

INDIAN RAILWAYS TECHNICAL SUPERVISORS ASSOCIATION

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CABINET SECRETARY GOVERNMENT OF INDIA

Respected Sir,

Sub: Bearing of Railway Pension Fund by Ministry of Finance.

Ref: Standing committee on Railways 3rd Report 209-20 & 7th Report 2020-21.

- 1) For quite a long period of time, due to various reasons, Indian Railways could not develop the infrastructure it ought to have developed for revenue generation. This has now created a serious problem.
- 2) Indian Railways' earnings got affected in the recent past for reasons such as slump in demand for loading of core commodities resulting from slowdown in the economy, developmental priorities of the Government like expansion of road sector & low cost airlines affecting competitiveness of Railways' freight and passenger business. Railways' efforts towards improving the finances and internal revenue generation have been adversely affected due to non-operation of rails, under the impact of the COVID-19 pandemic.
- 3) Moreover, ever growing Net Social Service Obligation borne by IR which is assessed at Rs. 45,542 crores in 2019-20 and law and order cost of Rs. 5,282 crores add to the financial burden of Railways. These burdens increase the operating ratio of Railways and decline in generating adequate internal resources, forcing the Railways to fund their capital expenditure through GBS and EBR.
- 4) Standing committee on Railways in its 3rd Report - 2019-20 (Related para enclosed as Annexure-I) revealed that Railways is the only department of the Government of India which meets the pension expenditure of its retirees from its own receipts, while in respect of all other Departments, the share is met by the Ministry of Finance. Railway Ministry, therefore, submitted that it is increasingly becoming difficult to bear the pension expenditure from Railway revenues, more so when the Social Service Obligations have crossed Rs.50,000 cr in 2018-19. The committee recommended to bear atleast part of pensionary liabilities by Finance Ministry to provide some relief to the Railways till 2034-35.
- 5) Again, Standing committee on Railways in its 7th Report - 2020-21(Related para enclosed as Annexure-II) submitted to Lok Sabha on March 2021 has observed that, Railways have estimated to appropriate Rs. 53,300 crores from Railway revenues to Pension Fund in BE 2021-22 to meet the estimated pension expenditure. The committee reiterated the recommendations of 3rd Report (17th LS) on bearing at least a part of the Railways' pensionary liabilities by the Ministry of Finance and asked Railways to vigorously pursue the matter with Finance Ministry.
- 6) In the present scenario it not possible for the Railways to bear even a small part of its pension expenditure.
- 7) **It is therefore requested that entire pensionary liabilities of Indian Railways may please be borne by Ministry of Finance.**

Thank You

Yours faithfully,

(Harchandan Singh),
General Secretary, IRTSA

Copy for kind information & necessary action, Chairman & CEO, Railway Board, New Delhi

STANDING COMMITTEE ON RAILWAYS (2019-20)
(SEVENTEENTH LOK SABHA)
MINISTRY OF RAILWAYS (RAILWAY BOARD)
THIRD REPORT
DEMANDS FOR GRANTS (2020-21)
PART-II
OBSERVATIONS/RECOMMENDATIONS

10. The Committee note that appropriations to the Pension Fund account was nearly a quarter of the total working expense of the Railways. In just a span of one year the appropriations to the Pension Fund rose 10% from Rs.48350 cr at RE 2019-20 to Rs.53160 cr at BE 2020-21. In this context, the Committee find that Railways is the only department of the Government of India which meets the pension expenditure of its retirees from own receipts while in respect of all other Departments, the share is met by the Ministry of Finance. The Ministry, therefore, submitted that it is increasingly becoming difficult to bear the pension expenditure from Railway revenues, more so when the Social Service Obligations have crossed Rs.50,000 cr in 2018-19. Moreover, the New Pension Scheme (NPS) implemented in 2004 and intended to reduce the pension bill of the Government would start giving results around the year 2034-35. The Ministry's constraints in this regard merits due attention. The Committee desire that the feasibility of bearing at least a part of the Railways pensionary liabilities by the Ministry of Finance, consequent upon the merger of the Railway Budget with the General Budget, be explored so as to provide some relief to the Railways at least till 2034-35.

