सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1991
No. 10 of 1992

UNION GOVERNMENT (RAILWAYS)

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GLOSSARY OF TERMS AND ABBREVIATIONS USED

1.	BARC	Bhaba Atomic Research Centre
2.	BCX Wagon	Box Covered Wagon
3.	BG/MG/NG	Broad Gauge/Metre Gauge/Narrow Gauge
4.	BOXN	Box Open Wagon New
5.	BSEB	Bihar State Electricity Board
6.	BSP	Bhilai Steel Plant
7.	CAT	Central Administrative Tribunal
8.	CBI	Central Bureau of Investigation
9.	CCS	Chief Commercial Superintendent
10.	COFMOW	Central Organisation for Modernisation of Workshops
11.	CPTR	Calcutta Port Trust Railway
12.	CTCC	Central Tank Wagon Calibration Committee
13.	Deemed Export	Certain supplies made indigenously are an effective form of import substitution. Such supplies,subject to certain conditions, are termed `deemed export'.
14.	DLW	Diesel Locomotive Works
15.	EMD	Earnest Money Deposit
16.	EOT Crane	Electric Overhead Travelling Crane
17.	ERC	Elastic Rail Clip
18.	FOR	Free on Rail
19.	HSD	High Speed Diesel
20.	IOC	Indian Oil Corporation
21.	IRCA	Indian Railway Conference Association
22.	IRFC	Indian Railway Finance Corporation
23.	IPC	Indian Penal Code
24.	JPC	Joint Plant committee
25.	LPG	Liquified Petroleum Gas

26.	**Marshalling Yards**	In a marshalling yard goods trains and other loads originating from adjoining Railway stations are received, sorted out and new trains formed and despatched onwards.
27.	**NOC**	Not Otherwise Classified
28.	**NTKM**	Net Tonne Kilometre
29.	**NTPC**	National Thermal Power Corporation
30.	**ONGC**	Oil and Natural Gas Commission
31.	**Operating Ratio**	The ratio of working expenses (excluding suspense and payments to worked lines) to gross earnings, expressed as a percentage.
32.	**PAC**	Public Accounts committee
33.	**PEC**	Project and Equipment Corporation
34.	**POH**	Periodical Overhaul
35.	**RCC**	Railway Convention Committee
36.	**RDSO**	Research, Designs and Standards Organisation
37.	**RITES**	Rail India Technical and Economic Services
38.	**RRB**	Railway Recruitment Board
39.	**RTEC**	Railway Tariff Enquiry Committee.
40.	**TRANSHIPMENT POINT**	Transhipment point is the break of gauge point where transhipment of the inter gauge goods traffic takes place.
41.	**Turn-Round**	Interval between two successive loading of wagons
42.	**UHF**	Ultra High Frequency
43.	**UPSEB**	Uttar Pradesh State Electricity Board
44.	**Capital at charge**	Book value of the capital assets of Railways
45.	**Thyristerisation**	Thyrister is an energy saving and conversion device used in electric locomotives, which combines the functions of tap changer in a transformer and rectifier (converting AC to DC)

PREFATORY REMARKS

This Report for the year ended 31 March 1991 has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts of Indian Railways for 1990-91 together with other points arising from test audit of the financial transactions of the Railways.

The Report includes reviews on:

(a) Commodity Freighting on Railways;

(b) Generation and Utilisation of empty wagons;

(c) Utilisation of Oil Tank Wagons;

(d) Planning, execution and performance of Broad Gauge coach repair Workshop, Tirupati;

(e) Review of metre gauge Prestressed Reinforced Concrete Sleeper manufacturing factory, Sabarmati;

(f) construction of a new B.G. line from Bibinagar to Nadikude and conversion of Guntur - Macherla M.G. line into B.G.;

(g) Construction of a new metre gauge line from Bhuj to Naliya; and

(h) Modernisation of Parel Workshop.

The Report incorporates audit comments on topics relating to earnings, works, stores and purchases, establishment and other expenditure.

The cases mentioned in this Report are those which came to notice in the course of audit during 1990-91 as well as those which had come to notice in the earlier years but could not be dealt with in the previous reports. Matters relating to the period subsequent to 1990-91 have also been included, wherever considered necessary.

OVERVIEW

The Audit Report for the year ended 31 March 1991 contains seventy two paragraphs including eight reviews. The points highlighted in the Audit Report are:

I. Financial Results

Indian Railways ended the year 1990-91 with a surplus of Rs.187.64 crores against the estimated surplus of Rs.186 crores. The actual surplus was more than the budget by Rs.1.64 crores despite reduction in earnings from goods traffic and increase in working expenses, due to higher earnings under the Heads Passenger earnings, Sundry earnings and Miscellaneous receipts.

The freight rates for goods traffic were increased by 7% from 1st April 1990 to 30th September 1990 and by 10% thereafter,subject to certain exemptions.The rates for luggage and parcels were also increased by 10%. Passenger fares were also increased from 1st May 1990. The increases were to net an additional revenue of Rs 892 crores.As against the estimates of 325 million tonnes of revenue earning traffic and 3758 million passengers Railways moved 318.41 million tonnes and 3880.27 millionn passengers. The Railways have not quantified the actual additional revenue generated as a result of the inncrease in rates against the anticipated additional revenue of Rs 892 crores.

The Railways paid a dividend of Rs.926.14 crores to the General Revenues. The dividend paid worked out to 3.99 per cent of the capital-at-charge, after excluding the subsidy of Rs.283.35 crores obtained from the General Revenues. The effective rate of dividend paid was 3.91 per cent in 1988-89 and 3.94 per cent in 1989-90.

The undischarged liabilities of the Railways to General Revenues stood at Rs.1372.46 crores on 31st March 1991, made up of deferred dividend liability of Rs.416.46 crores, deferred dividend on new lines of

Rs.421.56 crores and shortfall in Development Fund of Rs.534.44 crores.

The contribution to the Depreciation Reserve Fund has been increased keeping in view the recommendations of the Railway Reforms Committee. The contribution to Pension Fund was less than the actual expenditure by Rs.69.96 crores. The contribution to the fund continues to be with reference to the trend of actual withdrawals and not on acturial assessment.

The Railways borrowed Rs.1170 crores during the year from IRFC, taking the total borrowings to Rs.3729 crores. The lease charge paid to IRFC was Rs.470 crores against Rs.264.8 crores in the previous year. The increase in the lease charges increased the working expenses of the Railways substantially.

The operating ratio, an index of the profitability of Railway's operations, increased marginally from 91.52 in 1989-90 to 91.97 in 1990-91. Despite the increase in the rates of goods traffic, luggage and parcels and passenger fares the operating ratio has not improved due to disproportionately higher increase in working expenses.

The increase in ordinary working expenses was 10.6 per cent over that in 1989-90.

Supplementary grants obtained in respect of two grants remained partially/wholly unutilised.

The suspense head `cheques and bills' stood at Rs.383.80 crores on 31st March 1991 (244.48 crores on 31st March 1990)

The inventory turn over ratio of the Railways in 1990-91 was 33.56 per cent against 32 per cent in the last three years. The Railways have not been able to achieve the targetted turn over ratio of 27 per cent.

II. Reviews

1. Commodity Freighting on Railways

(i) A comprehensive review of the existing freight structure for appropriate costing and pricing of services is overdue. The Ministry of Railways have since constituted a committee for conducting the review.

(ii) the productivity of railway capital lagged behind the expectation of ten per cent.

(iii) there was paramount need to explore cost cutting exercises to have a rational tariff policy.

(iv) shifting of booking station for Meghalaya Coal from Jogighopa to New Guwahati would have led to additional earnings of Rs.2.22 crores during 1987-88 to 1990-91.

(v) adoption of incorrect ratio, for converting volumetric measurement of Meghalaya Coal to weight, resulted in loss of revenue of Rs.2.20 crores.

(vi) non-observance of rationalisation orders for movement of foodgrains on Northern and Western Railways led to undercharges of Rs.1.59 crores.

(vii) non-revisions in the minimum weight condition for Palm Oil Refined on Western Railway and Newsprint on Southern Railway resulted in loss of earnings of Rs.99.21 lakhs.

(viii) irregular grant of train load rates for `salt NOC' on Western Railway resulted in loss of earnings of Rs.1.51 crores.

(Para 2.1)

2. Generation and Utilisation of Empty Wagons

(i) Despite induction of high capacity wagons and availability of repair and maintenance facilities, there was no significant improvement in wagon turn round.

(ii) There was loss of earning capacity of Rs.6.20 crores due to avoidable detention of wagons in Workshops and of

Rs.23.28 crores due to underutilisation of wagons at transhipment points.

(iii)Avoidable movement of empty rakes on Northeast Frontier Railway resulted in extra expenditure of Rs.4.16 crores.

(iv) There was loss of revenue and extra expenditure of Rs.6.54 crores due to poor monitoring of empties on Central, South Central and Northeast Frontier Railways during 1989-90.

(Para 2.2)

3. Utilisation of oil tank wagons

(i) Despite additions to the holding of tank wagons there was no corresponding increase in the traffic carried on Eastern, Northern, North Eastern, Northeast Frontier and South Eastern Railways. The cost of additions on Eastern and Northeast Frontier Railways was Rs.35.74 crores approximately.

(ii) Target for turn round of POL wagons had not been fixed. The excess detentions of tank wagons in Northeast Frontier, Southern, South Central and South Eastern Railways resulted in loss of earning capacity of Rs.29.87 crores.

(iii) On some Railways loading was invariably less than the indents resulting in non-utilisation of a large number of wagons supplied each year. The loss of earning capacity due to stabling/idling of such excess supply amounted to Rs.29.13 crores on four Railways.

(iv) Excess detention of wagons, beyond the free time allowed resulted in loss of earning capacity of Rs.48.02 crores on four Railways.

(v) Non-optimisation of POL train loads resulted in a loss of Rs.2.41 crores on Central Railway and Rs.2.68 crores on Western Railway.

(Para 2.3)

4. Planning, execution and performance of carriage repair workshop, Tirupati

(i) Requirement of POH capacity was over assessed with little prospect of further utilisation of the capacity of the new workshop in the near future.

(ii) Delay in finalisation of lay out resulted in cost overrun of Rs.40.32 crores.

(iii) As against the target of 15 days for POH, the actual ranged between 21 and 53 days leading to detention of coaches.

(iv) Cost of POH was high compared to another workshop on the same railway.

(Para 2.4)

5. Review of MG Prestressed Re-inforced concrete sleeper manufacturing factory at Sabarmati.

(i) There had been time overrun of 18 months and cost overrun of Rs.41.69 lakhs.

(ii) The estimated output of 50,000 sleepers by 1986-87 had not materialised till 1990-91. The maximum capacity utilisation was 46.7 per cent in 1990-91.

(iii) The decision to manufacture sleepers departmentally instead of procurement from trade resulted in an extra expenditure of Rs.50.58 lakhs during the three years 1988-89 to 1990-91.

(iv) The return on the investment of Rs.85.01 lakhs had been negative.

(Para 2.5)

6. Construction of a new B.G. line from Bibinagar to Nadikude and conversion of Guntur - Macherla MG line into BG.

(i) Apart from abnormal delay in finalisation of estimates, large scale modifications in the scope of work during execution resulted in extra cost of Rs.23.11 crores.

(ii) Injudicious provision of mixed gauge line between Vishnupuram and Nadikude to cater to the exclusive benefit of a private party resulted in extra expenditure of Rs.60 lakhs.

(iii) Delay in completion of communication net work resulted in investment of Rs.41.89 lakhs thereon remaining unproductive besides avoidable payment of Rs.4.20 lakhs to Department of Telecommunication.

(Para 2.6)

7. Construction of a new metre gauge line from Bhuj to Naliya

(i) Though the line was justified to meet the requirement of Defence Department viz., movement of 10 trains each way in a year and 150 wagons in a month, not a single wagon had been booked since its opening in 1988.

(ii) 128 staff quarters built at a cost of Rs.78.83 lakhs were lying vacant resulting in unproductive investment.

(iii) Despite low density of traffic over the section, track of higher standard was provided involving an extra expenditure of Rs.59.24 lakhs.

(iv) Expenditure of Rs.1.34 crores incurred on installation of signalling equipments became redundant.

(v) Telecommunication facilities provided at a cost of Rs.1.03 crores largely remained unutilised in view of introduction of `One Engine Only System'.

(vi) Excessive procurement of Permanent Way Materials resulted in blocking of Rs.1.08 crores besides recurring expenditure on maintenance of inventory.

(Para 2.7)

8. Modernisation of Parel Workshop

(i) The project envisaged setting up of a coil manufacturing plant with a capacity of 212 traction machine sets per annum. Due to delay in completion of Civil Engineering works, machines procured in 1987 at a cost of Rs.58.09 lakhs for manufacture of coils could not be commissioned. The manufacture of coils is yet to commence.

(ii) Delay in taking procurement action had resulted in cost overrun of the project.

(iii) 19 machines procured at a cost of Rs.86.30 lakhs were commissioned after a delay of six to thirty seven months.

(iv) The performance of 4 machines (cost Rs.78.65 lakhs) was unsatisfactory.

(v) Rs.78 lakhs spent on procurement of three engine blocks had become infructuous.

(vi) Induction of sophisticated machines did not bring about any reduction in man hours as anticipated.

(vii) Anticipated recurring annual saving of Rs.3.69 crores due to reduction in repair days did not materialise.

(Para 2.8)

III. Earnings

(i) Rs.1.85 crores was due for recovery on Central and South Eastern Railways.

(Para 3.1)

(ii) Delivery of goods to a private siding owner on Western Railway without collection of freight and other charges led to non-recovery of Rs.1.92 crores, since May 1988.

(Para 3.2)

(iii) Uneconomic movement of goods on Central Railway resulted in realisation of freight of Rs.4.0021 crores against the haulage cost of Rs.14.43 crores during May 1989 to March 1991.

(Para 3.3)

(iv) Non-rationalisation of a regularly used longer route for carriage of goods from a siding on Central Railway to Faizabad on Northern Railway resulted in undercharge of Rs.1 crore.

(Para 3.4)

IV. Works

(i) Poor contract management in the construction of a parallel Broad Gauge Line from Dindigul to Madurai resulted in extra expenditure of Rs.98.81 lakhs.

(Para 4.1)

(ii) In the construction of sub-way structures Metro Railway extended unintended benefit of Rs.24.16 lakhs to the contractor as escalation on mobilisation fee. Despite grant of several financial assistances viz. grant of mobilisation advance and advances at reduced rates, the object of completion of the work in time remained unfulfilled.

(Para 4.2)

(iii) Decision to construct an industrial structure and a siding for parabolic spring plant at Gwalior was injudicious and resulted in infructuous expenditure of Rs.1.32 crores.

(Para 4.3)

(iv) Lack of supervision of the work done by a contractor resulted in loss of Rs.20.77 lakhs.

(Para 4.4)

(v) Irregular execution of water proofing work resulted in a loss of Rs.9.15 lakhs.

(Para 4.5)

(vi) Inadequate planning in according priority to the construction of diesel loco shed at Bhavnagar rendered the expenditure of Rs.68.89 lakhs unproductive.

(Para 4.6)

(vii) The failure of the Railway to ensure adoption of appropriate measures by colliery for haulage of wagons within the siding resulted in avoidable loss of Rs.24.25 lakhs.

(Para 4.7)

(viii) There had been inordinate delay in commissioning of 13 Wheel Flange welding machines procured at Rs.1.20 crores. Delay in commissioning ranged between three and thirty three months. Apart from delay, under utilisation of plants resulted in non-realisation of anticipated savings on Railways.

(Para 4.9)

(ix) Non-observance of rules resulted in non-realisation of Rs.2.38 crores from State Governments and local authorities towards cost of maintenance of level crossings.

(Para 4.10)

(x) Delay in pursuance of a land acquisition case resulted in extra expenditure of Rs.21.43 lakhs.

(Para 4.14)

V. Stores and Purchases

(i) Non-stock steel items of stores worth Rs.2.4 crores were purchased irregularly from three firms on limited tender basis at exhorbitantly high rates. The payments were released overlooking the extant rules and procedures prescribed for precheck of local purchase orders. The amount of extra expenditure incurred worked out to Rs.68.83 lakhs.

(Para 5.1)

(ii) Irregularities in the purchase of coach fittings were noticed on Eastern Railway. The irregular purchase resulted in an extra expenditure of Rs.1.22 crores.

(Para 5.2)

(iii) Failure to execute a working agreement between Metro Railway and Calcutta Port Trust Railway in time resulted in loss of Rs.1.84 crores on account of short receipts of steel consignments.

(Para 5.3)

(iv) Despite instructions issued by the Railway Board for remedial measures, heavy shortages continued to occur in the receipt of hard coke in Railway Workshops. The value of shortages was Rs.3.93 crores.

(Para 5.4)

(v) Failure to escort the steel consignments in crime prone sections encouraged thefts/pilferage of steel consignments valued at Rs.2.92 crores. Lack of documentation at interchange points and wrong entries in the Railway receipts weakened the position of Northern Railway in defending the claims of the consignees in the court of law.

(Para 5.5)

(vi) Inadequate inspection by the Inspecting Authority resulted in procurement of defective cables valued at Rs13.29 lakhs.

(Para 5.6)

(vii) Inaccurate assessment of requirement resulted in excess procurement of tyres for steam locomotives worth Rs.20.68 lakhs.

(Para 5.7)

(viii) Lack of proper planning resulted in avoidable import of two coil manufacturing machines worth Rs.33.98 lakhs. Machines are still to be put to use.

(Para 5.8)

(ix) Due to non-observance of provisions for enforcement of risk action and other administrative lapses Northern, Southern and Central Railways suffered a loss of Rs.94.7 lakhs towards non-recovery of risk cost.

(Para 5.9)

(x) Diesel Locomotive Works sustained a loss of Rs.2.01 crores on "Deemed Export Orders".

(Para 5.11)

(xi) Failure to observe prescribed procedures and provisions of contracts by DLW for supply of locomotives and spares resulted in non-realisation of Rs.4.98 crores from a public sector unit and State Electricity Board).

(Para 5.12 & 13)

(xii)The purchase of 68 sets of pantographs at a cost of Rs.1.43 crores proved unproductive and an expenditure of Rs.1.11 crores was avoidable.

(Para 5.17)

(xiii)Inadequate evaluation of offers by Tender Committee resulted in extra expenditure of Rs.71.91 lakhs in the procurement of Elastic Rail Clips.

(Para 5.20)

(xiv)Railways incurred avoidable expenditure of Rs.1.13 crores due to delay in return of empty gas cylinders.

(Para 5.22)

VI. Establishment and Others

(i) Railways failed to implement instructions of the Central Board of Direct Taxes for recovery of surcharge on income tax from contractors' bills and Rs.1.42 crores remained unrecovered.

(Para 6.1)

(ii) Failure to provide a capacitor bank at a sub-station, despite knowledge of its benefits in arresting the fall in power factor and transmission loss, resulted in avoidable payment of Rs.1.87 crores as penalty surcharge for low power factor.

(Para 6.2)

(iii)Northern and South Eastern Railways sustained loss of Rs.38.40 lakhs for improper termination of services and non-compliance with the provisions of Industrial Disputes Act, 1947.

(Para 6.3 & 6.4)

(iv) Due to adoption of incorrect rates of retiring room occupation charges South Eastern Railway lost Rs.5.05 lakhs.

(Para 6.6)

(v) Metro Railway Calcutta incurred an infructuous expenditure of Rs.26.02 lakhs on the creation of a scrap yard for storing released structurals which did not operate.

(Para 6.9)

(vi) Non-revision of rent as per instructions of the Railway Board resulted in short recovery of Rs.21.42 lakhs towards house rent.

(Para 6.10)

CHAPTER I

FINANCIAL MANAGEMENT

1. Financial Results

1.1 Indian Railways ended the year 1990-91 with a surplus of Rs.187.64 crores as against the surplus of Rs.186 crores estimated at the budget stage.

