	86.2	11.7
1997-98	90.9	8.9
1998-99	93.3	5.8
1999-2000	93.3	6.9
2000-01	98.3	2.5
2001-02	96.0	5.0
2002-03	92.3	7.5
2003-04	92.1	8.0
2004-05	91.0	8.9
2005-06	83.2	15.4
2006-07 RE	78.7	19.6
2007-08 BE	79.6	18.0

Note: Due to changed accounting of lease charges, from 2005-06 RE onwards only the interest portion was charged to Ordinary Working Expenses and the principal portion to Plan Expenditure. The Operating Ratios from 2005-06 reflected this change.

IV. Overall Assessment

Turnaround in the operation of Indian Railways is visible in the recent years. This is mainly on account of the strategy of increasing volumes and of reducing unit costs in the freight segment. The policy of rationalising and simplifying freight structures has resulted in an increase of 35.3 per cent in the revenue earning freight traffic from 493 million tonnes in 2001-02 to 667 million tonnes in 2005-06. The operating ratio (*i.e.*, ratio of total working expenses to gross traffic receipts) during the same period has improved from 96 per cent in 2001-02 to 83.2 per cent in 2005-06 (Statement 5).

The financial performance of the Railways during 2006-07, indicated further strengthening of the turnaround process witnessed since 2002-03, with the operating ratio expected to be the lowest and the return on capital to be the highest. This was achieved by the significant improvement in gross traffic revenue, on the one hand, and containment of working expenses on the other. In addition, the Railway Budget 2007-08 further enhanced its customer-centric approach with better facilities for passengers, tourists and students. The dynamic pricing policy in the freight segments has facilitated enhancement of the revenue earnings for the Railways. Benefiting from improved financials, internal resource generation increased substantially. This enabled a 32 per cent growth in the Annual Plan outlay for 2007-08, the first year of the Eleventh Five Year Plan. The contribution from internal resources was budgeted to increase by 11.4 percentage points over the preceding year to 56 per cent of the total Annual Plan outlay. Accordingly, the share of budgetary support for financing the Annual Plan declined by three percentage points over 2006-07 .The share of market borrowings and safety funds also declined by around five percentage points in 2007-08 over 2006-07. The Budget proposed to commence the process of building up massive investment for the Eleventh Plan through a harmonious blend of short-term and long-term policies to meet the growing demand for transportation. The Budget also proposed to focus on sectors such as cement and steel as well as container traffic and has set specific targets for the same to be achieved by the end of the Eleventh Five Year Plan.

Statement 1: Financial Results of Indian Railways

(Rs. crore)

Items	2005-06 (Actuals)	2006-07 (Budget Estimates)	2006-07 (Revised Estimates)	2007-08 (Budget Estimates)
1	2	3	4	5
1. Gross Traffic Receipts (a to d)	**54,491**	**59,978**	**63,220**	**71,318**
(a) Passenger Earnings	15,126	16,800	17,400	20,075
(b) Freight (Goods) Earnings	36,287	40,320	42,299	46,943
(c) Sundry Other Earnings	1,839	1,308	1,695	2,000
(d) Other Coaching	1,152	1,400	1,726	2,200
(d) Suspense	87	150	100	100
2. Total Miscellaneous Receipts (a to d)	**2,261**	**2,425**	**2,758**	**2,124**
a) Interest on Fund Balances	436	569	666	820
b) Receipts from Safety Surcharge on Passengers Fares	749	750	850	0
c) Subsidy from General Revenues towards dividend relief & other concessions	1,043	1,078	1,212	1,276
d) Other Miscellaneous Receipts	33	28	30	28
3. Total Receipts (1+2)	**56,752**	**62,403**	**65,978**	**73,442**
4. a) Ordinary Working Expenses	35,030	38,300	38,400	43,008
b) Operating Losses on Strategic Lines	282	273	309	321
c) Net Ordinary Working Expenses (a-b)	34,748	38,027	38,091	42,687
5. Appropriation to Pension Fund	6,940	7,790	7,416	8,650
6. Appropriation to Depreciation Reserve Fund	3,604	4,307	4,108	5,350
7. Total Working Expenses {4(c)+5+6}	**45,292**	**50,124**	**49,615**	**56,687**
8. Total Miscellaneous Expenditure	**1,121**	**1,173**	**1,300**	**554**
a) Appropriation to Special Railway Fund	749	750	850	0
b) Open Line Works (Revenue) (O.L.W.R).	43	50	60	60
c) Other Miscellaneous Expenditure	329	373	390	494
9. Interest on Fund Balances (Pension & Depreciation Reserve)	**196**	**220**	**193**	**179**
10. Total Expenditure (7+8+9)	**46,609**	**51,517**	**51,108**	**57,420**
11. Net Revenue (3-10)	**10,143**	**10,886**	**14,870**	**16,022**
12. a) Dividend Payable to General Revenue	3,287	3,480	3,579	3,909
b) Payment of Deferred Dividend	663	663	663	664
c) Total Dividend Payment (a+b)	3,950	4,143	4,242	4,573
13. Surplus [11-12(c)]	**6,193**	**6,743**	**10,628**	**11,449**
14. Appropriation to Development Fund	1,853	960	1,880	2,359
15. Appropriation to Capital Fund	4,033	5,433	8,275	8,396
16. Appropriation to Railway Safety Fund	68	0	0	0
17. Appropriation to Special Railway Safety Fund	0	0	0	53
18. Operating Ratio	**83.2**	**83.8**	**78.7**	**79.6**
19. Ratio of Net Revenue to Capital-at-Charge and Investment from Capital Fund	**15.4**	**14.6**	**19.6**	**18.0**

