

THE HINDU

NATIONAL

Subsidise rail losses, PMO tells Finance Ministry



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NEW DELHI, AUGUST 07, 2017 00:27 IST

UPDATED: AUGUST 07, 2017 12:36 IST

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

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

The directive ends a tussle that began after the **merger of the Railway and Union Budgets**, as the Finance Ministry discontinued the practice of providing annual subsidy to the railways.

At a meeting held last month, the PMO directed the Finance Ministry to reimburse the losses incurred on strategic rail lines discontinued following the merger of the Budgets, said a senior Ministry of Railways official, who didn't wish to be identified.

The meeting was chaired by Nripendra Misra, Principal Secretary to the Prime Minister, to resolve the issue. 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 the Ministry of Finance were present, according to sources.

The decision comes as a relief to 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.

The losses on operating the strategic lines accounts for a small fraction of the estimated over ₹34,000 crore borne by the railways towards social service obligation.

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However, after the budget merger, the Finance Ministry argued that since the 'capital-at-charge' of the railways, which represents the total investment made by the Union government in the railways, would be wiped-off, the subsidy payment in the form of reimbursement of losses on the strategic lines and other concessions will be discontinued.

"However, the PMO found this argument unviable," the official said.

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.

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Printable version | Aug 8, 2017 8:14:36 AM | <http://www.thehindu.com/news/national/subsidise-rail-losses-pmo/article19440670.ece>

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