1.2 The financial results for the year 1990-91 compared with the previous year are shown below:-

	1989-90	1990-91
	(Rupees in Crores)	
Capital-at-charge (excluding MTPs and Circular Railways)	14,629.45	16,125.80
Gross traffic receipts	10,739.41	12,096.49
Working Expenses	9,887.73	11,153.86
Net traffic receipts	851.68	942.63
Miscellaneous Transactions (Net)	130.39	171.15
Net Revenue	982.07	1,113.78
Dividend payable to General Revenues	808.81	926.14
Surplus(+)/ Deficit(-)	+173.26	+187.64

1.3 The total revenue receipts during the year were Rs.12451.55 crores against the estimate of Rs.12,408.04 crores.

1.4 The freight rates for goods traffic were increased by 7 per cent from 1.4.1990 to 30.9.1990 and by 10 per cent thereafter, subject to certain exceptions. The rates for luggage and parcels were also increased by 10 per cent. Passenger fares were also increased from 1.5.90. The increases were to net an additional revenue of Rs.892 crores. The estimated surplus of

Rs.186 crores was on the assumption of moving 325 million tonnes of revenue earning traffic and 3758 million passengers. As against the above estimates, the Railways moved 318.41 million tonnes and 3880.27 million passengers. The Railways have not quantified the actual additional revenue generated as a result of above measures against the anticipated additional revenue of Rs.892 crores.

The comparative position of the anticipated and revenue realised during the last five years is shown in chart 1.

1.5 The Railways paid a dividend of Rs.926.14 crores to the General Revenues. The budgeted dividend was Rs.932 crores. The Railways obtained a subsidy of Rs.283.35 crores from the General Revenues. After setting off the above subsidy from the dividend payable, the dividend paid worked out to 3.99 per cent of the capital-at-charge. The effective rate of dividend paid during the last six years is shown in chart 2.

1.6 There was a reduction in the earnings from goods traffic (Rs.16.13 crores) and increase in working expenses (Rs.62.86 crores). However, the actual surplus was more than the budget by Rs.1.64 crores due to higher earnings under `Passengers' (Rs.32.5 crores), `Sundry Earnings' (Rs.34.77 crores) and Miscellaneous receipts (Rs.22.74 crores).

1.7 The amounts of Capital-at-charge, dividend paid and surplus during the last 5 years is shown in chart 3.

2. Undischarged Liabilities

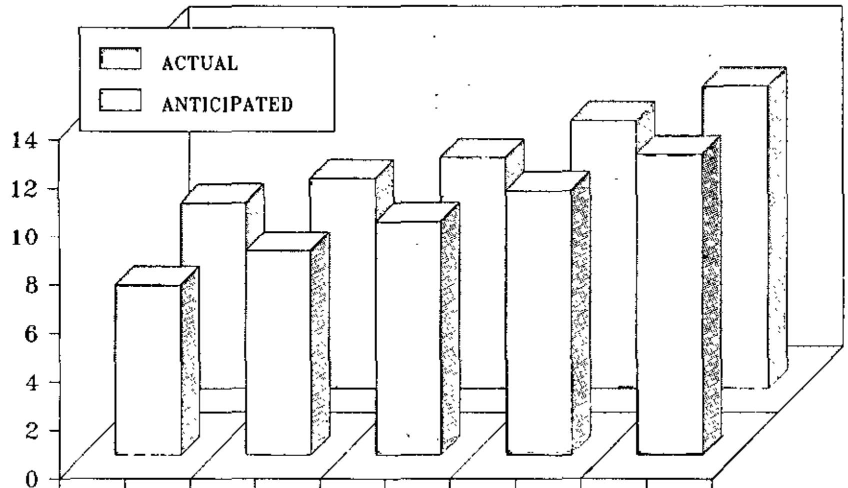
2.1 In keeping with the recommendations of the Railway Convention Committee 1977, any shortfall in the payment of current dividend, when the net revenue is not adequate to meet current dividend, is treated as deferred liability. Interest is not payable on deferred dividend. This liability which was stagnant at Rs.428.43 crores during the last five years was reduced by Rs 11.97 crores during 1990-91.

2.2 According to the recommendations of the Railway Convention Committee, in respect of new lines, a moratorium is given on the payment of interest on investment during the period of construction and for five years after a line is opened to traffic.

CHART 1

REVENUE RECEIPTS

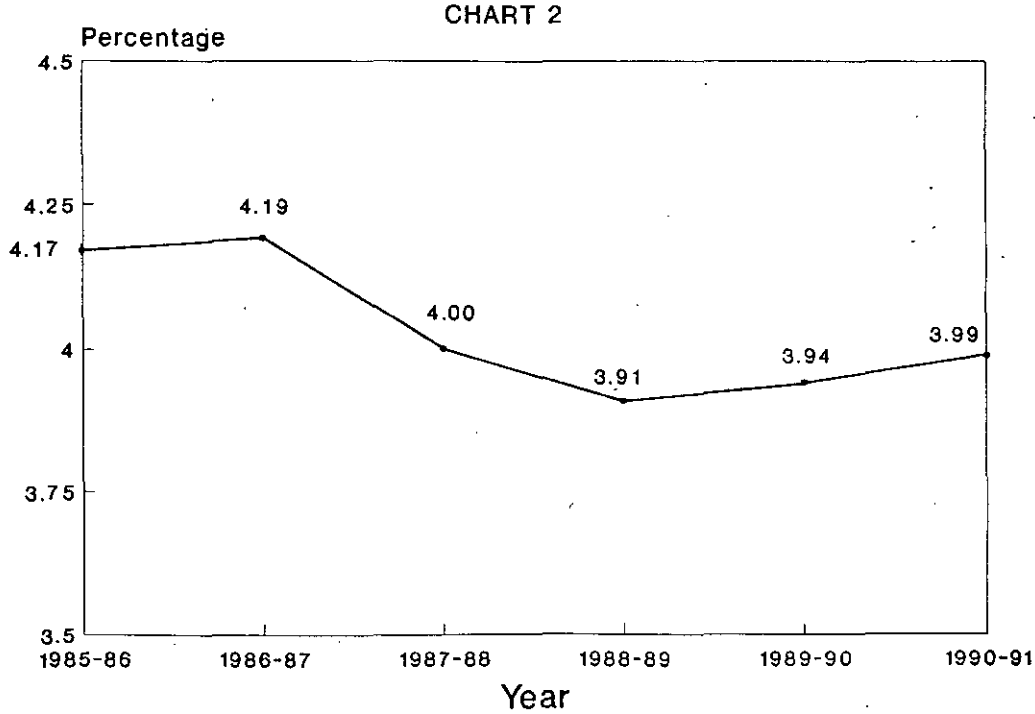
(Rs '000 crores)



	1986-87	1987-88	1988-89	1989-90	1990-91
ACTUAL	7.683	8.679	9.529	11.041	12.452
ANTICIPATED	6.997	8.418	9.663	10.923	12.408

EFFECTIVE RATE OF DIVIDEND PAID

CHART 2



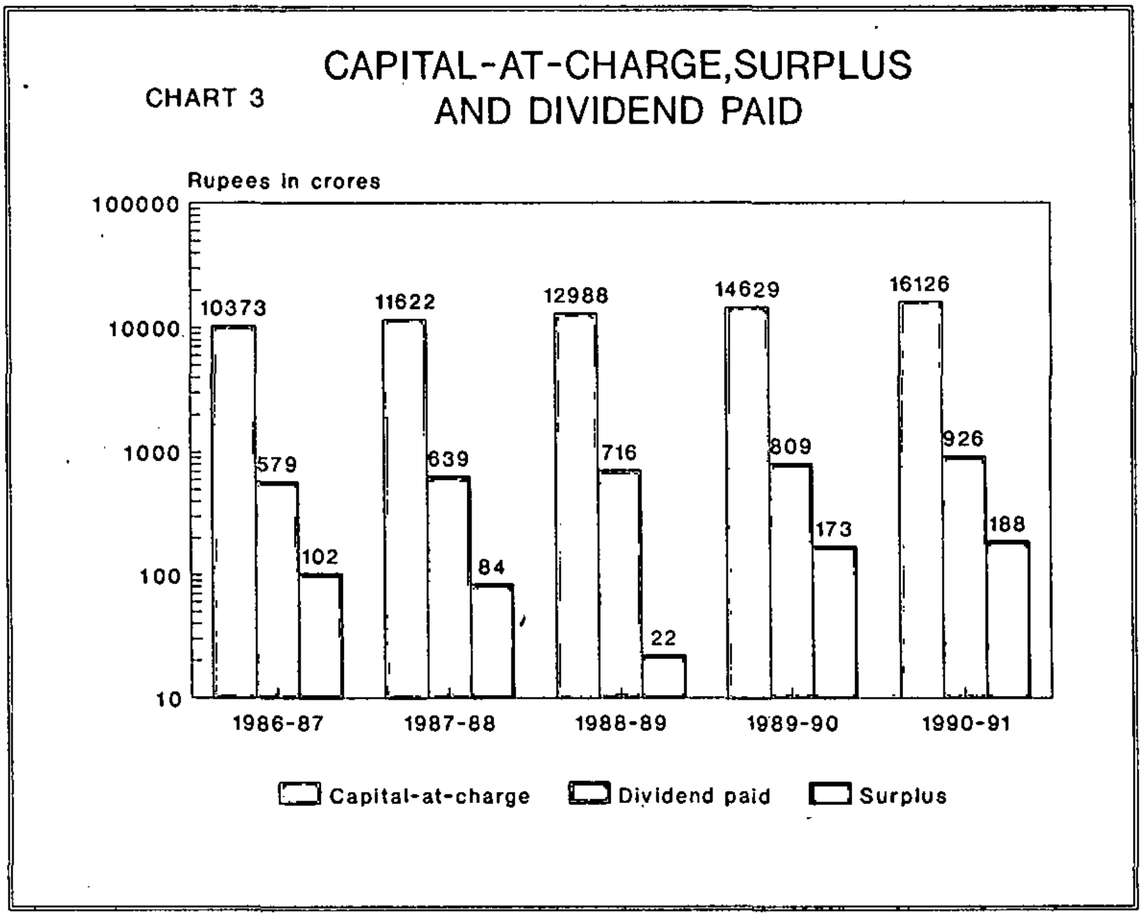


CHART 3
CAPITAL-AT-CHARGE,SURPLUS AND DIVIDEND PAID
Rupees in crores
100000
10000
1000
100
10
10373
579
102
11622
639
84
12988
716
22
14629
809
173
16126
926
188
1986-87
1987-88
1988-89
1989-90
1990-91
Capital-at-charge
Dividend paid
Surplus

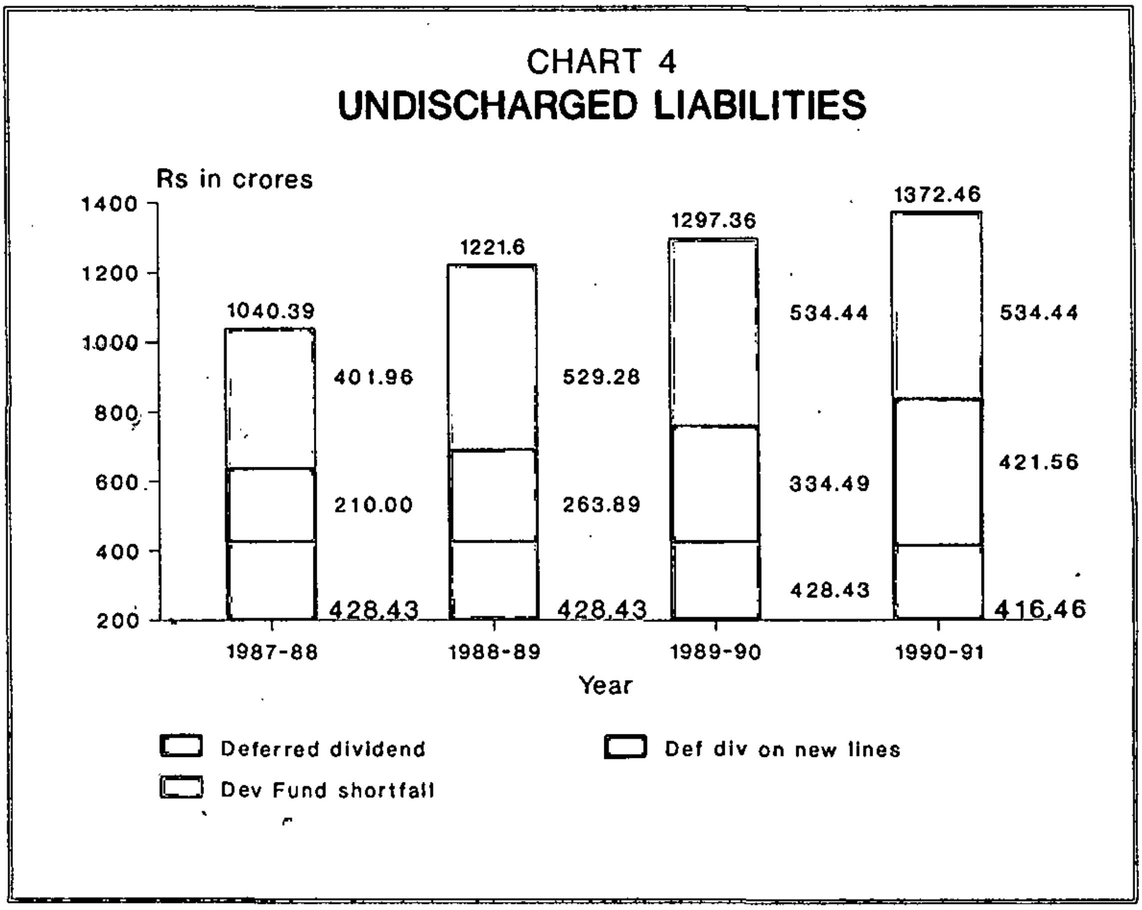


CHART 4
UNDISCHARGED LIABILITIES
Rs in crores
1400
1200
1000
800
600
400
200
1040.39
401.96
210.00
428.43
1221.6
529.28
263.89
428.43
1297.36
534.44
334.49
428.43
1372.46
534.44
421.56
416.46
1987-88
1988-89
1989-90
1990-91
Year
Deferred dividend
Def div on new lines
Dev Fund shortfall

The cumulative liability on this account is payable when the line shows a surplus after meeting current dividend. This liability is written off, if not paid within 20 years of opening of a line to traffic. The liability on this account has been increasing over the years and stood at Rs.421.56 crores on 31st March 1991.

2.3 The liability at the end of March 1991, on account of shortfall in Development Fund, remained stagnant at Rs.534.44 crores.

2.4 The comparative position of the above three liabilities is shown by the stack bar at chart 4.

3. Select Indicators

Select indicators of the financial results for the five years upto 1990-91 are given in Annexure I.

4. Goods Earnings.

The budget envisaged an additional revenue earning traffic of 14 million tonnes over the revised estimates of 1989-90. This estimate (325 Million tonnes) was scaled down to 316 million tonnes at the revised estimate stage and Railways actually moved 318.41 million tonnes in 1990-91. The percentage of goods earnings to Gross Traffic Receipts fell from 70.9 per cent in 1989-90 to 69.5 per cent in 1990-91.

Against the estimated earnings of Rs.8424 crores, the actual earnings were Rs.8407.87 crores. The earnings per tonne kilometre increased from 32.5 paise in 1989-90 to 35 paise in 1990-91 mainly due to increase in freight rates. The volume of goods traffic moved and earnings realised therefrom, compared with the estimates, during the last 5 years, is shown in chart 5.

The unrealised earnings of all types rose from Rs.356.82 crores in 1989-90 to Rs.382.23 crores at the end of March 1991. Freight outstanding of Rs.285.62 crores in 1990-91 rose by Rs.3.02 crores over 1989-90 (Rs.282.60 crores). Major portion of the freight outstanding related to Western (Rs.63.23 crores), Northern (Rs.60.33 crores), Central (Rs.60.29 crores), Eastern (Rs.54.68 crores), South Eastern (Rs.22.33 crores) and other Railways (Rs.24.76 crores). Factors such as non-payment of freight by power houses, steel plants etc. contributed to the outstandings.

Out of Rs.265.87 crores of demurrage / wharfage charges due, a sum of Rs.120.74 crores was recovered, and Rs.101.11 crores waived, leaving an unrealised balance of Rs.44.02 crores at the end of March 1991.

Demands recoverable: With a view to exhibit the amounts recoverable in respect of (i) Rent/lease of Railway land and buildings and (ii) Interest on maintenance charges on sidings in the financial accounts of the Railways, this minor head was introduced from 1.4.1988. The demands recoverable rose by Rs.11.62 crores from Rs.59.71 crores at the end of March, 1990 to Rs.71.33 crores at the end of March 1991.

5. Passenger Earnings

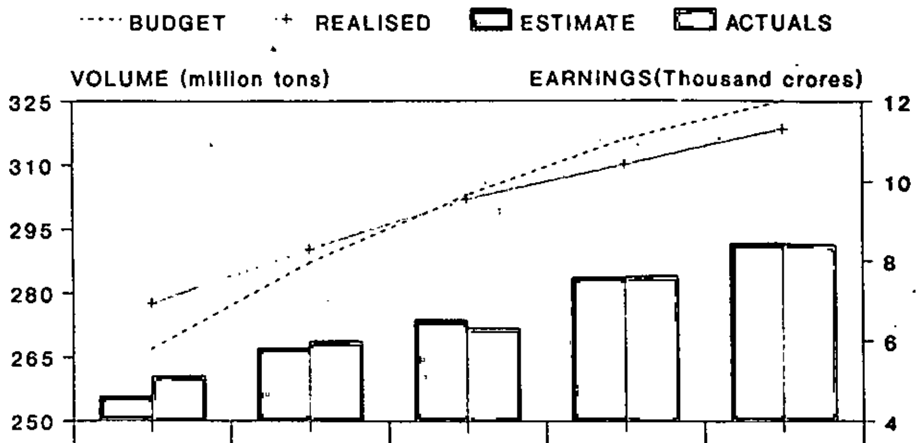
The budget envisaged a growth of 3 per cent under passenger traffic. `Other coaching' and `Sundry other earnings' were estimated to rise by 2 per cent and 4 per cent respectively. Against the above estimates, the passenger traffic increased by 5.6 per cent and the earnings (Rs.3147.5 crores) exceeded the budget by Rs.32.5 crores. Other coaching earnings of Rs.336.38 crores were more than the budget estimate by Rs.2.38 crores. Earnings per passenger kilometre increased from 9.49 paise to 10.6 paise in 1990-91 due to increase in the number of passengers and in passenger fares. The growth in the volume and earnings under `Passenger traffic' compared with the estimates is shown in charts 6 and 7.