Source : Explanatory Memorandum on the Railway Budget, 2007-08.

Statement 1: Financial Results of Indian Railways *(Concld.)*

(Rs. crore)

Items	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
1	6	7	8	9	10	11
1. Gross Traffic Receipts (a to d)	**3,242**	**5.4**	**8,729**	**16.0**	**8,098**	**12.8**
(a) Passenger Earnings	600	3.6	2,274	15.0	2,675	15.4
(b) Freight (Goods) Earnings	1,979	4.9	6,012	16.6	4,644	11.0
(c) Sundry Other Earnings	387	29.6	-144	-7.8	305	18.0
(d) Other Coaching	326	23.3	574	49.8	474	27.5
(d) Suspense	-50	-33.3	13	14.9	0	–
2. Total Miscellaneous Receipts (a to d)	**333**	**13.7**	**497**	**22.0**	**-634**	**-23.0**
a) Interest on Fund Balances	97	17.0	230	52.8	154	23.1
b) Receipts from Safety Surcharge on Passengers Fares	100	13.3	101	13.5	-850	-100.0
c) Subsidy from General Revenues towards dividend relief & other concessions	134	12.4	169	16.2	64	5.3
d) Other Miscellaneous Receipts	2	7.1	-3	-9.1	-2	-6.7
3. Total Receipts (1+2)	**3,575**	**5.7**	**9,226**	**16.3**	**7,464**	**11.3**
4. a) Ordinary Working Expenses	100	0.3	3,370	9.6	4,608	12.0
b) Operating Losses on Strategic Lines	36	13.2	27	9.6	12	3.9
c) Net Ordinary Working Expenses (a-b)	64	0.2	3,343	9.6	4,596	12.1
5. Appropriation to Pension Fund	-374	-4.8	476	6.9	1,234	16.6
6. Appropriation to Depreciation Reserve Fund	-199	-4.6	504	14.0	1,242	30.2
7. Total Working Expenses {4(c)+5+6}	**-509**	**-1.0**	**4,323**	**9.5**	**7,072**	**14.3**
8. Total Miscellaneous Expenditure	**127**	**10.8**	**179**	**16.0**	**-746**	**-57.4**
a) Appropriation to Special Railway Fund	100	13.3	101	13.5	-850	-100.0
b) Open Line Works (Revenue) (O.L.W.R).	10	20.0	17	39.5	0	-
c) Other Miscellaneous Expenditure	17	4.6	61	18.5	104	26.7
9. Interest on Fund Balances (Pension & Depreciation Reserve)	**-27**	**-12.3**	**-3**	**-1.5**	**-14**	**-7.3**
10. Total Expenditure (7+8+9)	**-409**	**-0.8**	**4,499**	**9.7**	**6,312**	**12.4**
11. Net Revenue (3-10)	**3,984**	**36.6**	**4,727**	**46.6**	**1,152**	**7.7**
12. a) Dividend Payable to General Revenue	99	2.8	292	8.9	330	9.2
b) Payment of Deferred Dividend	0	–	0	–	1	0.2
c) Total Dividend Payment (a+b)	99	2.4	292	7.4	331	7.8
13. Surplus [11-12(c)]	**3,885**	**57.6**	**4,435**	**71.6**	**821**	**7.7**
14. Appropriation to Development Fund	920	95.8	27	1.5	479	25.5
15. Appropriation to Capital Fund	2,842	52.3	4,242	105.2	121	1.5
16. Appropriation to Railway Safety Fund	0	–	-68	-100.0	0	–
17. Appropriation to Special Railway Safety Fund	0	–	0	–	53	–
18. Operating Ratio	**-5**	**-6.1**	**-5**	**-5.4**	**1**	**1.1**
19. Ratio of Net Revenue to Capital-at-Charge and Investment from Capital Fund	**5**	**34.2**	**4**	**27.3**	**-2**	**-8.2**