STANDING COMMITTEE ON RAILWAYS

(2020-21)

(SEVENTEENTH LOK SABHA)**MINISTRY OF RAILWAYS****(RAILWAY BOARD)****SEVENTH REPORT****DEMANDS FOR GRANTS**

(2021-22)

PENSION FUNDS

37. During RE 2019-20, the appropriation to the Pension fund stood at Rs.48,350 cr which was decreased by Rs.1,650 cr from BE of Rs.50,000 cr while the actuals were only Rs.20,708 cr resulting in a hefty reduction of Rs.27,642 cr. On being asked about the reasons for the mismatch between the allocation and actuals especially in view of the fact that appropriation to the Pension Fund is obligatory and indispensable in nature, the Ministry have submitted as under:

“Railway revenues were adversely impacted in 2019-20 due to spread of COVID-19 pandemic and consequent lockdown as a result of which Railways were not in a position to appropriate Rs.48,350 cr to Pension Fund from revenue as estimated at the Revised Estimates stage. Instead, an amount of Rs.20,708 cr was appropriated to the fund from Railway revenues. Pension expenditure being an obligatory and unavoidable expenditure, incurrance of expenses of Rs. 49,188 cr towards pension in 2019-20 led to an adverse closing balance of Rs. 28,398 cr in Pension Fund (including interest payment liability on the adverse balance).

With the continuing adverse impact of COVID-19 on rail operations and revenue, based on the resource position envisaged in Revised Estimates (RE) 2020-21, Railways have estimated to appropriate only Rs. 523 cr to Pension Fund from railway revenue against a pension expenditure estimate of Rs. 51,000 cr. Considering the need to provide adequate budgetary support for incurring inevitable expenditure, the Government has extended a Special Loan of Rs. 63,000 cr for the COVID-19 related resource gap and Rs. 16,398 cr for liquidating adverse balance occurred in Public Account in 2019-20. The loans have been appropriated to Pension Fund in RE 2020-21 accordingly.”

38. Further, the Ministry have supplemented that expecting normalization of train operations/economy and consequential resource position, Railways have estimated to appropriate 53,300 cr from Railway revenues to Pension Fund in BE 2021-22 to meet the estimated pension expenditure. It is expected that with the stabilization of Railway finances in the coming years, Railways would be able to meet the pension expenditure from own receipts.

119. On being asked about the precarious state of Railway finances and the manner in which the Ministry would repay the loan liability, the Ministry had submitted as under:

“The total loan amount of Rs.79,398 cr has been utilized for appropriation to Pension Fund for liquidating the adverse balance in the fund occurred in 2019-20 as also for meeting pension expenditure in 2020-21. The Ministry had also informed that since the Special Loan as stated above, both the loans have a moratorium period of three years and the loan of Rs.63,000 cr is interest free. Railways intend to utilize the moratorium period for streamlining the Railway operations and finances and are hopeful of generating adequate internal resources to be able to repay the loans. Further, by improving the performance levels, the Railways would also make a sincere attempt to get the benefit of certain reliefs in repayment and waiver. They have further clarified that the loans are also repayable in annual installments spreading over five to twenty years. Possibilities of various reliefs and waiver of loan have also been stipulated in the terms and conditions subject to achievement of certain performance related parameters”.

PART-II

RECOMMENDATIONS/OBSERVATIONSPENSION FUND

7. The Ministry has also to administer the Pension Fund as well as to finance pensionary payments to the retirees. The Committee find that during RE 2019-20, the appropriation to the Pension Fund which was targeted at Rs.49,188 crore could not be achieved and the actuals were only Rs.20,708 crore resulting in adverse closing balance of Rs.28,398 crore in Pension Fund (including interest payment liability on the adverse balance). Taking note of the fact that Railway revenues were adversely impacted in 2020-21 due to spread of COVID-19 pandemic and consequent lockdown as a result of which Railways could appropriate only Rs.523 crore to Pension Fund from railway revenue against a pension expenditure estimate of Rs.51,000 crore. The Committee have been informed that a Special Loan of Rs.63,000 crore for the COVID-19 related resource gap and Rs.16,398 crore for liquidating adverse balance occurred in Public Account has been extended to the Railways which have been appropriated to Pension Fund in RE 2020-21 accordingly. In this regard, the Committee recall that they had desired in their 3rd Report (17th LS) that the feasibility of bearing at least a part of the Railway's pensionary liabilities by the Ministry of Finance, consequent upon the merger of the Railway Budget with the General Budget, be explored so as to provide some relief to the Railways. The Committee would like to reiterate that the Railways should vigorously pursue this matter with the Ministry of Finance.