6. Railway Funds

6.1 Development Fund (DF)

This Fund is financed by appropriation from surplus and/or loans from General Revenues. The corpus is utilised to meet expenditure on works relating to amenities for users of Railway transport, labour welfare works and unremunerative operating improvement works and also for paying interest on loans taken from General Revenues. During 1990-91, out of Rs.175.67 crores appropriated to the Fund, the component for financing development works was Rs.122.23 crores and the balance of Rs.53.44 crores was used for interest payment. No repayment of loans to General Revenues, which had accumulated to Rs.534.44 crores, had been

CHART 5
GOODS TRAFFIC-VOLUME & EARNINGS



	1986-87	1987-88	1988-89	1989-90	1990-91
BUDGET	267	287	303	316	325
REALISED	277.75	290.21	302.05	309.97	318.41
ESTIMATE	4.626	5.819	6.529	7.611	8.424
ACTUALS	5.133	5.982	6.343	7.624	8.408

YEAR

CHART 6
PASSENGER TRAFFIC-VOLUME

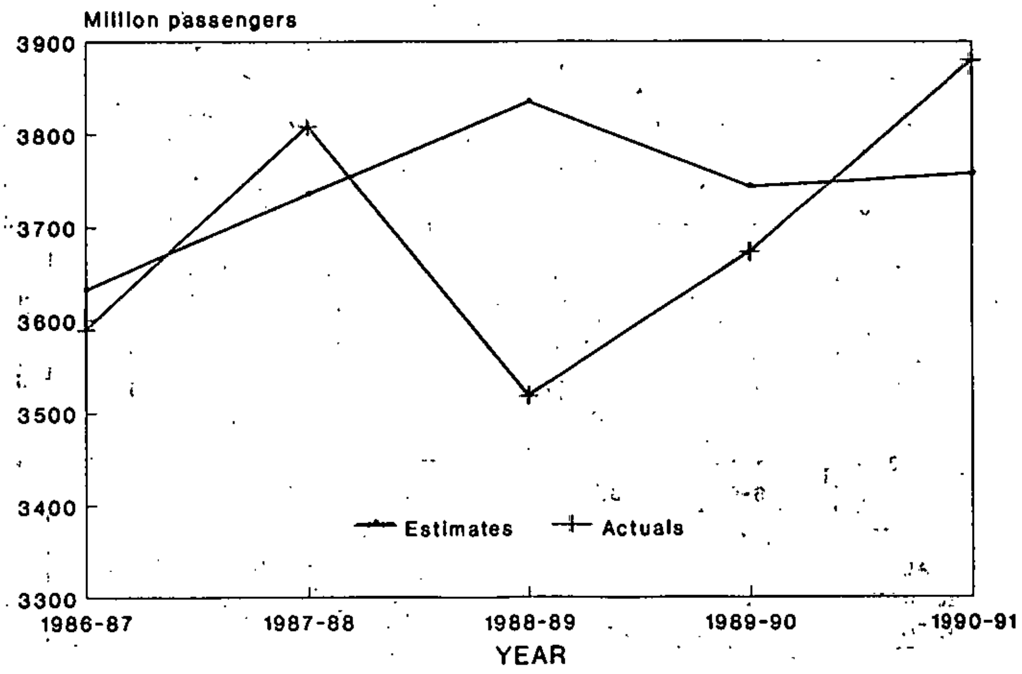
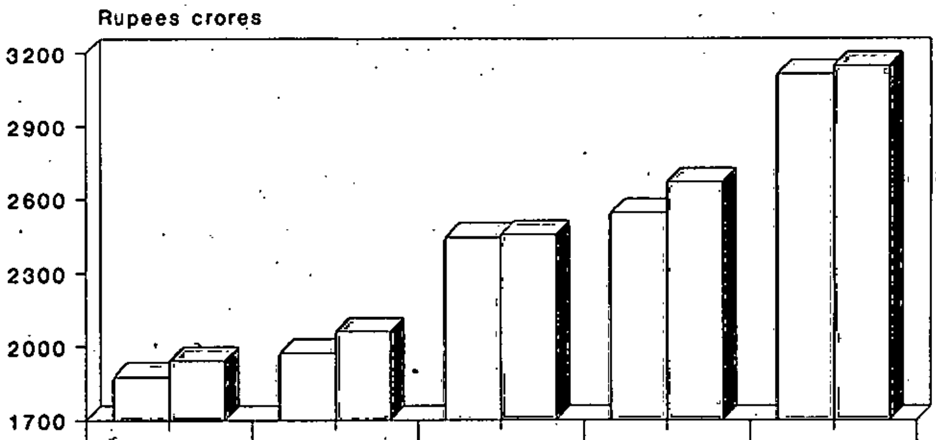


CHART 7
PASSENGER EARNINGS



	1986-87	1987-88	1988-89	1989-90	1990-91
Estimate	1876	1973	2446	2544	3115
Actual	1940.96	2060.06	2455.5	2668.92	3147.5

YEAR

Estimate Actual

made in the last 23 years, ever since the first loan was taken in 1967-68.

6.2 Depreciation Reserve Fund (DRF)

For replacement of assets, a Depreciation Reserve Fund is maintained which is financed by transfers from Revenues.

In paragraph 2 of chapter I of the Report of the Comptroller and Auditor Genneral of India - Union Government (Railways) for 1979-80, it was, inter-alia, brought out that the quantum of contribution to the Depreciation Reserve Fund was not adequate and did not take into account the needs for replacement of over-aged assets. This had resulted in the accumulation of arrears in replacement of assets, increase in the percentage of over-aged plant and machinery in the workshops/production units and continued retention of locos and wagons on line. Railways had to incur more expenditure on repairs and maintenance and impose speed restrictions which in turn affected their financial position.

The Railway Reforms Committee, May 1981 cautioned against scaling down the contributionn to DRF and advised the Railways to conduct a detailed review of the precise effects of past policies, identify the policy changes and seek the Committee's approval for the special measures required.

In response to these recommendations the allocation to DRF in the last five years was increased and Rail India Techinical and Econimic Services (RITES) were appointed to carry out the recommended review. This review was completed in September 1987.

The recommendations made by RITES in September 1987 have not yet been considered and the views of Government not placed before the Railway Convention Committee.

The opening balance in the Fund was Rs.725.76 crores and Rs.1970.65 crores was contributed during the year 1990-91. An amount of Rs.50.44 crores was credited as interest on the fund balance during the year. Expenditure on renewals and replacements was Rs.1870.22 crores, leaving a balance of Rs.876.63 crores on 31 March 1991.

6.3 Pension Fund

The Fund, consituted in 1964, for meeting expenditure on pensionary benefits to retiring railway employees was to be financed on the basis of actuarial calculations so that the Fund has adequate balance to meet estimated liability on this account. After 1974, there was no actuarial assessment and the contribution to the Fund continued to be with reference to the trend of actual withdrawals. The appropriation from revenue and capital amounted to Rs.984.42 crores during 1990-91. The withdrawals during 1990-91 amounted to Rs.892.40 crores, leaving a balance of Rs.116.43 crores as on 31 March 1991.

6.4 Accident Compensation, Safety and Passenger Amenities Fund

This Fund was set up on 1 April 1974 to meet payments necessitated by accident compensation and expenditure on works of passenger amenities and operational improvements connected with safety of travel. Against the appropriation from revenue of Rs.64.57 crores during 1990-91, withdrawals were Rs.63.63 crores compared to Rs.56.46 crores during 1989-90.The balance in the Fund as on 31 March 1991 was Rs.52.87 crores.

7. Leasing of rolling stock

Indian Railway Finance corporation (IRFC), a wholly owned Government company under the Ministry of Railways, was set up for mobilising resources by floating Railway bonds. The proceeds of the bond were utilised for acquiring rolling stocks (assets) required by the Railways. Railways are required to pay a leasing charge.

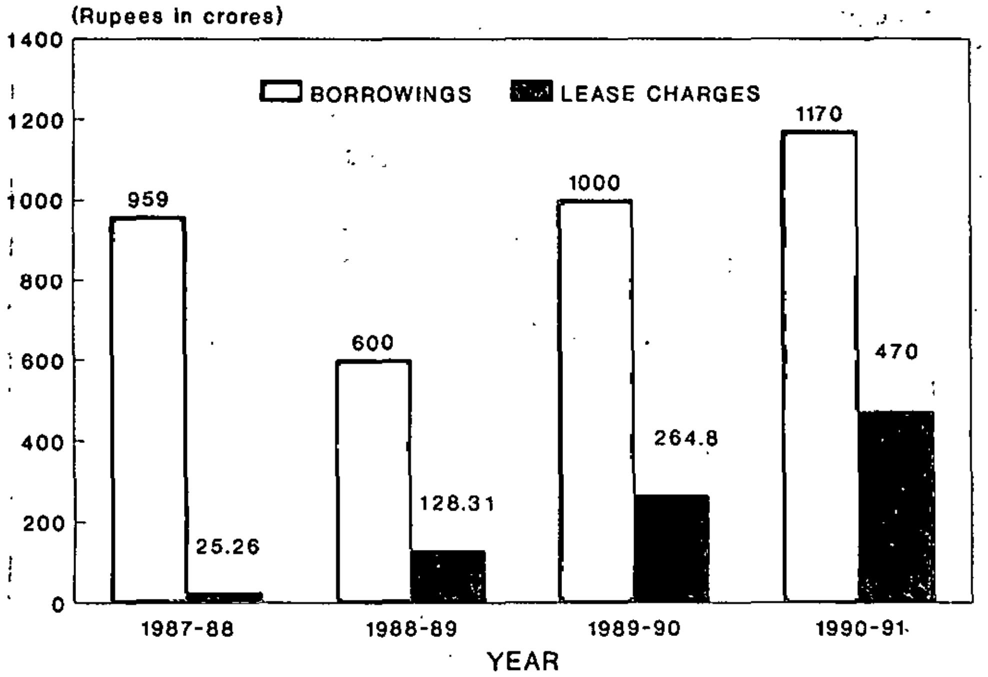
The terms of the lease agreement between IRFC and the Ministry of Railways are yet to be finalised. A comment on the non-finalisation of the lease agreement was incorporated in para 7.2 of the CAG's Report for 1989-90 and also in the earlier reports. The amounts borrowed from IRFC, and the lease rental paid by the Railways during the last four years are shown in chart 8. As can be seen therefrom, the expenditure on account of lease charges has been going up from year to year with the increase in borrowings. The lease rentals are charged to Grant No.9 - Operating expenses - Traffic and would increase the working expenses of the Railways substantially in the years to come.

8. Operating Ratio

The percentage of working expenses to earnings is the Operating Ratio worked out for each Railway. It is an index of the profitability of railway's operations and a ratio above one hundered indicates losses. Out of nine Railways and Metro Railway Calcutta , five showed profits while others

CHART 8

BORROWINGS FROM IRFC



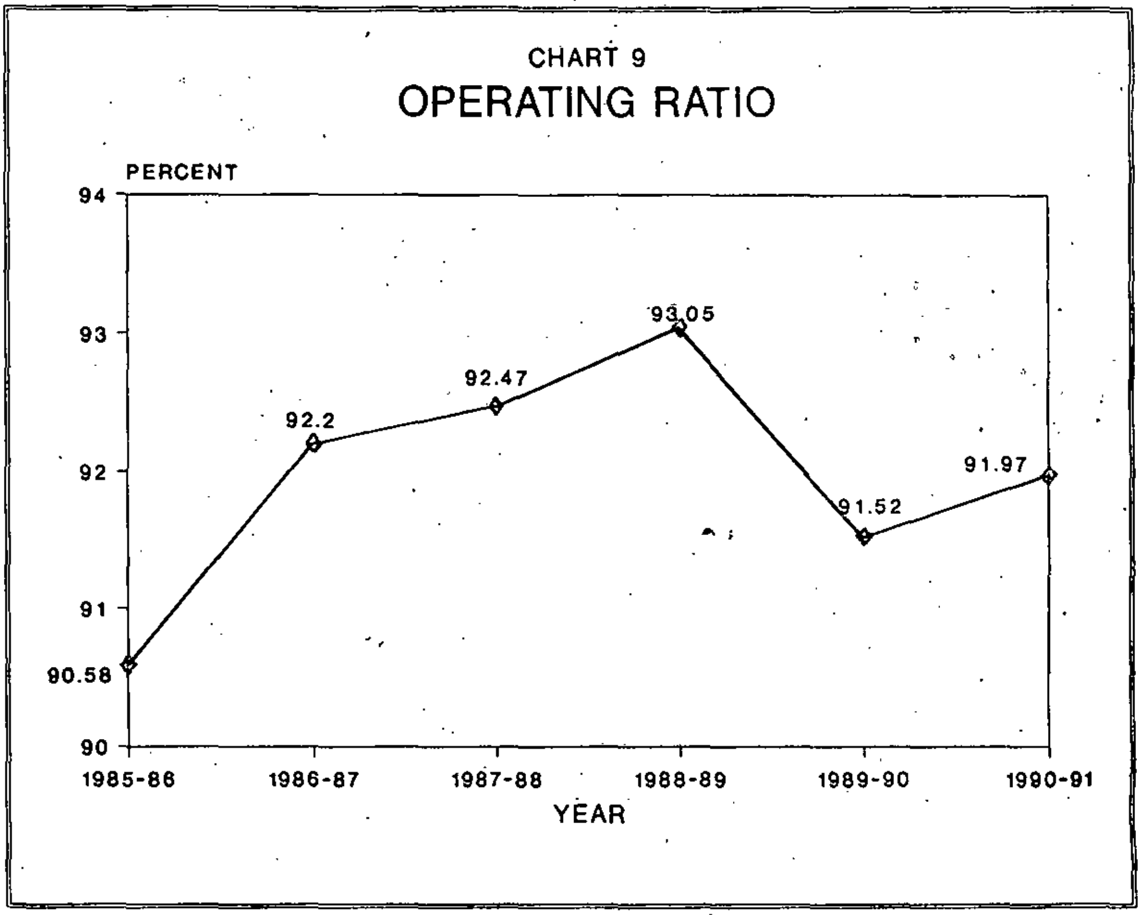


CHART 9
OPERATING RATIO
PERCENT
94
93
92
91
90.58
90
93.05
92.2
92.47
91.52
91.97
1985-86
1986-87
1987-88
1988-89
1989-90
1990-91
YEAR

continuously incurred losses. The overall ratio increased marginally from 91.52 in 1989-90 to 91.97 in 1990-91. Thus, despite increase in the rates of goods traffic, luggage and parcels and passenger fares, the operating ratio has not improved suggesting a disproportionately higher increase in working expenses. The operating ratio during the last 6 years is shown in chart 9.

9. Revenue expenditure

The increase in Revenue expenditure to Rs.11337.77 crores in 1990-91 from Rs.10059.19 crores in the previous year was mainly due to increase in ordinary working expenses (Rs.789.17 crores), and in appropriation to Depreciation Reserve Fund (Rs.235 crores), Pension Fund (Rs.241.96 crores), Miscellaneous Expenditure, including contribution to Accident Compensation, Safety and Passenger Amenities Fund (Rs.12.45 crores). The increase in ordinary working expenses was due to increase in salaries and allowances, prices of fuel and other materials, repair costs and lease charges payable to Indian Railway Finance Corporation on the assets leased from them. Ordinary working expenses have risen by 13.09 per cent and 10.60 per cent in 1989-90 and 1990-91 over 1988-89 and 1989-90 respectively as detailed in Table below:

Grant number	Name	Amount (Rupees in crores)			Percentage increase/decrease	
		1988-89	1989-90	1990-91	1989-90	1990-91
3.	General Superintendance and Services	391.07	436.95	462.56	11.73	5.86
4.	Repairs and Maintenance of Permanent Way & Works	806.98	879.48	929.48	8.98	5.69
5.	Repairs and Maintenance of Motive Power	602.29	693.30	741.29	15.27	6.83
6.	Repairs and Maintenance of Carriage and wagons	804.83	927.43	984.13	15.23	6.11
7.	Repairs and Maintenance of Plant and Equipment	419.21	475.45	483.45	13.42	1.68
8.	Operating-Expenses-Rolling Stock and Equipment	657.84	719.01	760.09	9.30	5.71
9.	Operating Expenses-Traffic	933.48	1154.70	1402.00	23.70	21.42

Grant number	Name	Amount (Rupees in crores)			Percentage increase/decrease	
		1988-89	1989-90	1990-91	1989-90	1990-91
10.	Operating Expenses-Fuel	1339.73	1481.43	1699.60	10.58	14.73
11.	Staff Welfare and Amenities	283.39	312.15	339.01	10.15	8.60
12.	Miscellaneous Working expenses including Suspense-excluding Accident Compensation	340.55	360.33	425.80	5.81	18.17
13.	Provident Fund, Pension and other retirement benefits (Net)*	3:62	3.90	6.49	7.73	66.41
	Total-Ordinary Working Expenses (Grant No.3 to 13 excluding suspense)	6582.99	7444.73	8233.90	13.09	10.60

*(Represents amount under Gratuity only)

10. Plan (Capital) expenditure

10.1 The Plan (Capital) Expenditure for 1990-91 was Rs.3722.78 crores, as against the outlay of Rs.3830.00 crores. An analysis of the expenditure showed that the moneys spent on acquisition of new assets out of borrowed capital were lower than the previous year. More money was spent on renewals and replacement from the Depreciation Reserve Fund. These details are given in Table below:

	Sources of finance	Budget Estimate 1990-91	Actual Expenditure 1990-91
		(Rupees in Crores)	
1.	Borrowed capital from General Revenues	1694.00	1631.86
2.	Internal Resources		
(i)	Depreciation Reserve Fund	1820.00	1870.22
(ii)	Development Fund	186.00	122.23
(iii)	Accident Compensation, Safety and Passenger Amenities Fund	80.00	61.02
(iv)	Open Line Works Revenue	50.00	37.45
	Total (Internal Resources)	2136.00	2090.92
	Grand Total	3830.00	3722.78

Two supplementary grants were obtained by the Ministry of Railways under Grant 16-Assets-Acquisition, Construction and Replacement- and the difference between the final grant and the actual expenditure under various plan heads was as under:

Sl.No.	Plan Heads	Grant/ Appro- priation	Final Expendi- ture	Actual (+)Excess (-)Savings	Variation
			(Rupees. in crores)		
(a)	New Lines (Construction)	V	277.84	280.14	(+)2.30
		C	1.41	.75	(-).66
(c)	Resoration of dismantled Lines	V	13.03	13.05	(+).02
(d)	Gauge Conversion	V	88.38	88.54	(+).16
		C	.02	.01	(-).01
(e)	Doubling	V	282.19	274.92	(-)7.27
		C	0.12	0.09	(-)0.03
(f)	Traffic Facilities and others	V	179.81	170.90	(-)8.91
		C	1.16	0.03	(-)1.13
(g)	Computerisation	V	46.10	41.41	(-)4.69
(h)	Railway Research	V	5.43	4.44	(-)0.99
(i)	Rolling Stock	V	764.56	816.84	(+)52.28
(j)	Track Renewals	V	1089.47	1108.17	(+)18.70
		C	0.03	0.02	(-)0.01
(k)	Bridge Works	V	73.75	67.32	(-)6.43
(l)	Signalling and Tele-communication Works	V	133.43	127.12	(-)6.31
		C	0.07	0.10	(+)0.03
(m)	Taking over of line wires from P&T	V	0.19	0.20	(+)0.01
(n)	Electrification Projects	V	235.10	233.54	(-)1.56
		C	0.01	0.01	Nil
(o)	Other Electical Works	V	58.14	55.58	(-)2.56
(p)	Machinery & Plant	V	114.95	90.67	(-)24.28
(q)	Workshops including Production Units	V	230.99	203.08	(-)27.91
		C	0.08	0.08	Nil
(r)	Staff Quarters	V	36.27	32.50	(-)3.77
		C	0.03	0.03	Nil
(s)	Amenities for Staff	V	32.94	27.25	(-)5.69
(t)	(i)Passenger Amenities	V	27.10	20.82	(-)6.28
	(ii)Other Railway User's amenities	V	0.05	0.04	(-)0.01
(u)	Investments in Govt. Public Sector Undertakings	V	85.00	80.33	(-)4.67
(v)	Other Specified Works	V	30.44	24.86	(-)5.58
		C	Nil	0.02	0.02
(w)	Stores Suspense	V	1826.39	2047.68	(+)221.29
		C	0.01	0.01	Nil
(x)	Manufacturing Suspense	V	1950.54	1943.37	(-)7.17
		C	0.03	0.02	(-)0.01
(y)	Misc. Advances (Capital)	V	223.50	211.14	(-)12.36
(z)	Metropolitan Transport Projects	V	134.23	134.89	(+)0.66
		C	1.53	1.76	(+)0.23

Total:Capital+Funds+O.L.W.R.	V	7939.82	8098.80	(+)158.98
	C	4.50	2.93	(-)1.57

Provision of Rs.357.78 crores for new lines in the budget was scaled down to Rs.279.25 crores by re-appropriation within the grant. The actual expenditure was Rs.280.89 crores. The physical target achieved was 107 route kilometres as against the target of 300 route kilometres for the year.