Statement 2: Freight and Passenger Traffic of Indian Railways

Items	2005-06 (Actuals)	2006-07 (Budget Esti-mates)	2006-07 (Revised Esti-mates)	2007-08 (Budget Esti-mates)	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
1	2	3	4	5	6	7	8	9	10	11
I. Freight Traffic (Million Tonnes)										
1. Coal	294 (44.1)	310 (42.7)	309 (42.6)	338 (43.1)	-1	-0.3	15	5.1	29	9.4
2. Raw Materials to Steel Plants	51 (7.6)	62 (8.5)	53 (7.3)	57 (7.3)	-9	-14.5	2	3.9	4	7.5
3. Pig Iron and Finished Steel for Steel Plants	18 (2.7)	19 (2.6)	21 (2.9)	23 (2.9)	2	10.5	3	16.7	2	9.5
4. Iron ore for Exports	41 (6.1)	52 (7.2)	40 (5.5)	43 (5.5)	-12	-23.1	-1	-2.4	3	7.5
5. Cement	61 (9.1)	65 (9.0)	76 (10.5)	82 (10.4)	11	16.9	15	24.6	6	7.9
6. Food Grains	42 (6.3)	46 (6.3)	41 (5.6)	44 (5.6)	-5	-10.9	-1	-2.4	3	7.3
7. Fertilizers	33 (4.9)	36 (5.0)	35 (4.8)	38 (4.8)	-1	-2.8	2	6.1	3	8.6
8. Others	127 (19.0)	136 (18.7)	151 (20.8)	160 (20.4)	15	11.0	24	18.9	9	6.0
Total (1 to 8)	**667**	**726**	**726**	**785**	**0**	**0.0**	**59**	**8.8**	**59**	**8.1**
II. Originating Passenger Traffic - Number of Passengers (in millions)										
1. Suburban *	3,437 (58.9)	3,795 (59.3)	3,647 (58.4)	3,829 (58.0)	-148	-3.9	210	6.1	182	5.0
2. Non-Suburban	2,395 (41.1)	2,605 (40.7)	2,596 (41.6)	2,777 (42.0)	-9	-0.3	201	8.4	181	7.0
Total (1 + 2)	**5,832**	**6,400**	**6,243**	**6,606**	**-157**	**-2.5**	**411**	**7.0**	**363**	**5.8**

* : Includes passengers on Metro Railway, Kolkata.

Note : Figures in parenthesis represent percentages to total.

Source : Explanatory Memorandum on the Railway Budget, 2007-08.

Statement 3: Ordinary Working Expenses of Indian Railways

(Rs.crore)

