# Recommendations of Bibek Debroy Committee

March 23, 2020
***Source:*** *PIB & PRS India*

**Background**

The Railway Board had constituted a Committee for **mobilization of resources for major railway projects and restructuring of Railway Ministry** and **Railway Board** under the Chair of Mr. Bibek Debroy. The committee submitted its report in June 2015

**Key findings and recommendations of the committee are:**

- **Encouraging private participation:** As per the report of the committee one of the key reasons for the failure of private participation in Railways is that **policymaking, the regulatory function, and operations** are all vested within the same organisation, that is, the Ministry of Railways. The Committee r**ecommended that the three roles must be separated from each other to have sustained and large scale private participation.** Railways' monopoly discourages private sector entry into the market. Secondly, schemes for private sector participation are not prepared with the involvement of stakeholders. Thirdly, the schemes are designed such that the risk lies mostly with the private parties.
- **Establishment of Independent Regulator- Railways Regulatory Authority of India:** In order to create a level playing field for private players in the sector, the Committee recommends setting up an independent regulator, the Railways Regulatory Authority. The regulator will be a **statutory body**, with an independent budget and independent of the Ministry. While it **will not determine tariff,** it will monitor whether the tariff is market-determined and competitive. An independent

regulator for Railways is also necessary because of the technical and specialized nature of the sector.

- **Financing of Railways:** Financing of Railways is a challenge because:
    1. Investment is made in projects that do not have traffic and hence do not generate revenue
    2. The unbalanced mix of passenger and freight traffic does not help generate revenue
    3. The efficiency improvements do not result in increased revenue, and
    4. Delays in projects result in cost escalation, which makes it difficult to recover costs. Railways has also been mostly financed through internal resources and budgetary support, and not through external resources. Thus there has been no financial oversight of its projects.
- **Restructuring of Railway zones:** Indian Railways has 17 zones, which are further divided into 68 divisions. The present zones have developed historically and not from a specific strategy. Hence, there is a need to restructure the organisation's zones and divisions.
- **Focus on core areas:** The Committee has observed that, along with its core function of running trains, Railways also engages in peripheral activities such as running schools, hospitals and a police force. It is expected that these various zones and divisions within the Railways will face increasing competition in the future. To enable themselves to compete effectively, they will **need to reduce costs on these non-core activities that are non-remunerative in nature**, and instead improve the efficiency of running trains by greater resource allocation to this function. **Non-core activities can be outsourced to private entities**. For example subsidization of education and medical facilities in alternative schools and hospitals respectively, including the private institutions.
- **Streamlining the recruitment process: The committee**

**recommends that the present eight organized Group ‘A’ services in the Indian Railways can be broadly categorized in two bigger groupings such as technical and non-technical services. The Indian Railway Technical Service (IRTechS) comprising the existing five technical services (IRSE, IRSSE, IRSEE, IRSME and IRSS) and the Indian Railway Logistics Service (IRLogS), comprising the three non-technical services (IRAS, IRPS and IRTS).**

- **Merging of Railway Budget with General Budget: The committee recommended that** a separate Railway budget should be phased out progressively and merged with the General Budget and eventually also integrate the Ministry of Railways with Ministry of Transport
- **Accounting reforms-transmission to commercial accounting system:** The current accounting system does not provide details of the cost of various activities and services, such as the introduction of new trains and scheduling of stops. It neither tracks assets nor assesses liabilities. Consequently, it becomes difficult to compute the costs and benefits of any project or activity. In this regard, the Committee recommends **switching to a commercial accrual-based double-entry accounting system**. This would clearly distinguish between revenue and capital expenditures and present a complete picture of debt and other liabilities.