Provision of Rs.1092.77 crores for 'Track Renewals' was reduced to Rs.1089.51 crores by re-appropriation within the grant. The actual expenditure was more by Rs.18.69 crores. The physical targets achieved were 2,709 track kilometres of primary and 902 track kilometres of secondary track renewals as against the target of 2,950 and 550 track kilometres respectively for the year.

11. Budgetary control

11.1 The number of demands voted was sixteen and the number of charged appropriations was twelve. The number of supplementary demands voted was six and supplementary charged appropriations eight.

11.2 Gross expenditure was more than the amount approved by the Parliament. Particulars of grants and charged appropriations of 1990-91 together with supplementary grants/appropriations and expenditure incurred are given in the table below:

	1989-90		1990-91	
	Voted	Charged	Voted	Charged
	(Rupees in Crores)			
Original Grants/ Appropriations	18891.17	13.67	21302.27	12.50
Supplementary Grants/ Appropriations	412.12	0.33	303.69	4.12
Total Grants/ Appropriations	19303.29	14.00	21605.96	16.62
Total Disbursement	19413.26	4.79	21718.23	8.04
Saving(-)/Excess(+)	(+)109.97	(-)9.21	(+)112.27	(-)8.58
Percentage of Excess(+)/Saving(-)	(+)0.57	(-)65.79	(+)0.52	(-)51.62

11.3 Excess over grants

The aggregate excess of Rs.112.27 crores in the grants was the net result of an excess of Rs.273.07 crores under seven grants and saving of Rs.160.81 crores under 11 grants. The excess requiring regularisation under Article 115 of the constitution is Rs.273.07 crores. Grantwise analysis of excess is given in the succeeding paragraphs.

(i) Grant No.9 - Operating Expenses - Traffic

	(Rupees)
Original Grant	13,94,75,47,000
Final Grant	13,94,75,47,000
Actual Expenditure	14,16,80,58,914
Excess	22,05,11,914
Percentage	1.58

The excess of Rs.22.05 crores is made up of the amounts spent in excess under the subheads `Other Miscellaneous Expenses' (Rs.40.25 crores), `Station Operation' (Rs.1.55 crores), `Train Operation' (Rs.0.88 crores), partly off-set by savings under sub-heads `Establishment in offices' (Rs.1.65 crores), `Yard Operation' (Rs.0.96 crore), `Transhipment and repacking Operations (Rs.0.17 crore) and `Safety' (Rs.0.16 crore). An amount of Rs.17.69 crores was surrendered by re-appropriation within the grant. The excess mainly occurred on Eastern (Rs.23.24 crores), Southern (Rs.10.79 crores), Western (Rs.9.25 crores), South Central (Rs.7.40 crores), Eastern (Rs.3.16 crores) , North Eastern (Rs.2.62 crores) and aggregate of excess on other Railways (Rs.0.69 crore) partly offset by savings on Central (Rs.9.44 crores) and Northeast Frontier Railway (Rs.7.98 crores) .

(ii) Grant No.10- Operating Expenses - Fuel

	(Rupees)
Original Grant	16,01,28,85,000
Supplementary Grant	1,22,45,07,000
Final Grant	17,23,73,92,000
Actual Expenditure	17,24,79,35,056
Excess	1,05,43,056
Percentage	0.06

A supplementary grant for Rs.122.45 crores was obtained to provide for the hike in the cost of Diesel Oil (Rs.145.37 crores) and Power Tariff (Rs.6.67 crores), partly off-set by decrease under Steam Traction (Rs.29.59 crores). The supplementary grant proved inadequate by Rs.1.05 crores.

The excess of Rs.1.05 crores occurred under the sub-head `Diesel Traction' (Rs.5.28 crores), partly offset by savings under sub-heads `Steam Traction' (Rs.2.48 crores) and `Electric Traction' (Rs.0.22 crore). An amount of Rs.1.53 crores was surrendered by re-appropriation within the grant.

The excess mainly occurred on Central (Rs.9.56 crores), South Eastern (Rs.5.23 crores), Western (Rs.2.90 crores), South Central (Rs.1.13 crores) and Southern (Rs.0.76 crores) Railways partly offset by savings on Northern (Rs.9.43 crores), Eastern (Rs.6.50 crores), North Eastern (Rs.0.67 crore), Northeast Frontier (Rs.0.37 crore) and Metro Railway, Calcutta (Rs.0.03 crore).

(iii) Grant No.13 - Provident Fund, Pension and Other Retirement Benefits

	(Rupees)
Original Grant	8,40,47,29,000
Supplementary Grant	41,67,49,000
Final Grant	8,82,14,78,000
Actual Expenditure	9,01,21,05,626
Excess	19,06,27,626
Percentage	2.16

A supplementary grant of Rs.41.67 crores was obtained in March 1991 mainly for Superannuation and Retiring Pension (Rs.21.69 crores), Commuted Pension (Rs.3.68 crores), Family Pension (Rs.10.78 crores), D.C.R.G. (Rs.2.28 crores), Other Allowances, Other Pension and Other Expenses (Rs.2.53 crores) and Ex-gratia Pension (Rs.0.13 crore). The suplementary grant proved inadequate by Rs.19.06 crores.

The excess of Rs.19.06 crores was chiefly under sub-heads Superannuation and

Retiring Pension (Rs.16.44 crores), Family Pension (Rs.3.12 crores), Commuted Pension (Rs.2.78 crores), Gratuities and Special Contribution to Provident Fund (Rs.1.06 crores) and Other Allowances, Other Pension and Other Expenses (Rs.0.24 crores) partly offset by savings under sub-heads D.C.R.G. (Rs.4.55 crores); Ex-gratia Pension (Rs.0.02 crore) and Contribution to Provident Fund (Rs.0.01 crore).

(iv) Grant No.14 - Appropriation to Funds

	(Rupees)
Original Grant	31,08,25,00,000
Final Grant	31,08,25,00,000
Actual Expenditure	31,65,24,15,640
Excess	56,99,15,640
Percentage	1.83

The excess of Rs.56.99 crores was chiefly due to more appropriation to Pension Fund (Rs.70.00 crores) and more surplus appropriated to Development Fund (Rs.20.67 crores). An amount of Rs.33.25 crores was surrendered by re-appropriation within the grant and savings of Rs.0.43 crore under Accident Compensation, Safety and Passenger Amenities Fund (ACSPF).

11.4 Persistent Excesses

A comment on the persistent excesses under Grant No.13 during the years 1985-86 to 1989-90 was made vide paragraph 10.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990.

The Public Accounts Committee (1990-91) vide paragraph 2.6 of their 11th Report (9th Lok Sabha) had desired the Ministry of Railways to streamline the system and creation of a reliable computerised data base for the purpose of framing of budget for pensionary charges. Consequently, Ministry of Railways decided to introduce comprehensive computerised pension accounting system. It is observed that the excess occurred in 1990-91 also.

	Final Grant	Actual Expenditure	Excess	Percentage
		(Rupees)		
(a) Superannuation Pension and Retiring Pension	431.18	447.62	16.44	3.81
(b) Family Pension	112.48	115.60	3.12	2.77

11.5 Excess Over Appropriation

An excess of Rs.0.32 lakhs, attributable to more decretal payments, requiries regularisation under Article 115 of the constitution, as detailed below:

Appropriation No.11 - Working Expenses - Staff Welfare and Amenities

	(Rupees)
Original Appropriation	67,000
Supplementary Appropriation	31,000
Final Appropriation	98,000
Actual Expenditure	1,30,327
Excess	32,327
Percentage	32.99

Supplementary Appropriation of Rs.0.31 lakhs proved inadequate by Rs.0.32 lakhs.

11.6 Savings

In 11 Grants, the actual expenditure fell short of the final grant by Rs.160.81 crores, as shown below:

No. & Name of the grant	Original Grant	Supple-mentary Grant	Final Grant	Actual Expen-diture	Savings	Perce-ntage
	(Rupees in Crores)					
1.Railway Board	10.11	0.85	10.96	10.67	0.29	2.65
2.Miscellaneous Expenditure (General)	67.17	10.00	77.17	67.08	10.09	13.08
3.General Super-intendence and Services	471.69	-	471.69	464.71	6.98	1.48
4.Repairs and Maintenance of Permanent Way	975.96	-	975.96	951.19	24.77	2.54

No. & Name of the Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Savings	Percentage
		(Rupees in Crores)				
5.Repairs and Maintenance of Motive Power	770.67	-	770.67	764.63	6.04	0.78
6.Repairs and Maintenance of Carriage and Wagons	1042.32	-	1042.32	1032.74	9.58	0.92
7.Repairs and Maintenance of Plant and Equipment	523.26	-	523.26	490.29	32.97	6.30
8.Operating Expences Rolling Stock and Equipment	810.68	-	810.68	790.43	20.25	2.50
11.Staff Welfare and Amenities	348.69	-	348.69	339.69	9.00	2.58
12.Miscellaneous Working Expenses	536.69	-	536.69	508.38	28.31	5.27
16.Assets-Acquisition Construction and Replacement - Open Line Works Revenue	50.04	-	50.04	37.51	12.53	25.04
Total	5607.28	10.85	5618.13	5457.32	160.81	2.86

11.7 Major Savings

In the following Grants the Original Grant proved to be higher involving major savings:

(i) Grant No.2 - Miscellaneous Expenditure (General):

Against the budget provision of Rs.77.17 crores, the actual expenditure amounted to Rs.67.08 crores. The final grant proved excess by Rs.10.09 crores (13.08 per cent). Thus the whole of the Supplementary grant of Rs.10 crores obtained at the fag end of the year (March 1991) was not necessary.

The savings were mainly under the sub-heads `Miscellaneous Establishment' (Rs.6.68 crores), `Survey' (Rs.1.71 crores), `Miscellaneous Charges' (Rs.1.08 crores), `Research, Designs and Standards Organisation' (Rs.0.51 crore). The maximum saving was on Northern Railway (Rs.3.62 crores), followed by Southern Railway (Rs.2.36 crores) and Central Railway (Rs.1.51 crores).

(ii) Grant No.7 - Repairs and Maintenance of Plant and Equipment

Against the budget provision of Rs.523.26 crores, the actual expenditure amounted to Rs.490.29 crores. The final grant proved in excess by Rs.32.97 crores (6.30 per cent).

The savings were mainly under the heads `Plant and Equipment - Electrical' (Rs.5.61 crores), `Rental to P & T and S & T circuits' (Rs.3.90 crores), `Plant & Equipment - Mechanical' (Rs.2.02 crores), `Other Plant & Equipment - Commercial and Traffic Department' (Rs.1.73 crores) and `Plant & Equipment - Signalling' (Rs.1.39 crores). The savings occurred mainly on South Eastern (Rs.4.72 crores), Central (Rs.3.47 crores), Eastern (Rs.3.28 crores), Western (Rs.2.91 crores), South Central (Rs.1.92 crores), Northern (Rs.1 crore) and Southern (Rs.0.59 crore) Railways.

(iii) Grant No.12 - Miscellaneous Working Expenses

Against the budget provision of Rs.536.69 crores, the actual expenditure amounted to Rs.508.38 crores. The final grant proved in excess by Rs.28.31 crores (5.27 per cent).

The savings were mainly under the heads `Miscellaneous Advances - Revenue (Compensation Claims)' (Rs.15.57 crores), `Compensation Claims' (Rs.11.77 crores), `Cost of training of staff' (Rs.3.31 crores), `Security' (Rs.3 crores), `Workmens' & Other Compensation Claims' (Rs.1.16 crores) and `Other Expenses' (Rs.0.98 crore). The savings mainly occurred on South Eastern (Rs.7.83 crores), Central (Rs.7.23 crores), Western (Rs.5.42 crores), North Eastern (Rs.2.37 crores), South Eastern (Rs.1.97

crores) and Eastern (Rs.0.73 crore) Railways.

11.8 Control over Expenditure

The following are some instances where budgetary control proved inadequate.

(i) Reappropriation:

In the following cases re-appropriations made were un-necessary.

Grant No. and sub-head	Sanctioned grant	Amount Re-Appropriated	Final Grant	Actual Expenditure	Excess(+)/ Savings(-)
		(Rupees in Crores)			
2.(c) Miscellaneous Establishment	24.82	3.07	27.89	21.21	(-)6.68
3.(f) Rolling Stock Management	24.51	0.60	25.11	24.52	(-)0.59
4. (b) Maintenance of P. Way	600.30	(-)2.62	597.68	604.48	6.80
6. (c) Wagons	418.16	(-)15.57	402.59	414.77	12.18
9. (g) Other Miscellaneous Expenses	439.30	(-)3.22	436.08	476.33	40.25
12. (b) Compensation Claims	112.97	8.35	121.32	109.55	(-)11.77
(c) Workmen's Compensation & other Claims	5.28	0.66	5.93	4.78	(-)1.15
(e) Cost of training of staff	32.70	0.80	33.50	30.20	(-)3.30
13. (b) Commuted Pension	156.48	(-)2.85	153.63	156.41	2.78
16 Capital (s) Amenities for staff Funds	11.27	1.01	12.28	9.69	(-)2.59

Grant No. and sub-head	Sanctioned grant	Amount Re-Appropriated	Final Grant	Actual Expenditure	Excess(+)/ Savings(-)
		(Rupees in Crores)			
(j) Track Renewals	1092.73	(-)3.26	1089.47	1108.10	18.63
(p) Machinery and Plant	68.58	22.39	90.97	73.32	(-)17.65
(v) Other Specified Works	19.25	0.45	19.70	15.53	(-)4.17

(ii) Supplementary Grants:

Supplementary Grants agregating Rs.303.69 crores were obtaied in March, 1991 as indicated below :

No. and Name of Grant	Original	Supplementary	Total	Actual Expenditure	Savings(-) Excess(+)
			(Rupees in Lakhs)		
1. Railway Board	10.11	0.85	10.96	10.67	(-)0.29
2. Miscellaneous Expenditure (General)	67.17	10.00	77.17	67.08	(-)10.09
10. Operating Expenses (Fuel)	1601.29	122.45	1723.74	1724.79	1.05
13. Provident Fund, Pension and other Retirement Benefits	840.47	41.68	882.15	901.21	19.06
16 (i) Capital	5445.30	102.48	5547.78	5717.02	169.24
(ii) Railway Funds	2315.77	26.24	2342.01	2344.27	2.26

While the supplementary grants obtained in respect of Grants 10, 13 and 16 proved inadequate, the funds obtained in respect of grants 1 and 2 remained partially/wholly unutilised.

(iii) Surrender of funds:

A sum of Rs.150.75 crores was surrendered by re-appropriation under thirteen grants, out of a total budget provision of Rs.21302.27 crores and Rs.3.61 crores in 5 Appropriations out of a total budget provision of Rs.12.49 crores. Out of the thirteen grants, the actual expenditure exceeded the final grants in respect of the following four grants.

No. and name of grant	Original grant	Supplementary grant	Surrender	Final grant	Actual Expenditure	Excess
			(Rupees in Crores)			
9. Operating Expenses-Traffic	1394.75	-	17.69	1377.06	1416.81	39.75
10. Operating Expenses-Fuel	1601.29	122.45	1.53	1722.21	1724.79	2.58
14. Appropriation to Funds	3108.25	-	33.25	3075.00	3165.24	90.24
15. Divident to General Revenues	989.15	-	7.37	981.78	991.55	9.77

The requirement of funds was not assessed on a realistic basis.

12. Other points of interest

12.1 Outstanding Audit Objections

Financial irregularities and defects noticed during central and local audit are included in the Test Audit Notes/Inspection Reports/Special Letters issued to the departmental officers for necessary action. The Financial Advisers and Chief Accounts Officers to whom copies of such communications are endorsed watch the expeditious settlement of these audit objections. Settlement of 3983 audit objections issued upto 31 March 1991 was pending on 31 August 1991. The money value of objections was Rs.1654.10 crores. The details are given in Annexure II. Objections pending settlement for over three years as on 31 August 1991 were 981 with a money value of Rs.275.99 crores. Some of the objections were outstanding since 1974-75.

12.2 Recoveries at the instance of audit

During 1990-91 Rs.13.62 crores were recovered or agreed to be recovered at the instance of Audit (excluding Eastern Railway). Further an amount of Rs.0.86 crore was also recovered as a result of review on the basis of audit objections.

12.3 Cheques and bills

The system of Railway accounts provides for credit to a suspense head `Cheques and Bills' as soon as cheques for payament are issued. Later when banks make payment against the cheques, the head is debited. The balance under this head should, therefore, represent mainly the total value of uncashed cheques. The system also envisages that the balance under `Cheques and Bills' should be reviewed and reconciled half yearly and the amounts relating to cheques remaining uncashed for more than six months after the dates of issue should be cleared from this suspense head treating them as Railway earnings. The suspense head continued to show substantial balances which stood at Rs.323.80 crores as on 31 March 1991.

12.4 Inventory turn-over ratio

The main criterion for judging the efficiency of inventory management is the turn-over ratio i.e., the percentage of stores balances at the end of the year to the total issues during the year. The Railway Board in December 1985, desired that the Railways should improve the inventory turn over ratio and achieve an all Railways figure of 27 per cent by the end of Seventh Plan i.e., by end of 1989-90. The turnover ratio achieved by the Railways in 1990-91 was 33.56 per cent, as against 32 per cent in 1989-90. The turn-over ratio achieved during the last 5 years is shown in Chart 10.

12.5 On-going Railway line projects

The Public Accounts Committee in their 137th Report (Seventh Lok Sabha) recommended that the Railways should take a policy decision to start only such projects which could be completed within the available funds and the target date of the project should be strictly adhered to.

Instances of delays in the execution of the projects resulting in time and cost overrun and non-achievement of benefit envisaged in the project reports were mentioned in paragraphs 5.1 (Chapter I), 1.11.5 and 1.11.7 of the Audit Reports for

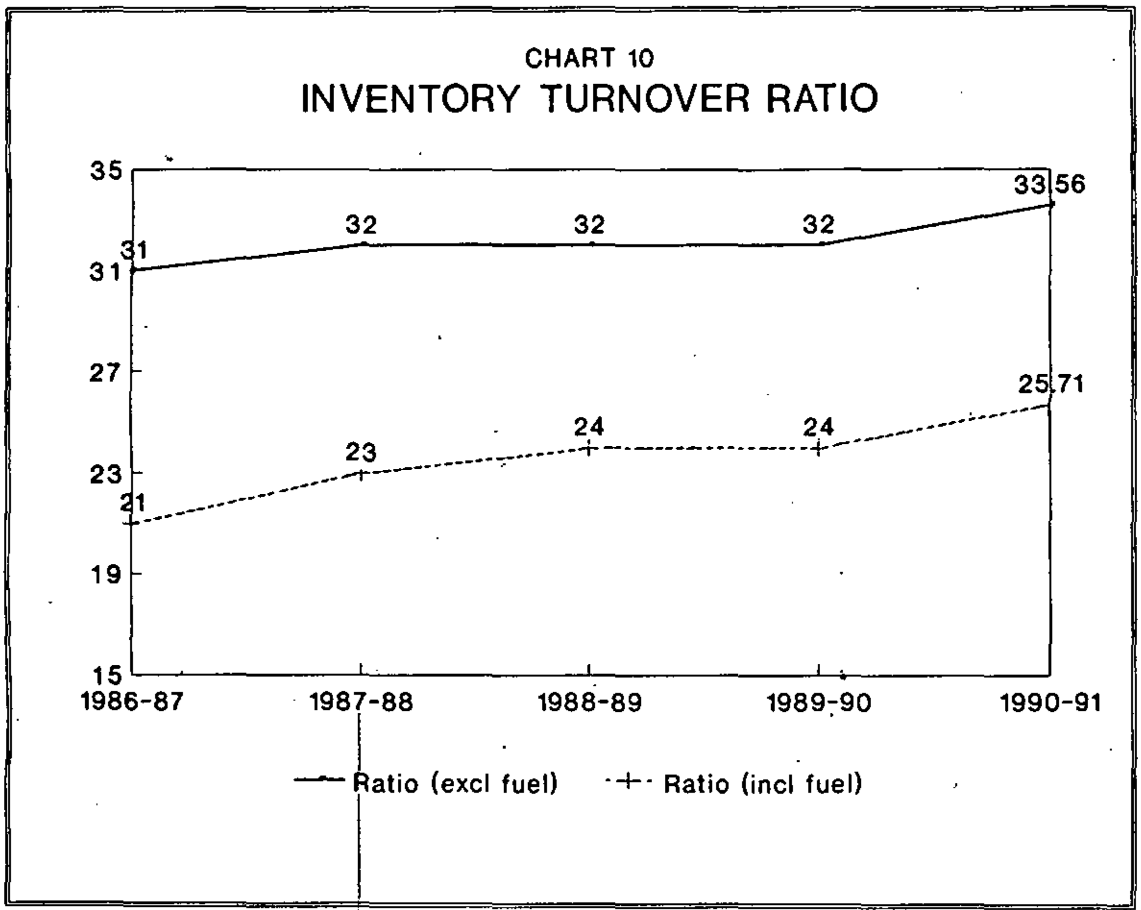


CHART 10
INVENTORY TURNOVER RATIO
35
31
27
23
19
15
31
32
32
32
33.56
21
23
24
24
25.71
1986-87
1987-88
1988-89
1989-90
1990-91
Ratio (excl fuel)
Ratio (incl fuel)

the years 1984-85, 1988-89 and 1989-90 respectively.