Items	2005-06 (Actuals)	2006-07 (Budget Esti-mates)	2006-07 (Revised Esti-mates)	2007-08 (Budget Esti-mates)	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
1	2	3	4	5	6	7	8	9	10	11
Total Ordinary Working Expenses (a to h)	**35,030 (100.0)**	**38,300 (100.0)**	**38,400 (100.0)**	**43,008 (100.0)**	**100**	**0.3**	**3,370**	**9.6**	**4,608**	**12.0**
a) General Superintendence and Services	1,920 (5.5)	2,134 (5.6)	2,131 (5.5)	2,477 (5.8)	-3	-0.1	211	11.0	346	16.2
b) Repairs and Maintenance	11,257 (32.1)	12,549 (32.8)	12,325 (32.1)	14,152 (32.9)	-224	-1.8	1,068	9.5	1,827	14.8
c) Operating Expenses (Traffic)	5,644 (16.1)	6,243 (16.3)	6,195 (16.1)	6,938 (16.1)	-48	-0.8	551	9.8	743	12.0
d) Operating Expenses (Fuel)	10,229 (29.2)	10,822 (28.3)	11,343 (29.5)	12,239 (28.5)	521	4.8	1,114	10.9	896	7.9
e) Operating Expenses (Rolling Stock and Equipment)	2,846 (8.1)	3,086 (8.1)	3,036 (7.9)	3,374 (7.8)	-50	-1.6	190	6.7	338	11.1
f) Staff Welfare and Amenities	1,541 (4.4)	1,738 (4.5)	1,677 (4.4)	1,927 (4.5)	-61	-3.5	136	8.8	250	14.9
g) Suspense	27.2 (0.1)	-35.1 (-0.1)	-30.2 (-0.1)	-26.0 (-0.1)	4.9	-14.0	-57	-211.0	4	-13.9
h) Others*	1,566 (4.5)	1,763 (4.6)	1,723 (4.5)	1,927 (4.5)	-40	-2.3	157	10.0	204	11.8

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

Note : Figures in parenthesis represent percentage to total.

Source : Explanatory Memorandum on the Railway Budget, 2007-08.

Statement 4: Developmental Expenditure of Indian Railways

(Rs.crore)

Items	2005-06 (Actuals)	2006-07 (Budget Esti-mates)	2006-07 (Revised Esti-mates)	2007-08 (Budget Esti-mates)	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
1	2	3	4	5	6	7	8	9	10	11
Total @	**25,068**	**24,840**	**31,892**	**37,905**	**7052**	**28.4**	**6824**	**27.2**	**6013**	**18.9**
of which:										
a) Track Renewals	3,779 (15.1)	3,721 (15.0)	4,207 (13.2)	4,360 (11.5)	486	13.1	428	11.3	153	3.6
b) Rolling Stock	8,928 (35.6)	12,270 (49.4)	11,778 (36.9)	14,959 (39.5)	-492	-4.0	2850	31.9	3180	27.0
c) Electrification Projects	73 (0.3)	228 (0.9)	225 (0.7)	302 (0.8)	-3	-1.3	152	208.2	77	34.2
d) Workshop including Production Units	239 (1.0)	444 (1.8)	423 (1.3)	649 (1.7)	-21	-4.7	184	77.0	226	53.4
e) New Lines	1,994 (8.0)	1,500 (6.0)	2,525 (7.9)	1,580 (4.2)	1025	68.3	531	26.6	-945	-37.4
f) Lines Doubling	691 (2.8)	1,057 (4.3)	1,178 (3.7)	2,002 (5.3)	121	11.4	487	70.5	824	69.9
g) Traffic Facilities	374 (1.5)	617 (2.5)	598 (1.9)	805 (2.1)	-19	-3.1	224	59.9	207	34.6
h) Signalling and Telecommunication works	1,048 (4.2)	1,529 (6.2)	1,355 (4.2)	1,608 (4.2)	-174	-11.4	307	29.3	253	18.7

@ : Includes Sums of Rs.3,213.00 crore (actuals, 2005-06) and Rs.4,170.00 crore (budget estimates,2006-07), Rs.4,170.00 crore (revised estimates, 2006-07) and Rs.5,000 crore (budget estimates, 2007-08) proposed to be raised through borrowings by Indian Railway Finance Corporation. In addition, a sum of Rs.518.00 crore (actuals, 2005-06), Rs.500.00 crore (budget estimates, 2006-07 and revised estimates, 2006-07) and Rs.240.00 crore (budget estimates, 2007-08) raised by Rail Vikas Nigam Limited for investment in various Railway projects. Rs. 500 crore (budget estimates 2006-07), Rs. 210 crore (revised estimates, 2006-07), Rs. 500 crore (budget estimates, 2007-08) included as investment through 'Wagon Investment Scheme' (WIS).

Note : Figures in parenthesis represent percentages to total.

Source: Explanatory Memorandum on the Railway Budget, 2007-08 and Part I of Railway Minister's Budget Speech.

