

Subsidise rail losses: PMO

Finance Ministry asked to reimburse expenses on non-profitable routes

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The Prime Minister's Office (PMO) has directed the Ministry of Finance to fund the losses incurred by the Indian Railways in operating non-profitable trains on strategic lines and backward areas.

The directive ends a tussle that began following the merger of the Railway and Union Budgets, as the Ministry of Finance had discontinued the practice of providing an annual subsidy to the Railways.

"The PMO in a meeting held last month has directed the Ministry of Finance to reimburse the losses incurred

Fund crunch



- Indian Railways operates non-remunerative strategic lines near border areas and in hilly, coastal and backward areas
- The Finance Ministry reimburses the losses incurred by the Railways on these routes
- PMO directs Finance Ministry to pay ₹1,200 crore for reimbursing losses on strategic lines for 2017-18
- Ministry has provided ₹4,400 crore to the Railways since 2011 for funding strategic line losses

on strategic rail lines discontinued following the merger of Budgets," said a senior Ministry of Railways official, who didn't wish to be identi-

fied. The meeting was chaired by Principal Secretary to Prime Minister, Nripendra Misra, to resolve the issues arising out of the mer-

ger of Budgets. Railway Board Chairman A.K. Mital, Railway Board Financial Commissioner B.N. Mohapatra, Department of Financial Services Secretary Anjuly Chib Duggal and joint secretary (Budget) in Ministry of Finance were present, according to sources.

The decision comes as a relief for the Railways which feels that the social service obligation borne by it in running non-profitable lines of national and strategic importance should be funded by the Central government.

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The losses on operating strategic lines accounts for a small fraction of the estimated over ₹34,000 crore borne by the Railways towards social service obligation. “It is a major relief for us as we will be able to invest money in strategic rail lines which are non-profitable to us but have national importance. We were operating these lines despite the projects being commercially unviable,” said another Ministry of Railways official.

Every year, the Ministry of Finance reimburses the Indian Railways operational losses incurred on six strategic lines and railway lines in hilly, coastal and backward areas.

However, following the Budget merger, the Ministry of Finance argued that since the ‘capital-at-charge’ of the Railways, which represents the total investment made

by the central government in the Railways, would be wiped-off, the subsidy payment in the form of reimbursement of losses on strategic lines and other concessions will be discontinued. “However, the PMO found this argument unviable,” the official said.

For 2017-18, the Railways is all set to get around ₹1,200 crore as reimbursement from the Ministry of Finance for operating such loss-making routes following the PMO’s directive.

The Standing Committee on Railways, headed by Trinamool Congress MP Sudip Bandyopadhyay, and the Estimates Committee, led by BJP veteran Murli Manohar Joshi, in their reports have also recommended that the Railways should get back the money invested in loss-making lines of national importance.