27 new lines for which foundation stones were laid since 1974-75 are still under construction. The progress varied between 1 and 98 per cent. In respect of 3 lines sanctioned in 1974-75, the progress varied between 14 and 52 per cent. The original cost of these projects (27) was revised (from time to time) from Rs.1223.07 crores to Rs.2821.98 crores (as on March 31, 1991).

Similarly, twelve gauge conversion projects sanctioned since 1973-74 are still under execution. The progress in respect of three projects sanctioned long ago (one in 1974-75 and three in 1990-91) was nil.The progress in respect of other projects varied between 2 and 94 per cent. The cost of these projects had increased from Rs.1163.53 crores to Rs.1610.00 crores (as on 31 March 1991).

CHAPTER II

REVIEWS

2.1. Commodity Freighting on Railways

Introduction:

The freight rates for revenue earning traffic on the Railways are determined keeping in view:

(i) the cost of service;

(ii) the value of the commodity;

(iii) characteristics of the Commodity (loadability, vulnerability to damage, competition from other modes of transport, etc.); and

(iv) socio-economic considerations.

The freight rates are either (i) 'class rates' for which commodities are grouped into classes or (ii) 'station to station rates' applicable to specific commodities booked from one specified station to another specified station. The unit of transport is 'wagon'.

2. Organisation:

The fixing of rates and other allied charges is the function of the Commercial Department. The Goods Rate Tables and the General Classification of goods are published by the Indian Railway Conference Association (IRCA) with the sanction of the Central Government. The Member (Traffic) in the Railway Board is responsible for the functioning of the Commercial Department on the Railways. On the Zonal Railways, the General Managers, assisted by Chief Commercial Superintendents (CCS), manage the commercial activities of their respective Railways.

3. Scope:

The freighting policy and implementation of instructions relating to freighting of commodities were generally reviewed in Audit.

4. Highlights:

- A comprehensive review of the existing freight structure for appropriate

costing and pricing of services is overdue.

- The productivity of railway capital lagged behind the expectation of ten per cent return. Para 6

- There was a paramount need to explore cost cutting exercises to have a rational tariff policy. Para 6

-Due to non-shifting of booking station for Meghalaya coal from Jogighopa to New Guwahati, additional earnings of Rs.2.22 crores were not realised during 1987-88 to 1990-91. Para 7.1(i)

-Adoption of incorrect conversion ratio for assessment of volumetric measurement of Meghalaya coal resulted in loss of revenue of Rs.2.20 crores. Para 7.1(i)

- Non-observance of rationalisation orders for movement of foodgrains on Northern and Western Railways resulted in undercharges of Rs.1.59 crores. Para 7.1(i)

-There was need for aggressive marketing strategy to capture and retain high profit yielding commodities. Para 7.2(a)

- Revisions in the minimum weight condition for Palm Oil Refined on Western Railway and Newsprint on Southern Railway resulted in loss of earnings of Rs.99.21 lakhs. Para 8(a) & 8(b)

- Irregular grant of train load rate on traffic in 'Salt NOC' on Western Railway resulted in loss of earnings of Rs.1.51 crores. Para 10(a)

-Wrong classification of Eucalyptus Wood on Southern Railway resulted in undercharges of Rs.91.48 lakhs. Para 12

5. Tariff Policy:

The pricing policy for freight traffic on the Railways was reviewed for the first time after independence by a Freight Structure Enquiry Committee (1955-57). This was followed, two decades later, by the Rail Tariff Enquiry Committee (RTEC) in 1977-80 whose recommendations (April 1980) formed the basis of the present freight structure on the Railways.

The Indian Railways are expected to work primarily on commercial lines so as to generate enough resources to cover the operating costs in full, contribution to Depreciation Reserve Fund and the Dividend Liability to the General Exchequer. As a deliberate policy of the Government, however, the Railways have exercised a policy of tariff restraint with the result that a number of services are being run below cost. The losses on movement at concessional rates of low rated commodities of common use like foodgrains, salt, fodder, oil seeds, etc. were Rs.214.94 crores in 1988-89 and Rs.284.11 crores in 1989-90, covered through cross subsidisation from the rest of the freight traffic.

The recommendations of the RTEC (April 1980) were based on the efficiency level achieved by the Railways in 1976-77. The wholesale price index for all commodities in 1976-77 was 176.6 (1970-71 base) which rose to 281.3 in 1981-82. The index was 165.7 in 1989-90 with reference to 1981-82 as base. With 1970-71 as the base, the index of input costs specific to the Railways rose to 795.6 in 1989-90 against which the index of average rate realised from freight per tonne kilometer was 624.3. A comprehensive review of the entire gamut of freight structure for appropriate costing and pricing of services taking into account the changes due to new operational strategies is, thus overdue.

6. Productivity of Capital:

The Rail Tariff Enquiry Committee (1980) while going into the question of 'surplus' on the Railways had suggested, after reckoning with the views of the Planning Commission and the Ministry of Finance, that the Railways should aim at earning a minimum surplus (before depreciation but after dividend) of ten per cent on the capital at charge. In the Sixth Five Year Plan (1980-85) the Planning commission had emphasized the need to run public sector transport organisations like the Railways, Road Transport Corporations, etc. on a remunerative basis due to extremely tight resource availability. The Railway Reforms Committee (1983) recommended that as dividend was to be paid by the Railways at a higher rate of 6.5 per cent on capital invested after 31 March 1980, there was a case for increasing the minimum surplus to more than 10 per cent of the capital at charge.

The freight structure on the Railways was gradually revised from April 1982 onwards as per recommendations of the RTEC, 1980. A table showing the Capital-at-charge, the traffic carried and the surplus/deficit during the years 1982-83 to 1989-90 is given in Annexure-III. It would be seen that despite gradual increase in the amounts of capital-at-charge the productivity of railway Capital lagged behind the expectation of 10 per cent return. After obtaining a surplus of Rs.118.31 crores in the first year (1982-83) of implementation of the revised tariff as per RTEC's recommendations (compared to Rs.46.59 crores in the immediately preceeding year 1981-82), the Railways incurred deficits of Rs.44.75 crores and Rs.195.59 crores respectively in the last two years of the Sixth Five Year Plan (1983-84 and 1984-85). During the VII Plan period (1985-90),the percentage of net revenue to total capital at charge in the first year 1985-86 was 7.43 which went down to 6.35, 6.31 and 5.82 respectively in 1986-87 to 1988-89 but increased again to 7.42 in 1989-90. Because of the variety of inputs used by the Railways in their operations it is not easy to have a single cost index with which the average earning per tonne kilometre could be compared to get a precise idea where, and to what extent, the earning lagged behind. It was seen in Audit, however, that the average rate charged per tonne kilometre by the Railways increased at a rate lower than the rise in cost of staff, fuel and stores and other working expenses. The quantitative gap between the prices charged for the transport services provided by the Railways and the expenditure incurred on the main components of operation (cost of staff and fuel) during 1982-83 to 1989-90 would be evident from the details given in Annexure-IV. There was paramount need to explore cost cutting exercises to have a rational tariff policy.

According to the Railway Reforms Committee (RRC) (January 1983) a tariff policy which does not consider the impact of cascading inflation is unsound. The RRC felt that it was essential to clearly lay down how much net surplus, over and above the dividend payable to general revenues, the Railways should earn in a normal year based on efficient operations, so as to formulate a proper tariff structure. The Railways had not set any such objective based on a rational tariff.

6. A revised freight structure consisting of 32 classes ranging from class 65 to class 300 was introduced with effect from 1st April 1983. Under this structure, the rate for class 100 is the base rate, the rates for all other classes being expressed as a percentage of the base rate. To cover the rising cost of labour and material, freight rates were increased by 11 per cent and the classification of some wagon load and train load traffic were revised from Ist April 1989. The revenue earning traffic registered an increase of 73.57 million tonnes and the total transport output, increased by 56.97 billion net tonne kms at the end of Seventh Plan compared to that achieved in the terminal year of the Sixth Plan. The Railways set a target of 311 million tonnes of revenue traffic for 1989-90 against which the actual was 309.97 million tonnes. The shortfall was attributed primarily to less offer of traffic than anticipated from the core sectors like coal, foodgrains, steel and industrial relations problems in collieries, strikes at ports, bundhs and rail roko agitations.

7. The revenue earning freight traffic on Railways has two main components, viz., (i) Bulk commodities like Coal, Raw material for export, Cement, Chemical Manures, Mineral Oil, etc. and (ii) Other goods.

7.1 Bulk Commodities:

The Railways have a special responsibility for carrying bulk and heavy commodities over long distances from various industries to different consuming centres. The movement of bulk commodities accounted for 89.29 per cent (205.46 million tonnes) of the total revenue earning tonnage (230.12 million tonnes) in 1983-84 which increased to 94.16 per cent (291.85 million tonnes) in 1989-90. As in the previous years, coal was the single most important commodity in the Railway's freight business accounting for 41.99 per cent of the total originating tonnes and 37.72 per cent of total revenues in 1989-90. The earnings realised from five other commodities in the group during the Seventh Plan period, in the descending order, is shown in the Table :

Earnings in crores of Rupees & tonnage in millions.

Commodity	1985-86 Tonnage	1985-86 Earning	1986-87 Tonnage	1986-87 Earning	1987-88 Tonnage	1987-88 Earning	1988-89 Tonnage	1988-89 Earning	1989-90 Tonnage	1989-90 Earning
Mineral Oils	18.64	470.51	19.85	539.59	21.69	717.58	22.60	763.95	24.31	913.53
Iron & Steel	11.46	452.87	12.33	523.34	12.30	601.82	12.06	624.04	11.86	690.98
Cement	17.96	275.28	19.79	332.01	22.32	402.00	25.91	491.19	27.45	605.77
Foodgrains	24.11	395.49	29.00	531.73	30.13	642.66	24.88	534.73	23.66	594.35
Fertilisers	13.62	275.19	14.53	316.06	13.18	325.41	16.10	380.19	16.97	467.25
Iron ore & other stores	31.97	252.57	34.20	280.84	33.85	291.95	35.60	310.60	38.64	380.46

Certain specific features in the movement of some of these commodities noticed in Audit are given below:

Coal:

Northeast Frontier Railway

(i) Meghalaya coal booked from Jogighopa (BG) station of Northeast Frontier Railway is mostly brought to Jogighopa by road from Belatola (near Guwahati), a distance of about 235 kms. With the extension of Broad Gauge line from New Bongaigaon to New Guwahati in 1985-86, New Guwahati became the nearest booking rail head for this coal. By shifting booking of this traffic from Jogighopa to New Guwahati station the Railway could realise additional earnings of Rs.2.22 crores approximately on the quantity of coal booked from Jogighopa during 1987-88 to 1990-91. The Railway has not,however, considered shifting the booking point from Jogighopa to New Guwahati so far. Besides, the arrangement could avoid haulage of empty train load rakes for 209 kms. from New Guwahati to Jogighopa for loading.

The conversion ratio for converting the volumetric measurement of Meghalaya coal into weight was 1.065 cum/MT. As a result of test weighments of loaded coal wagons conducted at the weighbridge at New Jalpaiguri in February and March 1987 with a view to revise the loading heights in wagons, the Railway revised the conversion ratio to 1.136 cum/MT on the basis of weight volume ratio from 8th May 1987. The test weighments were conducted in an inaccurate weighbridge. On complaints of overloading due to the revised loading heights from Railway Board and Northern Railway, the Railway refixed the conversion ratio as 1.069 cum per metric tonne from 1st April 1990. During the period May 1987 to March 1990, 570 train loads of Meghalaya coal were booked from Jogighopa adopting a conversion ratio of 1.136 cum/MT entailing a loss of revenue of Rs.2.20 crores approximately.

Iron & Steel and Raw Materials for Steel Plants

The originating traffic in steel from the steel plants on Southern Railway declined from four thousand tonne in 1984-85 to one thousand tonne in 1985-86, remained at the same level upto 1988-89 and became nil in 1989-90. Similarly, the originating traffic of raw materials for steel plants decreased from 30 thousand tonnes in 1984-85 to 27 thousand tonnes in 1985-86, 5 thousand tonnes in 1986-87 and nine and seven thousand tonnes in 1988-89 and 1989-90 respectively. There was no traffic in this commodity in 1987-88. The decline in traffic was attributed by the Railway to faster and assured transit offered by Roadways in the face of transit delay by Railway at the transhipment point at Miraj. The loss of revenue due to diversion of this high rated commodity to road was estimated at Rs.92.71 lakhs for the period 1985-86 to 1989-90, avoidable by efficient management of operation by the Railway.

Foodgrains:

The RTEC (1980) had observed that the price structure be so framed that no price should be below the cost of service. This was endorsed by the RRC (October 1984) stating that the fare and freight structure be made cost oriented.

The cost of haulage of 'foodgrains', which was 16.85 paise per tonne per kilometre (including interest) in 1985-86 went up to 24.41 paise per tonne per kilometre in 1989-90, while the average rate charged per tonne per kilometre for this commodity increased from 12.1 in 1985-86 to 21.3 paise per tonne per kilometre in 1989-90. The Railway had to absorb a loss of Rs.298.94 crores on account of movement of foodgrains at lower rates during 1987-88 to 1989-90 in the form of 'Social Costs' incurred as public utility service. A review in Audit of the movement of foodgrains revealed that there was adequate scope for reduction in the quantum of losses incurred year to year by resorting to better operational methods and observance of the prescribed instructions for routing of traffic. On Northern Railway, there were cases of non-observance of rationalisation orders for routing of foodgrains traffic resulting in undercharges of Rs.132.30 lakhs during 1985-86 to 1990-91. Similar undercharges on Western Railway amounted to Rs.27.23 lakhs during March 1987 to June 1991.

Mention was made in para 4.2 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1989 about undue financial accommodation to consignors due to delay in realisation of freight charges. It was noticed on Northern Railway that 270 rakes of foodgrains (wheat and rice) were booked as 'Paid' during May 1986 to September 1989 but preparation of Railway Receipts and realisation of freight charges were delayed by 4 to 12 days after booking and despatch of goods from the stations resulting in undue financial accommodation to the consignors for Rs.2.29 crores.

The outward traffic of 2.67 million tonnes of foodgrains on Southern Railway in 1985-86 went up to 3.51, 3.01 and 3.53 million tonnes in 1986-87 to 1988-89 but came down to 2.63 million tonnes in 1989-90. On MG section of the Railway where the agricultural belt is located, the traffic dropped from 1.19 million tonnes in 1986-87 and 1.22 million tonnes in 1988-89 to 1.04 million tonnes in 1989-90. In respect of inward traffic of this commodity on the Railway it was seen at the Royapuram goods shed that 'grains and pulses'booked from Northern and Central Railways were received mostly in non-watertight wagons giving rise to compensation claims. The percentage of compensation claims paid on account of damages due to 'wet' to the total amount of compensation increased from 38.9 in 1985-86 to 41.4 in 1989-90 and the total amount of compensation paid on foodgrains during the period ranged between Rs1.45 crores (1989-90) and Rs.4.27 crores (1985-86).

7.2 Other Goods

(a) High Profit Yielding Commodities

The Railways face severe competition from road transport in the carriage of 'high profit yielding commodities' classified by the Railways as 'Other Goods' due to the Roadways having the freedom to choose what to carry, the destination and routes. Besides, the road hauliers have complete flexibility in offering on the spot reduced rates to the customers of choice.

The originating traffic in 'Other Goods' on the Railways during the Seventh Five Year Plan period remained as under:-

Year	Tonnes in millions	Percentage to total traffic	Earnings (Rs. in crores)
1985-86	25.00	9.67	620.07
1986-87	18.62	6.70	512.13
1987-88	17.28	5.95	500.60
1988-89	17.65	5.84	510.60
1989-90	18.12	5.84	610.56

It would be seen that the traffic in 'high profit yielding commodities' during the whole of the Plan period showed more or less a continuous downward trend. An analysis of the reasons for the decline in traffic revealed that the Railway's capacity was being utilised in moving bulk traffic and there was little scope for regular and sustained supply of wagons for piecemeal loading of manufactured goods. The quality of service for haulage of general goods which was poor even earlier on account of delayed supply of wagons, delay in transit and pilferages enroute further deteriorated on account of continuous restrictions on piecemeal loading. A review in Audit of the traffic in 35 groups of high profit yielding commodities on Southern Railway on which special watch was kept by the marketing department indicated that the decline in traffic in the following commodities was more conspicuous as detailed below:

Commodity	Traffic (000 tonnes) and Earnings (Rs. in lakhs)							
	1987-88		1988-89		1989-90		1990-91	
	Tonnage	Earnings	Tonnage	Earnings	Tonnage	Earnings	Tonnage	Earnings
Non-Ferrous metals	16.8	90.71	13.6	75.91	10.7	75.40	6.7	52.17
Soda Caustic	13.9	53.37	15.0	62.93	11.6	55.61	9.0	43.35
Paper	28.1	94.42	23.9	98.95	21.9	112.48	17.6	96.20
Vegetable oil and other edible oils	20.7	64.53	8.8	39.13	5.2	24.07	4.4	21.07
Oil Seeds	61.6	268.55	39.9	191.48	37.3	207.46	36.13	235.21
Provisions	94.4	309.75	69.2	259.52	67.2	323.56	74.4	365.02

Efforts of the Railways to attract more traffic in high profit yielding commodities and to meet the stiff competition from Road include introduction of Customer Oriented Services with guaranteed time delivery, viz., Quick Transit Service and Speed Link Express trains for movement of wagon load traffic between metropolitan cities, Freight Forwarders Scheme and Mobile Booking Service, etc. There was a need to increase the efficiency of these measures and to adopt more aggressive marketing strategy to capture and retain the traffic in high profit yielding commodities.

