

Social Service Obligation

Indian Railways (IR), carries out certain transport activities which are essentially uneconomic in nature in the larger interest of the economically disadvantaged sections of the society. Losses incurred on this account fall under Social Service Obligation of IR.

Net Social Service Obligation borne by IR in 2016-17 is assessed at ₹29,639.68 crore excluding staff welfare cost (₹5,704.24 crore) and law and order cost (₹4,263.53 crore). These costs impinge upon the viability of Indian Railways system.

Elements of Social Service Obligation:

- The main elements of Social Service Obligation in IR are losses relating to:
 - Essential Commodities carried below cost;
 - Passenger and Other Coaching services;
 - Operation of Uneconomic Branch Lines;
 - New Lines opened for Traffic during the last 15 years.

Losses on transportation of Essential Commodities carried below cost:

As part of the Railway's Social Service Obligation, certain essential commodities of mass consumption like fruits and vegetables, sugarcane, paper, charcoal, bamboos, cotton raw pressed etc. are carried below cost of operation in order to contain their market prices. The total losses on the movement of these commodities in 2016-17 amounted to ₹42.06 crore.

Commodities	Losses(in Crore of ₹)
Fruit &Vegetables	24.47
Charcol	4.50
Glass Wares	4.37
Bamboos	3.82
Other Wood	2.22
Cotton Manufactured other than piece goods	1.32
Cotton Raw pressed	0.61
Paper	0.48
Wool Raw and Waste	0.25
Oil seeds other than Ground Nuts	0.01
Total	42.06

These commodities constituted 0.78% of the total revenue NTKMs and 0.37% of freight earnings in the year 2016-17.

Losses on Passenger and Other Coaching services:

Analysis of the profitability of Coaching Services in 2016-17 has revealed an overall loss of Rs.39,565.39 crore to which net suburban losses in Chennai, Kolkata, Mumbai and Secunderabad provided with EMU and Non-EMU services contributed ₹5,388.84 crore. While the lag in the rise of passenger fares with respect to inflationary pressures prevalent in the economy has contributed to coaching losses, other factors have also exacerbated the situation which include

Low Second Class Ordinary Fares in both suburban & non suburban passenger services:

These journeys constitute 78.6% of total traffic but provide only 16.7% of total passenger earnings.

	Suburban			Non-Suburban			Total (Suburban & Non-Suburban)		
	Total (all Classes)	IInd. Class Ordinary	% age	Total (all Classes)	IInd. Class Ordinary	% age	Total (all Classes)	IInd. Class Ordinary	% age
No. of Passengers (in million)	4566.43	4298.86	94.1	3549.67	2077.47	58.5	8116.10	6376.33	78.6
Passenger Earnings (₹in crore)	2689.44	2331.05	86.7	43591.02	5394.47	12.4	46280.46	7725.52	16.7

(ii) Non-Suburban commuters availing Season Ticket concessions up to a distance of 150 kilometres. These journeys constituted 22.8% of Non-Suburban Traffic but provide 1.2% of Non-Suburban passenger earnings only.

	Non-Suburban		
	Total (All Classes)	Season Tickets	% age
No. of Passengers (in million)	3549.67	810.95	22.8
Passenger Earnings (₹in crore)	43591.02	522.57	1.2

(iii) Commuters availing concession Monthly and Quarterly Season Tickets on Suburban Sections of Chennai, Kolkata, Mumbai and Secunderabad. Journeys performed by passengers holding season tickets formed 61.0%

of Suburban Traffic but provide 44.5% of Suburban passenger earnings only.

	Total (All Classes)	Suburban	
		Season Tickets	% age
No. of Passengers (in million)	4566.43	2785.90	61.0
Passenger Earnings (₹in crore)	2689.44	1196.45	44.5

- (iv) Concessions in Fare extended to various categories such as (i) Senior citizens (ii) Physically challenged persons (iii) Patients suffering from cancer, thalassemia, heart, kidney, tuberculosis and other serious diseases (iv) Recipients of gallantry awards (v) Shram awardees (vi) Teachers honored with National awards (vii) War widows (viii) National sports awards (ix) Participants in National and State sports tournaments (x) Students (xi) Youths (xii) Kisans (xiii) Press correspondents (xiv) Film technicians etc.
- (v) Concessions are also extended to (i) Military traffic (ii) Postal traffic (iii) Transportation of registered newspapers & magazines etc. and (iv) Traffic to the North East. IR also steps in to provide emergency relief by transporting materials like food, water, fodder etc. to areas affected by natural disasters like drought, cyclone, earthquake etc.