Statement 5 : Indian Railways - Selected Performance Indicators (A Statistical Profile)

Items	Unit	1990-91	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
1. Capital-at Charge & investment from Capital Fund *	Rs. crores	16,126	30,912	33,846	36,829	39,772
2. Route Kilometres-Total	Kilometres	62,367	62,725	62,495	62,809	62,759
of which:						
Electrified	Kilometres	9,968	13,018	13,490	13,765	14,261
3. Number of Stations		7,100	6,984	6,929	6,896	6,867
4. Employees (As on 31 March)	Thousands	1,652	1,584	1,579	1,578	1,577
5. Wage Bill	Rs. crores	5,166	10,515	14,141	15,611	16,289
6. Number of Passengers Originating @	Millions	3,858	4,153	4,348	4,411	4,585
7. Passengers Kilometres @	Millions	2,95,644	3,57,013	3,79,897	4,03,884	4,30,666
8. Average Lead of Passenger Traffic	Kilometres	77	86	87	92	94
9. Average Rate per Passenger Kilometre	Paise	11	19	20	21	22
10. Originating Revenue-Earning Freight Traffic	Million Tonnes	318	409	429	421	456
11. Revenue-Earning Freight Traffic-Net Tonne Kilometres	Millions	2,35,785	2,77,567	2,84,249	2,81,513	3,05,201
12. Average Lead of Revenue-Earning Freight Traffic	Kilometres	711	661	644	644	644
13. Average Rate Per Tonne Kilometre	Paise	35	59	69	70	71
14. Revenue-Gross Receipts**	Rs. crores	12,452	24,801	29,134	30,234	33,856
15. Operating Ratio	Per cent	92.0	86.2	90.9	93.3	93.3
16. Surplus(+)/Deficit(-)	Rs. crores	176	2,117	1,535	399	846

* : Capital-at-charge excludes Capital Outlay on Metropolitan Transport Projects and Circular Railway(Eastern Railway).and disinvestmemts.

** : Includes Total Miscellaneous Receipts net of interest on fund balance. @ Excludes Metro Railway , Kolkata.

Note : 1. Capital-at-charge means capital contributed by General Revenues for investment in Railways.

2. Operating Ratio means ratio of total working expenses to gross traffic receipts.

Source : 1. Indian Railways Year Books.

2. Indian Railways Annual Report and Accounts.

Statement 5 : Indian Railways - Selected Performance Indicators *(Concld.)*
(A Statistical Profile)

Items	Unit	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2	8	9	10	11	12	13
1. Capital-at Charge & investment from Capital Fund *	Rs. crores	43,052	47,147	51,099	56,062	59,347	65,878
2. Route Kilometres-Total	Kilometres	63,028	63,140	63,122	63,221	63,465	63,332
of which:							
Electrified	Kilometres	14,856	15,994	16,272	16,776	17,495	17,907
3. Number of Stations		6,843	6,856	6,906	7,031	7,146	6,974
4. Employees (As on 31 March)	Thousands	1,545	1,511	1,472	1,442	1,424	1,412
5. Wage Bill	Rs. crores	18,841	19,037	19,915	20,929	22,553	23,954
6. Number of Passengers Originating @	Millions	4,833	5,093	4,971	5,112	5,378	5,725
7. Passengers Kilometres @	Millions	4,57,022	4,93,488	5,15,044	5,41,208	5,75,702	6,15,634
8. Average Lead of Passenger Traffic	Kilometres	95	97	104	106	107	108
9. Average Rate per Passenger Kilometre	Paise	23	23	24	25	24	25
10. Originating Revenue-Earning Freight Traffic	Million Tonnes	474	493	519	557	602	667
11. Revenue-Earning Freight Traffic-Net Tonne Kilometres	Millions	3,12,371	3,33,228	3,53,194	3,81,241	4,07,398	4,39,596
12. Average Lead of Revenue-Earning Freight Traffic	Kilometres	626	644	656	661	657	647
13. Average Rate Per Tonne Kilometre	Paise	74	74	74	72	75	81
14. Revenue-Gross Receipts**	Rs. crores	36,011	39,358	42,741	44,911	49,047	56,316
15. Operating Ratio	Per cent	98.3	96.0	92.3	92.1	91.0	83.2
16. Surplus(+)/Deficit(-)	Rs. crores	764	1,000	1,115	1,091	2,074	4,338