(b) Leco is booked from Neyveli Lignite Corporation (NLC) siding served by Uttangalmangalam station to Pugalur, Sivakasi and Pondicherry stations serving Paper and Cement industries on Southern Railway. The originating traffic in this commodity increased from 610 wagons with earnings of Rs.11.48 lakhs in 1986-87 to 5890 wagons with earning of Rs.114.36 lakhs in 1989-90 but decreased steeply to 3436 wagons with earning of Rs.51.14 lakhs in 1990-91 due to continued thefts and pilferages from the loaded wagons placed in exchange yard. The NLC preferred to divert the traffic to road in order to avoid losses. The Railway could not regain the traffic despite assurances to the Corporation for providing adequate security arrangements indicating Railways failure to protect the interest of its customers.

c) Rules in the Coaching Tariff provide that 'Gold and Silver Jewellery' are chargeable at the rate equivalent to four adult Ist Class fares and Gold and Silver 'Oranaments' at General Parcel Scale - A (GPA) rate. Silver or Silver scrap when booked as luggage is, however, chargeable only at double the GPA class rate for the quantity in excess of the admissible free allowance for luggage. In order to avoid the confusion, the Commercial Committee of the IRCA recommended in March 1990 that the relevant rules in the Coaching Tariff be amended to provide for charging of Gold and Silver jewellary or ornaments at an uniform rate of four adult Ist Class fares. This had not been implemented so far (October 1991).

It was noticed in Audit (May 1990) that silver leg chains booked as luggage from Salem Junction station of Southern Railway were charged at double the GPA scale rates for the quantity in excess of free allowance for luggage, resulting in less realisation of freight to the extent of Rs.41.85 lakhs during April 1990 to March 1991.

8. Non-revision of Minimum Weight Condition:

Wagon load rates prescribe certain minimum chargeable weight for each commodity depending on its loadability. Due to absence of weighment facilities and non-weighment of wagons for operational reasons, freight is normally charged on the prescribed minimum weight or the sender's declared weight, whichever is more. By way of corrective / remedial action taken on para 2(c) of Chapter 1 of the Advance Report of Comptroller and Auditor General of India for the year 1982-83 - Union Government (Railways), the Railway Board issued instructions in November 1984 that when it became known to the Railway that a commodity could be loaded to a weight much higher than the prescribed minimum weight, steps should be taken for revision of the minimum weight condition and that there should not be any avoidable delay in processing such cases as the non-revision resulted not only in loss of revenue but also in wastage of wagon space.

It was noticed in Audit that there were instances of non-revision of the prescribed minimum weight condition in respect of certain commodities by the Western and Southern Railways as mentioned in the following paragraphs.

Western Railway:

(a) Palm Oil Refined

The minimum weight condition for Palm Oil Refined booked in Broad Gauge wagons (four wheelers) was prescribed as 110 quintals in July 1979. Test weighments conducted at Gandhidham station in May 1985 to assess loadability of this commodity revealed that Palm Oil Refined packed in tins, when loaded in Broad Gauge wagons scientifically and compactly in three layers, could be loaded between 30 to 50 per cent above the prescribed minimum weight of 110 quintals. This gave a minimum loadability of 143 quintals for this commodity. A review of records by Audit at Gandhidham station also revealed that loading of Palm Oil Refined in 1986 ranged between 106 and 164 quintals and that the average load per wagon was 136 quintals. There was thus strong justification for enhancing the prescribed minimum weight condition from 110 to 135 quintals. No action had, however, been taken by the Railway in this regard so far. If the minimum weight condition in respect of Palm Oil Refined traffic had been revised to 135 quintals based on the test weighment, the Railways could have earned Rs.80.40 lakhs on 133 rakes moved from Gandhidham during January 1987 to November 1990.

The Railway Administration stated (August 1990) that with the weight condition of 135 quintals the oil tins would have to be arranged in more than three layers which could get damaged during transit and cause avoidable wastage of the scarce commodity besides payment of claims by the Railway.

The Railway Board, however, stated during discussion in January 1992 that for this particular stream of traffic it had been observed that the minimum weight condition for palm oil could be increased to 262 quintals in the case of BCX wagons and 154 quintals in the case of CRT wagons. Railway Board agreed to issue instructions enhancing the minimum weight from a prospective date for one year.

(b) Mustard Seeds:

In June 1986, Railway Board directed the Zonal Railway Administrations that minimum weight condition prescribed for certain commodities such as Oil Seeds, Seeds common, Seeds N.O.C., etc. may be reviewed and proposal for revision, if any, submitted to the Commercial Committee of the I.R.C.A. for examination.

During inspection by Audit of Bayana (BG) in June 1986, Kota (BG) in November 1987 and Neem-ka-Thana (MG) in June 1987, it was seen that on the basis of actual bookings of 22 wagons Mustard seeds could be loaded to the extent of 245 quintals in BG wagons and 164 quintals in MG wagons yielding an average loadability of 242 quintals per wagon (4-wheeler) on BG and 163 quintals per wagon (4-wheeler) on MG. There was thus a strong case for revision of the minimum weight condition for Mustard seeds from 225 to 240 quintals in BG and from 150 to 160 quintals in MG wagons.The test weighments conducted by the Railway also gave similar results but the matter was not reported to the Commercial Committee on the ground that the commodity was high rated and any increase in minimum weight condition would result in diversion of traffic from rail to road.

It may, however, be mentioned that in pursuance of the Railway Board's directions, ibid, South Eastern Railway's proposal (August 1988) for enhancement of the minimum weight condition for Mahua seeds from 185 to 225 quintals on BG and for Sal seeds from 225 to 240 quintals on the basis of past booking was sanctioned by the Central Government on 15th November 1989 after approval by the Commercial Committee, despite the recommendation of the Rate Officer's sub-committee (July 1989) that enhancement in the existing minimum weight condition would result in diversion of the traffic from rail to road.

The results of test weighment should have been reported to the Commercial Commmittee. Non-revision of the minimum weight condition for Mustard seeds involved a minimum loss of Rs.79.35 per BG wagon and Rs.52.90 per MG wagon (even for a lead less than 100 kms.).

Tumba Seeds:

The commodity 'Tumba seeds' was indexed to "Oil Seeds, N.O.C." from 1st February 1977 with a minimum weight condition of 125 quintals per MG wagon. The Railway Board issued instructions to the Railways in June 1986 that the minimum weight condition prescribed for 'Tumba seeds' be reviewed and proposals for revision sent to the Commercial Committee of the I.R.C.A. A test check of records of Alwar station (April 1991) revealed that this commodity booked from Barmer (MG) station of Northern Railway was loaded to the extent of 165 quintals in a MG wagon four wheeler. The weight of Tumba seeds loaded in 260 wagons received at Alwar during November 1989 to May 1990 was as under:

Weight	No. of wagons
Upto 125 quintals	4
126 to 144 quintals	155
145 quintals and above	101

The minimum weight condition of this commodity could be enhanced to atleast 145 quintals per MG wagon four wheeler involving additional freight of Rs.105.80 per wagon even for the lowest distance slab of the tariff. No action had, however, been taken for enhancement of the minimum weight.

Southern Railway:

Paper, N.O.C.:

Prior to December 1979, the minimum weight condition for wagonloads was 160 (BG) and 110 (MG) quintals for Paper (in rolls or reels) and 120 quintals (BG) and 90 quintals (MG) for Newsprint. These were enhanced by the Railway Board to 180 quintals (BG) and 120 quintals (MG) for both Paper and Newsprint from 1st December 1979.

Based on representations received from trade and the results of test check of actual weight as declared by senders, the Railway Board reduced the minimum weights to 170 quintals (BG) and 115 quintals (MG) for Paper and 140 quintals (BG) and 105 quintals (MG) for Newsprint for a period of one year from 1st March 1981 and the Zonal Railways were asked to conduct test weighments and advise results to the Railway Board for fixing the minimum weight on a firm basis. Subsequently, on the recommendations of the Southern Railway (July 1981) the minimum weight for 'Newsprint' was revised from 140 to 150 quintals (BG) from 1st March 1982. In April 1984, the Southern Railway suggested to the Railway Board reduction in the minimum weight on MG from 115 to 90 quintals for Paper (in reels/rolls) and from 105 to 80 quintals for Newsprint as the minimum weight then in force was found unrealistic in both the cases on the basis of part loadings and test weighments, resulting in diversion of traffic to road. In January 1985, however, the Railway suggested enhancement of classification of the commodity with reduction in the minimum weight as with the reduced minimum weight proposed and the existing classification, the freight charges realised would not cover the cost of haulage. The Railway Board sanctioned (January 1986) only reduction in the minimum weight of Newsprint from 105 to 85 (MG) from 1st March 1986. Reducing the minimum weight condition without enhancement of classification resulted in increase of the loss suffered by Railways from Rs.563 per wagon to Rs.1053 per wagon due to a wider gap between cost of haulage and earnings per wagon.

The minimum weight on BG for Newsprint was also reduced from 150 to 140 quintals with effect from 1st December 1986 at the instance of Southern Railway, though earlier in July 1981 the Railway had advocated an enhancement in the minimum weight from 140 to 150 quintals. The reduction in the minimum weight on BG also failed to arrest diversion of the traffic to road in as much as the quantity moved by rail dwindled from 19.79 per cent of total production in 1986-87 to 14.36 per cent in 1989-90.

The loss of earnings on this account was estimated at Rs.18.81 lakhs for the period 1987-88 to 1989-90.

9. Concessional Traffic:

Concessional station to station rates (lower than the normal class rate) are notified by the Zonal Railways with a view to retaining / attracting additional traffic. A review in Audit revealed losses or irregularities in the grant of concessional rates for transport of certain commodities as detailed below:

Cement:

The Western Railway Administration introduced concessional station to station rates at 10 per cent below normal tariff rate for movement of Cement in train load from Kodinar station to 18 stations for a period of three months from July 1989 to September 1989. On the condition that the party would indent and load 15 per cent extra traffic compared to the total traffic moved by rail during the corresponding months of the previous year, except in circumstances beyond its control and that the train load traffic was not diverted to road. For failure to load the committed traffic, undercharges equal to the difference between the freight at the tariff rate and that charged at station to station rate were recoverable from the party. As the party failed to offer 15 per cent additional traffic, the concession was withdrawn from 8th August 1989.

Out of 18 stations for which concessional rates were allowed, no traffic was offered for 12 stations and for the remaining 6 stations, viz.,Shakurbasti, Carnac Bridge, Asarwa, Mehsana, Kharsalia and Godhra, the traffic offered and booked was less than the traffic moved by rail during the corresponding months of the previous year despite no shortage in the production of cement during the period.

The production and despatch of cement by rail and road during July 1988 and July 1989 were as under:

Month	Production (MT)	Despatch by Road (MT)	Despatch by Rail (MT)
July 1988	37890	17,024.90	24,840.04
July 1989	40035	25,352.40	17,813.55

Non-enforcement of the penal provision resulted in a loss of Rs.7.32 lakhs.

Mango:

The seasonal traffic in mangoes, grown abundantly in the coastal region of Andhra Pradesh, used to be transported by rail in Mango Specials every year from Vijayawada station of South Central Railway to Delhi and other areas.

The traffic in mangoes and the revenue realised is tabulated below:

Year	Quantity (in 000 Qtl.)	Revenue (Rs. in lakhs)
1984-85	41	19.47
1985-86	40	20.84
1986-87	35	19.21
1987-88	20	13.31

There was no traffic thereafter as the traders did not agree to despatch mangoes in goods wagons and the Railway could not supply the requisite number of parcel vans. The cost of transportation by road was also comparatively cheaper than carriage by rail. The Railway could not regain the traffic despite offers of ten per cent concession in freight from April 1989, withdrawal of the surcharge of 20 per cent for movement by Express trains and reduction in the minimum weight condition, which combined together brought the cost of transportation by rail almost at par with that by road.

The failure of the Railway to make available parcel vans for transport of seasonal traffic thus resulted in a recurring loss of earnings of Rs.19 lakhs approximately per annum.

Oranges:

The Zonal Railways have been delegated the power to quote lumpsum station to station wagon load rates for parcels traffic on Commercial considerations for both local and through bookings with a view to secure additional revenue, subject to the concessional rates quoted not falling below CP-2 scale of rates less 10 per cent. In relaxation of the above, the Ministry of Railways has been granting a concession of 20 per cent on the normal rate for orange traffic from Central Railway for the past several years. The Railway was not, however, able to capture the orange traffic as the total traffic in oranges came down from 2900 wagons in 1985-86 to 959 wagons in 1990-91 with corresponding fall in revenue of Rs.137.90 lakhs in 1985-86 to Rs.68.67 lakhs in 1990-91. Despite transport of 70, 77 and 76 per cent of the total production of oranges during 1988, 1989 and 1990 by road, the Railway Board permitted (September 1990) the concession of 20 per cent over normal tariff to remain valid upto 30th April 1991. In view of the low offering of traffic and the Railway's inability to capture it, the continuance of the concessional rate was not justified. The loss of revenue due to grant of 20 per cent concession during 1985-86 to 1990-91 amounted to Rs.128 lakhs. The loss would be Rs.64 lakhs even after allowing a concession of 10 per cent on the normal CP-2 scale tariff. The loss is continuing as the concession is still in force.

10. Grant of Train Load Rates:

In accordance with the recommendation of the National Transport Policy Committee that the Railways should increase train loads and run point to point trains to ease pressure on marshalling yards and to improve wagon turn round, movement of goods in train loads was commenced on the Railways from April 1982.

(a) A train load classification for 'salt NOC', lower than wagon load classification, was introducted from July 1984. The application of train load rate to salt traffic booked from Lavanpur, Vavania and Navlakhi stations on Navlakhi-Wankaner (MG) section of Rajkot Division of Western Railway was objected to by audit (May 1984) on the ground that the traffic did not move as train load and that the booking stations had not been notified for handling of train load traffic as per conditions specified for grant of train load rate. The Railway referred the matter to Railway Board in May 1985 for decision, issuing instructions simultaneously for charging the commodity at wagon load rate. Although not a single consignment was moved as train load from any forwarding station, the grant of 'train load' rate was continued even thereafter. On the Railway Board clarifying (October 1985), in a different context, that the benefit of train load rate should not be denied in cases where the forwarding/destination stations had not been notified as stations open for handling train load traffic, if all other conditions prescribed for the benefit were fulfilled, the Railway issued instructions (January 1987) for grant of train load rate on salt booked from Lavanpur, Vavania and Navlakhi stations and apprised the Railway Board of the same. The Railway Board, however, did not approve (April 1990) the action in view of non-fulfilment of the basic conditions like notification of the stations as capable of dealing with train loads, clearance of traffic in full train loads, etc. While the Railway advised all the other Zonal Railways in June 1990 to recover the amount of undercharges with effect from 24th October 1985, instead of from July 1984, it itself neither assessed the undercharges nor had discontinued granting 'train load' rate at these stations so far (May 1991).

The loss due to irregular grant of train load rate at the three stations (Lavanpur, Vavania and Navlakhi) during January 1986 to December 1990 was Rs.1.51 crores.

(b) The conditions for grant of train load rates, inter alia, stipulate offering of a minimum weight of 1400 tonnes on BG and 650 tonnes on MG from one booking station to one destination station. The Railway Board issued instructions in October 1989 that if train load consignments originate on BG and are offered for more than one destination on the MG, the benefit of train load rate might be given if the consignments satisfy the minimum weight prescribed for BG at the originating station and each portion of the consignment satisfied the minimum weight for each MG destination from the transhipment point. Obviously, the minimum weight condition for a train load cannot be satisfied in cases of train load consignments originating from MG stations for more than one destination on BG.

It was seen in Audit that train loads of lignite were booked from the Neyveli Lignite corporation siding on the MG served by Uttangalmangalam station of Southern Railway to various destinations on the BG after transhipment at Salem Market. As the movement of train load traffic from a station on MG to more than one destination on BG cannot be covered under any rule /

instructions, the grant of train load rate was not correct. The loss of revenue worked out to Rs.5.16 lakhs taking into account admissibility of only wagon load rate after transhipment during September 1987 to November 1990.

On South Central Railway, train load rate was irregularly granted from June 1983 to 7th March 1991 on cement consignments booked from the siding of a cement company. The company indented and loaded only 20/30 wagons per day against the prescribed requirement of indent for 60 wagons at a time for the minimum specified weight of 1400 tonnes for availing of the concessional rate. The extent of undercharge involved in the irregular grant of train load rate over the period of eight years was not readily available. A test check by Audit, however, revealed undercharges on this account of Rs.15.89 lakhs for the period March 1989 to March 1991.

(c) The Railway Board desired in September 1982 that the Zonal Railways should notify the names of stations/sidings which can accept registration of indents for train loads and to which the train load consignments can be booked. The intention was to ensure that train load traffic is booked only between stations/sidings which have adequate facilities to handle traffic in trainloads. Accordingly, the South Central Railway notified in February 1983 a list of stations/sidings which could book/receive train load consignments. Nidadavolu was one of the stations so nominated to deal with train load traffic, both inward and outward.

It was noticed in Audit (July 1989) that Nidadavolu station did not have facilities to handle train load traffic in POL and there was no outward traffic in POL from this station. Train loads of high speed diesel oil and/or superior kerosene oil of about 60 wagons each were, however, being regularly received at the station from Visakhapatnam. As the consignees (M/s IOC and BPC) had capacity to decant only 10 and 8 tank wagons respectively at a time, the wagons had to be placed for unloading in three to four spells resulting in detention of tank wagons. The notification of Nidadavolu station for receiving train load traffic of POL, without adequate facilities, lacked justification. After this was pointed out by Audit in July

1989 the Railway notified closure of the station for train load traffic in POL and started charging wagon load rates from 4th November 1989.

Incorrect nomination of Nidadavolu station for receiving train load traffic in POL resulted in undercharge and consequent loss of Rs.8.12 lakhs during January 1984 to October 1989 in respect of 65 train loads consisting of 3783 wagons. The detention of wagons, as a result, was 12512 wagon days during January 1984 to October 1989.

The Ministry of Railways stated during discussion (November 1991) that the mistake of incorrect nomination of Nidadavolu station for movement of train load traffic in POL had been rectified by the Railway Administration. However, it was seen in Audit (September 1991) that no corrective action had been taken by South Central Railway for reviewing such existing irregularities. Raichur station of the Railway had also been notified in February 1983 for receiving inward POL traffic in train loads although the station did not have adequate facilities to handle the same. Train loads of POL traffic from Tondiarpet siding on Southern Railway were received at the Raichur station and unloaded in two or three placements but charged at train load rates. The irregularity had been allowed to continue till provision of necessary infrastructure to unload 60 tank wagons in a single placement from 24th April 1991.The amount of undercharge and the consequent loss involved was Rs.39.83 lakhs in respect of 126 rake loads received at Raichur during January 1989 to 13 April 1991.

11. Non-revision of classification:

Rectified Spirit:

Rectified Spirit was classified under class 110-D (now 220) from 15th June 1967. The wagon load classification of the raw material 'Molasses' for this commodity under a lower class 35A in June 1967 had undergone several revisions and had been enhanced to class 160. The enhancement of classification of the raw material costing about Rs.270 per tonne without revising the classification of the finished product - Rectified Spirit- costing Rs.4,000 per tonne distorts parity and relativity of the classification given earlier. It was, therefore, pointed out by

Audit to Western Railway Administration in July 1990 that Rectified Spirit be classified under class 260, under which Ammonia (appearing alongwith Rectified Spirit under class 110-D initially) was placed, at the instance of Audit, on similar grounds of disparity. The matter had not, however, been referred to the Railway Board so far (October 1991). The resultant financial implication by way of freight earnings on the basis of revised classification to class 260 is assessed at about Rs.61.87 lakhs in respect of inward traffic at Kandla Port and Old Kandla on Western Railway and Rs.13.86 lakhs in outward traffic from two stations on North Eastern Railway during April 1988 to March 1991.

12. Wrong classification of Goods:

In the Goods Tariff 'Eucalyptus Wood' has been classified as 'Timber NOC'. A review by Audit of the bookings at four stations on Southern Railway in August and September 1990 revealed that 'Eucalyptus Wood' was booked and charged as 'Timber Waste' having lower classification. This resulted in undercharge of Rs.91.48 lakhs during 1987-88 to 1990-91.