Compensation for Social Service Obligations in Other Countries:

Railways, the world over, are called upon to meet certain public service obligations at lower tariffs for which they are adequately compensated for by the government. Such support is provided in various forms and for different purposes like:

- (i) Compensation for losses on account of concessional tariffs;
- (ii) Out-right grant to cover deficits;
- (iii) Soft loans to meet the deficits;
- (iv) Financial support to maintain viability of the system and to earn marginal profits;
- (v) Writing off of accumulated debts and unproductive capital; and
- (vi) Support for investment and infrastructure maintenance.

Indian Railways incur losses every year by performing a variety of unremunerative services. These losses are mostly due to (a) Low ordinary second class fare (b) Suburban and non-suburban season fare (c) A variety

of concessions granted on passenger ticket and (d) Transportation of certain commodities below cost. Working of uneconomic branch lines, too, imposes a heavy burden on IR's finances. A gap is thus created between the revenue income generated through these services and their running costs.

The Net Social Service Obligation borne by IR in 2016-17 assessed at ₹29,639.68 crore, constitutes 17.9% of the total revenue earnings and 18.6% of the total working expenditure.

Uneconomic Branch Lines:

Despite concerted efforts to enhance earnings on branch lines, most of such lines remain commercially unviable. The Railway Reforms Committee recommended closure of 40 such lines but due to stiff public resistance and opposition of State Governments towards withdrawal of such services, only 15 lines have been closed permanently by the Railways. A review of the financial results of existing 99 uneconomic branch lines for the year 2016-17 shows that, on an original investment on these lines of the order of ₹4,476 crore, loss during the year 2016-17 amounted to ₹1,855 crore.

New lines opened for traffic during the last 15 years:

The Railway Convention Committee (RCC) in its 9th Report on this subject has noted that in the present state of Railway finances and prevalent high costs of construction, the Railways are not in a position to inject adequate capital investment in under-developed areas. Therefore, they have felt that reliefs like making available land free of cost and waiver of dividend payment on such lines for a minimum period of twenty years are justified. Periodic reviews have revealed that of the 17 lines examined in 2016-17, as part of Social Service Obligations of the Railways for development of backward areas, all lines are showing either negative or unremunerative returns.

FINANCIAL RESULTS OF NEW LINES FOR THE YEAR 2016-17

S.No	Name of the branch line	Date of opening	Cost (₹ in crore)	Expected return on investment (%)	Actual return on investment		
					2014-15 (%)	2015-16 (%)	2016-17 (%)
Developmental Lines							
1	Lanjigarh-Bhawanipatna-Junagarh (BG) 54.30 Kms.	11.8.2012	291.02	2	-5.75	-4.2	-3.5
2	Abohar-Fazilka (BG) 34 Kms.	16.7.2012	232.50	-7.44	-14	-11	-13
3	Taran Trn-Govindwal (BG) 21.416 Kms.	06.8.2011	81.44	NA	-25	-20	-23
4	Ludhiana-Sahnewal (BG) 15.11 Kms.	17.11.2012	289.40	-2.26	-5	-4	-4
5	Udhampur-SVDK (BG) 25 Kms	04.7.2014	1231.09	NA	0.44	-2	-2

6	Jammu Tawi-Udhampur (BG) 53 Kms.	2004	521.00	0.50	-3	-6	-8
7	Banihal-Baramula (BG) 13.7 Kms.	26.6.2013	4917.00	-1.30	-2	-2	-2
8	Churaru Takrala-Amb Andaura (BG) 11.17 Kms.	2011-12	257.64	0.18	-5	-4	-5
9	New Morinda-Sahnewal (BG) 52.18 Kms.	2013-14	716.67	-2.26	-8	-7	-8
10	Chandigarh-Morinda (BG) 43.89 Kms.	2006-07	309.52	-2.26	-17	-14	-16
11	Una Himachal-Churaru Takrala (BG) 16.5 Kms.	2005-06	385.59	0.18	-6	-4	-5
12	Rewari-Jhajjar-Rohtak (BG) 81.257 Kms.	08.1.2013	321.74	-4.78	-2	-2	-2
13	Kolayat-Phalodi (BG)112 Kms.	2006-07	170.78	-3.06	-14.64	-19.76	-27.56
14	Madar-Pushkar (BG) 25.7 Kms.	23.1.2012	1.32	-4.06	-123.29	-125.78	-153.83
15	Kakinada-Kotipalli (BG) 44.7 Kms.	13.5.2005	153.58	19.87	-7	-6.86	-9.51
16	Penukonda-Dharmavaram via Puttaparthi (BG) 53 Kms.	2002	64.50	14.14	-56	-52	-54
17	Chikkabanavara-Nelamangala (BG) 14 Kms.	2002	77.71	NA	-11.91	-10.33	-11.13



Medical Service, KRCL