2.2. Generation and utilisation of Empty Wagons.

Introduction:

The Indian Railways realise 73.7 per cent of the revenues from the movement of goods traffic. Goods are transported in wagons. The optimum utilisation of wagons, therefore, is very important to the profitable working of the Railways. Avoidance of unnecessary detentions in yards and transhipment points, reduction in the interval between two successive loadings of the wagons and proper maintenance of the wagon fleet helps the Railways to move more goods traffic. A close monitoring of empties and their prompt movement to right places in the least possible time leads to better utilisation of the wagons.

The generation and utilisation of empty wagons is mainly dealt with at terminal stations, sidings, Marshalling yards and transhipment sheds. Railway workshops where periodical over hauling of wagons is carried out and transhipment points where goods are transhipped from BG wagons into MG wagons and vice-versa also have a bearing on the availability of wagons.

2. Organisation:

In the Railway Board, the Member (Traffic) assisted by Executive Directors and other officers monitor the generation and utilisation of empty wagons/rakes. On Zonal Railways, the General Managers assisted by Chief Operating Superintendents monitor the generation, movement and utilisation of empty wagons/rakes. At the Divisional level, control is exercised by the Divisional Operating Officers.

3. Scope:

The review is about generation and utilisation of empty wagons/rakes and highlights some areas of weaknesses and causes which prevent better utilisation of wagons.

4. Highlights:

- Despite induction of high capacity wagons and availability of repair and maintenance facilities there has been no significant improvement in the wagon turn round time. (Para 5)

- Avoidable detention of wagons in workshops resulted in loss of wagon days. The loss of earning capacity was estimated at Rs.6.20 crores. (Para 6a)

- Under utilisation of wagons at transhipment points resulted in loss of earning capacity of wagons to the extent of Rs.23.28 crores. (Para 7)

- Heavy detention of wagons in sidings affected the earning capacity of wagons. (Para 8)

- Heavy detention of wagons at Marshalling yards, terminal points and sick line highlights inefficiency in management of wagon stock by Railways. (Para 9)

- Rejection of wagons after placement in sidings resulted in empty haulage of wagons (Para 12)

- There has been delay in generation of empty wagons by departmental users. (Para 13)

- Avoidable movement of empty rakes on Northeast Frontier Railway resulted in extra

expenditure of Rs.4.16 crores. (Para 15)

- Monitoring of empties on Central, South Central and Northeast Frontier Railway was poor and resulted in loss of revenue and extra expenditure on empty haulage. (Para 16)

5. Availability of wagon stock and facilities for repair and maintenance.

Wagon holdings:

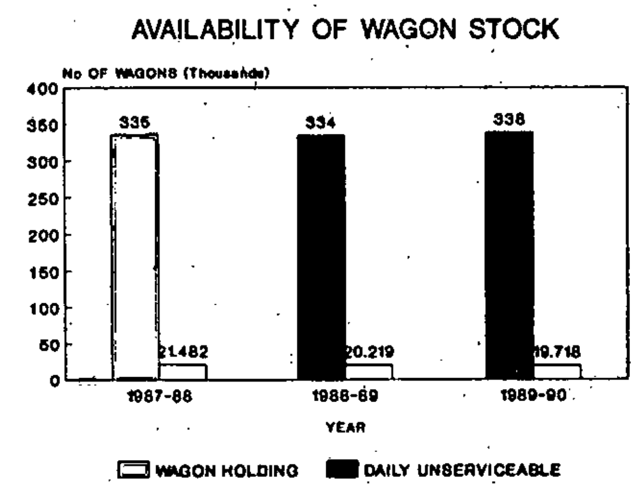
The Indian Railways had on 31st March 1990 a stock of 3,49,560 wagons comprising 1,74,050 covered, 1,02,536 open high sided, 12,200 open low sided, 49,308 special type and 11,466 departmental wagons. The stock includes 33,674 new bogie wagons (BOXN) with improved components and higher pay load.

Repair and Maintenance facilities:

The rolling stock fleet is serviced in 401 carriage and wagon sick lines and central repair depots situated all over the network. Periodical overhaul (POH) is undertaken in 49 Railway workshops.

The availability of wagon stock and the average number of daily unserviceable wagons is shown below: (Chart 11)

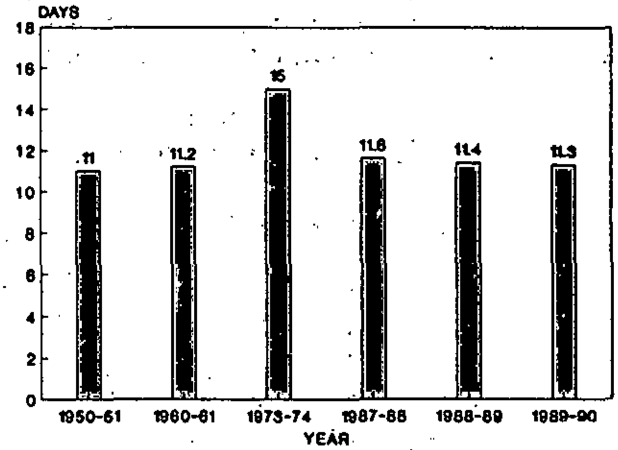
CHART 11



A parameter indicating the utilisation of wagons is the turn round. The wagon turn round is shown in chart 12. It will be seen that the turn round time has been at the same level of 11 to 11.6 days between 1950-51 and 1989-90.

CHART 12

WAGON TURN-ROUND



Despite the experience gained over the last 40 years, there has been no significant improvement in the wagon turn round time.

6.(a) Avoidable detention of wagons in workshops:

Every wagon undergoes POH at regular intervals. The time required for POH has been laid down. On completion of the POH, the wagons are required to be handed over to the traffic department for onward despatch to loading centres.

A review in audit of the above cycle revealed that (i) wagons were detained at the workshops before they were taken up for POH and (ii) there were delays in despatching wagons after completion of POH as brought out in the following paragraphs.

South Central Railway:

During the period January 1988 to August 1990, 418 trains having 28,906 wagons (in four wheelers) were received inside Rayanapadu workshop (i.e. an average of 900 wagons in a month) and 386 trains having 28274 wagons were despatched after POH. These wagons were detained on an average for 30 days after excluding the normal free time of 2 to 6 days. The detention resulted in loss of earning capacity estimated at Rs.2.22 crores.

A test check in November 1990 revealed that 54 wagons received inside the workshop for POH during 1st to 8th November 1990 suffered a detention of 34 days, excluding 5 days taken for POH. 44 wagons received with loads during the same period suffered a detention of 53 days on an average. 40 wagons not due for POH were also received and detained for 31 days on an average. This type of detention though regular was not reported to the Railway Headquarters with the result that no action was taken to investigate and minimise the detentions.

In Hubli workshop, 80 MG wagons received during the period April 1990 to November 1990 for POH suffered detention (waiting for repair) of 1893 days i.e. 23.7 days per wagon. Financial implication of detention has not been assessed.

Northern Railway:

On Northern Railway 55,029 wagon days were lost during April 1988 to December 1990 in four workshops viz. Jodhpur, Kalka, Jagadhri, Alambagh due to detention of wagons prior to POH. The loss of earning capacity is estimated at Rs.1.91 crores.

Western Railway:

In two workshops of Western Railway (Kota and Ajmer) 3627 wagons, after periodical overhaul, suffered detention ranging from 2 to 37 days during July 1990 to December 1990 and 11,933 wagon days were lost. Reasons for the delay were not recorded by the workshops. Loss of earning capacity was estimated at Rs.51.67 lakhs.

Central Railway:

A test check conducted by Audit in Tank Wagon shop at Kurla revealed that wagons were being detained for unduly long periods. The time schedule prescribed for POH was 2.8 days per wagon. After excluding sundays and saturdays, the wagon days lost on account of detention of 4319 wagons at Kurla workshop during the years 1988-89 to 1990-91 worked out to 15295 wagon days. This involved loss of earning capacity amounting to Rs.71.60 lakhs.

Southern Railway:

A study of detention at three workshops at Perambur, Ponmalai and Mysore on Southern

Railway revealed that 23,530 wagon days were lost in 1990 resulting in loss of earning capacity of Rs.75.36 lakhs.

A test check conducted by Audit revealed that 2320 wagon days were lost, after POH, in June 1988 and March 1990 in Perambur Carriage and wagon repair shop. The loss in earnings is estimated at Rs.8.03 lakhs.

(b) Eastern Railway:

6432 wagons were given POH by Liluah workshop during April 1990 to September 1990. 781 out of these wagons became sick within a period of 3 months of their POH affecting their turn round.

7. Under utilisation of wagons in transhipment points:

At transhipment points 1.33 MG wagons are required for each BG wagon and 0.75 BG wagon is required for each MG wagon for exchanging goods. A review by Audit revealed that due to improper loading at transhipment points the above norms were exceeded resulting in excess utilisation of wagons and consequently the Railway could not earn revenue on these wagons.

Southern Railway:

On Southern Railway 80,176 wagons were utilised in excess of the norms at two transhipment points (Tiruchchirappalli and Baiyyappanahalli) resulting in loss of earning capacity to wagons amounting to Rs.10.51 crores during 1986-87 to 1989-90. Heavy detention, in excess of target, at Baiyyappanahalli also resulted in loss of Rs.8.48 crores during 1987-88 to 1989-90.

Northern Railway:

A review of the performance of transhipment points at Delhi Sarai Rohilla and Hissar transhipment sheds on Northern Railway revealed that 22,411 BG wagons and 13,308 MG wagons were utilised in excess of norms resulting in loss of earning capacity of Rs.8.95 crores.

South Central Railway:

Similar under utilisation of wagons was noticed at four major transhipment points viz. Guntakal, Miraj, Tadepalli and Moula Ali on South Central Railway between April 1988 and December 1990. 15,383 BG wagons and 27,896 MG wagons were utilised in excess resulting in loss of earning capacity of the wagons to the extent of Rs.5.85 crores.

8. Heavy detention of wagons in sidings:

Detention to empties as well as to loaded wagons leads to high turn round time and shortage of empties. Rules provide that wagons/vehicles would be deemed to have been placed in the siding as soon as they are placed at the point of interchange and similarly wagons will be deemed to have been returned to the Railway as soon as they are available for removal from the siding after unloading/loading and have been placed at the point of interchange.

A review by Audit of the records of some major sidings revealed that wagons were detained by the siding owners over and above the free time available for loading/unloading with the result that a considerable number of wagon days were lost.

Northeast Frontier Railway:

On Northeast Frontier Railway detention of wagons in three sidings is indicated below:

Name of siding	Average detention per wagon	No. of wagons dealt with	Period	Total detention
Steel Authority of India siding at New Bongaigaon (BG)	126 hrs. 41 mts.	1594	Jan/89 to Dec/90	2,01,933 hrs
Goods siding at Dimapur loading (MG)	72 hrs. 40 mts.	14159	Apr/88 to Dec/90	10,28,887 hrs.
Unloading (MG)	35 hrs. 31 mts.	45753	- DO -	16,24,994 hrs.
Indian Oil Corporation siding at Tinsukia (MG)	19 hrs. 08 mts.	11485	- DO - except May/88 and June/89	2,19,746 hrs.

Northern Railway:

On Nortnern Railway 2.92 lakh wagons days were lost on 2257 rakes received in Power House sidings at Delhi and Panipat during April 1988 to December 1990. This caused a loss of earning capacity of Rs.14.12 crores to the Railways as indicated below :

	Name of siding.	Year	Number of coal rakes received.	Detention in terms of wagon days.	Loss of earning capacity @ Rs.483 per wagon per day (in lakhs of Rs.)
	(1)	(2)	(3)	(4)	(5)
1.	Panipath Thermal Power House siding Panipath	1988-89	378	46672	225
		1989-90	499	75479	365
		1990-91 (upto 12/90)	285	38527	186
2.	Indraprastha Power House Siding, Tilak Bridge Delhi	1988-89	302	33488	162
		1989-90	419	46576	225
		1990-91 (upto 12/90)	374	51642	249
			2257	292384	1412

Note:Earning capacity of BG 4-wheeler is Rs.483 per day as per Northern Railway statistics.

South Eastern Railway:

A review by Audit of records of Kolaghat Thermal Power Plant siding for the period from June 1990 to December 1990 revealed heavy detention of various types of wagons loaded with coal, oil, cement etc. from arrival to despatch and 87776 wagon days were lost. Out of this, 32160 wagon days were lost in case of empty wagons after their release by the siding. Unnecessary detention of empty wagons in the siding resulted in loss of earning capacity of Rs.1.34 crores.

Heavy detention of wagons during 1988-90 in the same siding was brought to the notice of Railway but no action was initiated by Railway to arrest the heavy detention.

South Central Railway:

There are 114 sidings on South Central Railway. In 25 of these sidings pilot to pilot working system is in vouge. Under this system the wagons placed in the sidings by one pilot should be removed by the next pilot after the wagons are loaded/unloaded and the interval between the two pilots should not exceed 24 hours. A review by Audit revealed that wagons suffered heavy detentions at six sidings due to defects in the running of pilots eventhough the loading and unloading had been completed within the free time allowed. The loss of earning capacity of wagons at various sidings for different periods are indicated below:

Sl. No.	Siding Name	Period	Loss of earning capacity
1.	Raghavapuram Cement siding	4/1989 to 9/1989	Rs. 1.08 crores
2.	Mancherial station and siding	1/1988 to 15.9.1988	Rs.81.13 lakhs
3.	MSPS/Parli	9/1989	Rs.10.37 lakhs

A test check in Audit of yerraguntla cement siding in Guntakal Division for the period April 1990 to March 1991 (excluding November 1990) revealed that of 322 cases of placement of wagons, only in 153 cases (47.5 per cent) the pilot visited the siding within 24 hours of placement for removal of empties. The total detention of wagons, after allowing 24 hours between 2 pilots, has been assessed at 17247.1 wagon days for the above period. Assuming the earning capacity per wagon day at Rs.824/- total loss due to detention inside the siding was assessed in Audit at Rs.1.42 crores.

.9. Detention of wagons:

(a) At Marshalling yards:

Working of Marshalling yards on Railways was reviewed and commented in para 12 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 1990, Union Government (Railways).

A further review by Audit indicated that detention of wagons in marshalling yards was on the high side during 1988-89 and 1989-90.

Name of the Railway	Wagon days lost (in lakhs)	Loss of earning capacity (in crores of Rs.)
1. Northern	8.06	38.96
2. Central	2.76	11.11
3. Eastern	0.34	1.08
4. South Eastern	1.11	48.85
5. Southern	-	39.35
	Total	139.35

Marshalling yard authorities failed to adhere to targets fixed for release of wagons and Railways sustained heavy loss of wagon days.

(b) At terminal stations:

Railways have laid down targets of permissible detention for all wagons placed at major stations for loading, unloading, and then reloading. A study of detention of 'loaded to loaded', 'loaded to empty', 'empty to empty', and 'empty to loaded' wagons at Ambala Cantonment station of Northern Railway revealed that wagons were detained for periods in excess of the prescribed target. During the last three years 1988-89 to 1990-91, 39621 wagon days were lost resulting in loss of earning capacity of Rs.1.91 crores.

On three major stations Cochin, Coimbatore and Salt Cotaurs of Southern Railway, wagons suffered heavy detention in excess of targets fixed during 1987-88 to 1989-90 and the loss of earning capacity was estimated at Rs.7.17 crores.

(c) In sick lines:

On Northern Railway 1,92,087 wagons were detained for 10.10 lakh wagon days beyond permissible time in Marshalling yard Juhi at Kanpur on account of non-availability of materials for repairs. This had resulted in loss of earning capacity amounting to Rs.48.79 crores during 1988-89 to 1990-91 (upto December 1990). Besides, 2.08 lakh wagon days were lost due to delay in placement of wagons in sick line and their final despatch after fitness. This had resulted in additional loss of earning capacity of Rs.10.04 crores as indicated below:

Year	Number of wagons	Excess time taken (in hours)	Total wagon days	Average earning capacity per wagon per day (Rs.)	Loss of earning capacity (in lakhs of Rs.)
(1)	(2)	(3)	(4)	(5)	(6)
1988-89	65,802	16,51,301	68804	483.11	332
1989-90	65,557	14,89,591	62066	483.11	300
1990-91	60,728	18,50,995	77125	483.11	372
	1,92,087		207995		1004

Note: Earning capacity of four wheeler wagon is Rs 483 per day as per Northern Railway statistics.

10. Rejection of wagons after placement in sidings:

South Central Railway:

A detailed review by Audit revealed that 242 wagons supplied to a siding owner at Vishnupuram on South Central Railway during 14.8.90 to 19.8.90 were rejected as the wagons were not water tight and unsuitable for loading cement. The rejected wagons suffered detention of 770 wagon days equivalent to earning capacity of Rs.6.34 lakhs. Food Corporation of India was supplied 1840 wagons during 30.4.89 to 18.12.90, out of which 596 wagons were found not fit for loading food grains and were rejected. At the Yerraguntla Cement corporation Siding, 449 wagons were rejected during April 1990 to March 1991 (excluding November 1990) and these wagons suffered detention of 1844 wagon days equivalent to earning capacity of Rs.15.20 lakhs. Similar rejection of wagons was noticed at rice loading stations at

Machilipatnam, Palakollu, Bhimavaram and Tadepallegudem, the rejection ranging from 16.95 per cent to 20.31 per cent.

Western Railway:

Review of rejection of wagons in one of the cement sidings at Jawad Road on Western Railway during 1988 to 1990 indicated high percentage of rejection of wagons.

Year	Demand	Supply	Rejection	Percentage of rejection
1988	16298	12250	1494	12.2 %
1989	22171	18516	2063	11.2 %
1990	47905	29672	3044	12.6 %

Eastern Railway:

A large number of inward wagons received by Calcutta Port Trust Railways were found not fit for loading. This indicated lapses on the part of mechanical Department in undertaking proper examination of wagons prior to their placement in the siding. The percentage of rejected wagons received during 1988-89 to 1990-91 ranged between 13 per cent and 18 per cent involving loss of 91,943 wagon days equivalent to an earning capacity of Rs.2.86 crores.

South Eastern Railway:

A test check conducted by Audit in Rourkela Steel Plant siding revealed that 18,775 wagons were rejected by the Steel Plant Authorities during 1990-91 on the ground that the wagons were unfit to carry the commodity. Detention of these wagons was 2 days on an average. This has resulted in a loss of earning capacity of wagons to the extent of Rs.3.12 crores.

Thus, apart from non-availability of wagons there was extra cost due to haulage of empties from the siding to the stations for train examination and back.

11. Avoidable Haulage Charges on rejected empty wagons:

The Railways are required to check empty wagons for water tightness, body holes and other mechanical faults prior to their being placed for loading. A test check conducted by Audit revealed that a large number of wagons were not found fit for loading after their placement at the sidings and the wagons had to be hauled back to the nearest train examination station/yard for repairs resulting in avoidable haulage charges. A careful examination of their suitability at the train examining points before despatch to the loading ends would have prevented the unnecessary haulage of these wagons.

Sl. No.	Name of the Railway	Number of sidings/ wagons	Period	Empty haulage charges
1.	Southern	5 (6777)	1988-1990	Rs.21.69 lakhs
2.	Northern	3 (1522)	1988-89 to 1990-91	Rs.13.10 lakhs
3.	Central	2 (102034)	1986-1990	Rs.41.17 lakhs
4.	Eastern	- (52833)	1988-89 to 1990-91	Rs.30.15 lakhs
5.	South Eastern	- (74026)	1988-89 to 1990-91	Not assessed in Audit

12. Operation of closed circuit rake and Jumbo rakes:

(a) Closed circuit rakes:

Mention was made in para 1.20 of the Advance Report of the Comptroller and Auditor General of India, Union Government (Railways) for the year 1979-80 regarding uneconomic running of closed circuit rakes. Closed circuit rakes are run for movement of iron ore, coal etc. from ore mines/collieries to fixed points like ports, steel plants, thermal plants etc. and are returned as empties to the originating points without picking any load enroute.

A test check in Audit revealed that Northern Railway incurred Rs.84.82 crores as haulage on empty rakes in respect of two thermal plants at Panipat and Panki during the period from April 1988 to December 1990. Similar empty haulage charges of Rs.80.60 crores were incurred on Southern Railway during 1988-89 to 1990-91 and Rs.10.96 crores on South Central Railway during 1988-89 to 1990-91.

(b) Jumbo rakes:

Jumbo rakes are run on the Railways essentially to transport foodgrains and steel items. After unloading at the destination, the empties are returned to the originating stations earning freight in one direction only.

A study of the operation of Jumbo foodgrain specials on Southern Railway revealed that as many as 94033 wagons in 2260 Jumbo rakes were handed over empty to the South Central Railway during the period from April 1989 to March 1991. The cost of haulage in respect of these empty rakes within Southern Railway (Palghat to Gudur) amounted to Rs.17.12 crores.

Railways are continuing the Uneconomic operation of closed circuit/jumbo rakes and are yet to create traffic over the return journey.

13. Delay in generation of empty wagons by Departmental users:

Rules provide that wagons placed for loading and unloading are required to be released within the free time of 5 hours. A test check conducted by Audit revealed that wagons placed for loading/unloading in departmental sidings of Railways were not released within the prescribed free time.

In four departmental sidings on North Eastern Railway the detention ranged between 46 and 800 hours for which demurrage levied was liberally waived.

In Ajmer workshop siding of Western Railway detention to wagons beyond the free time allowed was 4.30 days on an average and 44147 wagon days were lost during 1988-89 to 1990-91. The loss of earning capacity was estimated at Rs.1.12 crores whereas Rs.15.89 lakhs only was paid by the workshop as detention charges. The detention charges fixed in 1966 have not been revised upward till now. Similarly, in Kota workshop 10,202 loaded wagons suffered detention of 89735 wagon days during 1987-88 to 1990-91 resulting in loss of earning capacity of Rs.4.98 crores.

On Central Railway despite grant of extended free time (32 hours as against 5 hours for public), wagons were detained for over 500 hours in Matunga workshop during January 1989 to December 1989 while wagons placed in Parel workshop siding suffered detention ranging from 200 hours to 1000 hours. Loss of earning capacity of wagons was estimated in Audit at Rs.89.38 lakhs.

Cases of abnormal delays in release of wagons by three departmental sidings were also noticed on Northeast Frontier Railway. During January 1989 to December 1990, 1004 wagons suffered detention ranging from 389 hours to 1013 hours per wagon and 23909 wagon days were lost. Loss of earning capacity of wagons was estimated to be Rs.72.80 lakhs. Measures to improve loading/unloading facilities inside the workshops have not been taken.

14. Utilisation of special type wagons:

For transport of heavy mechinery and oversized consignments, Railways use special type of wagons like Bogie Rail Wagon Heavy (BRH) and Bogie Rail Wagon (BFR). A test check of turn round of these wagons on Eastern Railway revealed that actual turn round of BFR/BRH wagons was 20 to 24 days as against targetted turn round of 7 days during 1988-89 to 1990-91. The excess turn round over the target involved a loss of 6.03 lakh wagon days amounting to Rs.18.80 crores. Similar detention of BFR/BRH wagons was noticed in South Central Railway during April 1988 to June 1988 at Thimmancherla where 1607 wagon days were lost equivalent to earning capacity of Rs.13.25 lakhs.

On South Eastern Railway on the other hand, due to reduced availability of BFR/BRH wagons loading of iron and cement traffic suffered a set back during 1989-90 and 1990-91 (December 1990) as indicated in the next page.

	Indent	Supply	Loading
Cement Traffic:			
1989-90	321622	232713	226837
1990-91	255105	176875	171347
Iron Traffic:			
1990-91	179342	159648	156088

15. Avoidable movement of empty rake:

Coal from Ledo and Borgolai collieries is brought by MG rakes to Kamakhaguri station on Northeast Frontier Railway for transhipment into BG wagons. MG empties thus generated at Kamakhyaguri are despatched back to New Bongaigaon for further loading. Similarly, BG empties for coal loading are brought to Kamakhyaguri from New Jalpaiguiri / New Bongaigaon / Salakhati. The selection of New Bongaigaon/Salakhati as a transhipment point would have been economical in view of the fact that maximum number of BG empty coal wagons are available at Salakhati station which is at a distance of 19 Kms. only from New Bongaigaon. The expenditure incurred for bringing MG rakes alone from Kamakhyaguri to New Bongaigaon involving a lead of 87.12 Kms. worked out to Rs.1.56 crores during April 1988 to December 1990 for 565 MG trains @ Rs.317.71 per km.

Similarly, Meghalya Coal popularly known as Khasi Coal is booked from New Gauhati (MG) and Jogigopa (BG) for MG and BG destinations respectively. With the extension of BG line from New Bongaigaon to New Gauhati (176 Kms.) in 1985-86 and subsequently with the commencement of rake loading from New Gauhati, the Railway should have arranged loading facility of Khasi Coal at New Gauhati (BG) at least for Khasi Coal carried from Beltola to Jogighopa (75 per cent of coal traffic). At present, empty rakes released at New Gauhati (BG) are hauled to Jogighopa for Khasi Coal loading. The Railway incurred an unproductive expenditure of Rs.2.60 crores on haulage of empty wagons for a distance of 209 Kms. during 1987-88 to 1989-90 ex New Gauhati to Jogighopa as given in the Table :

Year	No. of wagons booked from Jogighopa	No. of wagons hauled from New Guwahati to Jogighopa	Cost of haulage per wagon/ K.M.	Distance	Total haulage cost (in lakhs of Rs.)
1987-88	7829	5872	3.93	209	48.23
1988-89	11315	8486	4.12	209	73.07
1989-90	20541	15406	4.32	209	139.10
TOTAL					260.40

Notes: Cost of empty haulage for 1990-91 has not been worked out.

16. Monitoring of empties:

Operating Department of Railway is responsible for monitoring the empties according to the pending indents of the party at various points. Lack of proper monitoring affected the availability of wagons in Railways and resulted in loss of earning capacity of rolling stocks.

Central Railway:

Name of the siding	Period	No. of wagons indented	No. of wagons placed	Excess	Rejection (included in excess)
(a) RCF siding Trombay	1988-89	33345	47661	14316	4057
	1989-90	38629	42445	3816	2093
(b) ACC siding	1989	-	-	17743	4093

A test check of the position of availability of wagons in Bombay, Bhusaval and Nagpur divisions of Central Railway during 1989-90 and their supply to big industries situated in the same divisions revealed that Railway failed to meet the demands even though empties in sufficient numbers were available with the divisions. The loss of earning capacity of stabled wagons was assessed at Rs.2.28 crores in 1989-90.

South Central Railway:

On the other hand, South Central Railway failed to meet the demands of cement factories in the regions due to shortage of wagons as indicated in the next page.

Month	Number of wagons indented	Number of wagons supplied	Shortfall
April 1989	2820	1292	1528
May 1989	3360	1114	2246
June 1989	1680	571	1109
July 1989	3540	1678	1862
August 1989	3120	1590	1530
September 1989	2700	1093	1607

A study of planning and movement of empties on Northeast Frontier Railway revealed that empties much in excess of indented quantity were placed at the disposal of Railway users and as a result large number of BG empties were hauled upto the destinations along with the loaded wagons. The cost of empty haulage incurred by Railway was worked out in Audit at Rs.2.70 crores.

2.3. Utilisation Of Oil Tank Wagons

Introduction

Tank wagons are special type wagons used for transport of liquid consignments like Petroleum Products, molasses, vegetable oils, etc. The total fleet of tank wagons owned by Railways at the end of 1989-90 was as follows:

1989-90 34,037 (BG) and 4,577 (MG)

2. Scope

The performance of Railways in the utilisation of tank wagons for carriage of POL traffic during 1986-87 to 1990-91 was generally reviewed.

3. Organisation

The holding of the tank wagons on the Railways and their movement for transport of POL products is controlled centrally by the Railway Board in co-ordination with the Ministry of Petroleum and the Oil Co-ordination Committee. The balancing of tank wagon fleet among the Zonal Railways and the day to day movement of tank wagons on the Railways is monitored by Chief Tank Wagon Superintendent, Western Region, based in Central Railway, Bombay and the Chief Tank Wagon Superintendent, Eastern Region, based in the Eastern Railway, Calcutta.

4. Highlights

(i) The percentage of POL traffic carried by rail to production/sales remained stagnant. Para 5

(ii) Despite additions to the holding of tank wagons there was no corresponding increase on the traffic carried on Eastern, Northern, North Eastern, Northeast Frontier and South Eastern Railways. The cost of the additions on Eastern and Northeast Frontier Railways was Rs.35.74 crores approximately. Para 6

(iii) Target for turn round of POL wagons had not been fixed. An analysis of the excess detentions in Northeast Frontier, Southern, South Central and South Eastern Railways revealed loss of earning capacity of Rs.29.87 crores. Para 7

(iv) While supply of wagons was more or less on par with the indents, the loading was invariably less than the indents resulting in non-utilisation of a large number of wagons supplied each year. The loss of earning capacity due to stabling/idling of such excess supply was Rs.24.33 crores (Western Railway), Rs.4.80 crores (Central, Eastern and Southern Railways). Para 8

(v) Excess detention to wagons, beyond the freetime allowed, resulted in loss of earning capacity of Rs.26.16 crores (Northern Railway), Rs.21.86 crores (Southern, South Central, South Eastern and Western Railways). Para 9

(vi) Rejection of wagons by the oil companies due to defects resulted in loss of 30,397 wagon days in South Eastern Railway and 23,006 wagon days in Western Railway. Para 10

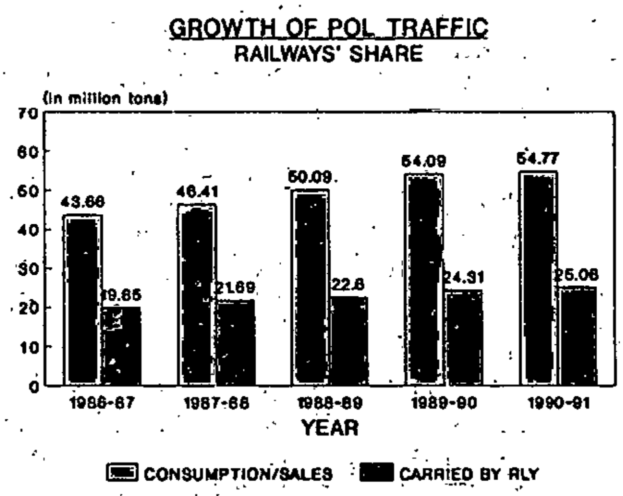
(vii) The additional expenditure due to road bridging of POL products on Northeast Frontier Railway was Rs.1.75 crores during 1986-87 to 1990-91. Para 11

(viii) Non optimisation of POL train loads resulted in a loss of Rs.2.41 crores (Central Railway) and Rs.3.63 crores (Western Railway). Para 13

5. Growth of POL traffic

The growth of Petroleum Products and the Railways share of traffic during 1986-87 to 1990-91 is graphically shown below:(Chart 13)

CHART 13



The percentage of POL traffic carried by rail to consumption/sales remained almost stagnant. A review by Audit of the distribution of POL products among the various modes of transport revealed that from Guwahati refinery only 20 to 23 per cent of the products was carried by rail during 1984-85 to 1990-91 on account of Railway's policy to move POL traffic only in block rakes, while in Nowgang - Haibergaon area facilities for movement of rake load traffic were yet to be developed. At Digboi refinery, the railway's share declined from 56 per cent in 1986-87 to 51 per cent and 49 per cent in 1987-88 and 1988-89 respectively due to diversion of the traffic to road. On Western Railway, the railway's share of traffic decreased from 58.1 per cent in 1986-87 to 56.1 per cent in 1988-89 and 54.3 per cent in 1989-90, although the production/sales of petroleum products increased by 6 per cent between 1987-88 and 1989-90.

6. Holding

The holding of tank wagons on the Railways, vis-a-vis the traffic projections, targets fixed and the actual traffic carried are shown in the Table:

Year	Stock (No. of wagons)	Total (No. of wagons)	Projection of traffic by Deptt. of Petroleum	Target fixed	Traffic carried	Variation
				(in million tonnes)		
1986-87	BG 30,649	35,218	19.73	19.62	19.85	(+)0.23
	MG 4,569					
1987-88	BG 31,141	35,578	20.90	20.00	21.69	(+)1.69
	MG 4,437					
1988-89	BG 32,401	36,698	22.00	22.80	22.60	(-)0.20
	MG 4,297					
1989-90	BG 34,037	38,614	22.00	24.50	24.31	(-)0.19
	MG 4,577					

It will be observed that in 1986-87 and 1987-88, the traffic carried by rail was above the fixed targets by 0.23 and 1.69 million tonnes. However, despite additions of 1,120 and 1916 wagons (BG & MG) in 1988-89 and 1989-90 respectively, the targets were not achieved, though marginally.

The Public Accounts Committee (1986-87) - Eighth Lok Sabha mentioned in its 105 Report that the Ministry of Railways should make provision for infrastructural facilities on a time bound programme for handling POL traffic so as to ensure, inter alia, optimum utilisation of the assets/resources already created/invested.

A review in Audit of the holding of tank wagons on some of the Zonal Railways revealed that additions to the holding of tank wagons were without any corresponding effect on the traffic carried by the Railways as mentioned below:

(i) Eastern

There was addition of 250 wagons in 1987-88, 192 in 1988-89 and 12 in 1989-90 at a total cost of Rs.13.25 crores but the quantum of POL traffic carried during 1986-87 to 1988-89 remained almost at the same level viz. 1,689, 1,668 and 1,733(000) tonnes.

(ii) **Northern**

The average holding of tank wagons increased from 3,029 in 1986-87 to 3,248 in 1990-91. The traffic actually carried, however, remained below the level of 1986-87 by 4.33, 6.99 and 0.5 per cent respectively in 1987-88 to 1990-91.

(iii) North Eastern

The actual holding in 1986-87 was 300.5 BG tank wagons with average loading of 16,201 four wheelers. It increased to 451.4 BG wagons in 1987-88 and to 404 in 1990-91 but the corresponding loading declined to 14,077 and 16,081 four wheelers.

(iv) Northeast Frontier

The holding increased from 1193 (MG) in 1986-87 to 1,263 MG and 450 BG in 1989-90 at a cost of Rs.22.49 crores but the rise in originating POL traffic was only 1.34 per cent. The addition of wagons was not justified as the inward traffic also increased from 187 (000) tonnes in 1986-87 to 316 (000) tonnes in 1989-90.

(v) South Eastern

The quantum of POL traffic carried in 1987-88 was 2.5 million tonnes. It remained at 2.6 and 2.63 million tonnes in 1988-89 and 1989-90 despite increase in holding during these years by 1,048 and 1,017 tank wagons respectively.

7. Turn-round analysis

Turn-round time represents the average time lag between two successive loadings of a wagon. No target for the turn round of POL tank wagons had been fixed by the Railway Board/Railway Administration.

The average turn-round time of M.G. tank wagons on Northeast Frontier Railway was 15.8

days in 1989-90. The turn round time was adversely affected due to unaccounted for detentions of 8.8 days in yards, apart from base detentions/terminal detentions of 2 days each and transit time of 3 days.

The excessive turn-round time after allowing one day for the terminal and base detentions ranged from 0.14 to 0.49 day on BG and 0.54 to 4.28 days on MG in respect of base stations on Southern Railway during 1988-89 to 1990-91 resulting in net excess holding of 54, 293 and 151 BG and MG wagons during 1988-89 to 1990-91 respectively and the consequent loss of earning capacity of wagons of Rs.5.91 crores.

A review of the average wagon holding per day against the target slate fixed during 1986-87 to 1990-91 at Manmad and Vasco on South Central Railway revealed that the turn-round time allowed was higher than the turn round actually achieved. Consequently the number of wagons held per day was in excess of the requirements to achieve the target slate as detailed below:

Year	Average wagon holding per day		Target slate fixed		Average turn-round per wagon expected (in days)		Average turn-round per wagon actually achieved (in days)		Average wagon holding per day that was sufficient to achieve target slate fixed/indent	
	Manmad	Vasco	Manmad	Vasco	Manmad	Vasco	Manmad	Vasco	Manmad	Vasco
1986-87	91	134	6050	9047	5.49	5.41	2.78	6.40	46	136
1987-88	88	131	7744	9700	4.15	4.93	3.62	5.78	77	126
1988-89	91	140	8823	9732	3.77	5.25	3.03	4.87	73	112
1989-90	98	145	9579	10363	3.73	5.11	2.92	5.52	77	124
1990-91	117	131	11072	10707	3.86	4.47	3.00	4.62	91	119

On the basis of the average turn-round actually achieved, the loss of wagon days at Manmad was 39,953 (after allowing 3.17 per cent ineffective holding) equivalent to an earning capacity loss of Rs.1.22 crores during 1986-87 to 1990-91. Besides 11,394 wagon days were lost due to idling of wagons during the above period. The earning capacity loss due to idling was Rs.33.25 lakhs.

At Vasco (MG) originating point, the wagon holding with reference to the actual turn-round time achieved was excessive by 16,221 wagon days resulting in loss of earning capacity of Rs.55.31 lakhs during 1986-87 to 1990-91. Besides, there was loss of 21,158 wagon days and consequent loss of earning capacity of Rs.65.97 lakhs due to idling of wagons during the aforesaid period.

On South Eastern Railway the turn-round time increased from 8.8 days in 1987-88 to 10.27 days in 1990-91. It was seen in Audit that while base detentions, transit time and terminal detentions accounted for less than 6 days of the turn-round time, the detentions before placement in base stations and after release from the terminal depots ranged between 3 and 4.72 days. There was loss of 5.09 lakh wagon days on account of excess turn round of wagons reckoned with reference to the daily average effective holding and the averages of the daily loaded receipts and loading of wagons during 1987-88 to 1990-91. The consequent loss of earning capacity amounted to Rs.21.20 crores.

8. Indenting, supply and loading

The slate (target for daily loading) for tank wagons fixed in the monthly supply plan meetings of the Oil Co-ordination Committee becomes the commitment of the railway to lift the traffic. Pursuant to the recommendations in 105 Report of the Public Accounts Committee (1986-87) regarding excessive indenting by oil companies and excess supply of wagons by Railways, the Ministry of Petroleum had stated (November 1987) that an indenting procedure had been evolved to ensure that advance intimation of demand of the oil industry was given to the Railways to enable the latter to distribute the tank wagon fleet in such a way that demands of all bases were met. A review of the position in this regard on Northern, South Central, South Eastern and Western Railways during 1988-89 to 1990-91 revealed that the oil companies resorted to under indenting of wagons on South Central, South Eastern and Western

Railways while on Northern Railway the indents placed were always more than the slate. The supply of wagons by the Railways was either more or less than the indents but loading was invariably less than the indents resulting in non-utilisation of a large number of wagons supplied each year (vide Annexure V)

The excess supply of wagons at the Bajuwa, Gandhidham (BG) and Sabarmati, Gandhidham (MG) loading points on Western Railway was attributable to placement of empty rakes inside the oil company sidings without taking into account the indents. The loss of earning capacity during 1986-87 to 1989-90 on account of stabling and idling of wagons on the BG and MG worked out to Rs.24.33 crores.

The position on some other Railways was as under :

Central Railway

The average number of wagon days lost per month due to under indenting and less loading during 1987-88 to 1989-90 ranged between 1,257.6 and 2,999.7 involving loss of earning capacity of wagons amounting to Rs.3.44 crores.

Eastern Railway

The number of wagons stabled on account of shortfall in loading compared to slate at the Budge Budge, Barauni and Rajbandh depots during October 1989 to September 1990 was 16,170 wagons (231 rakes) involving loss of earning capacity of Rs.53.48 lakhs. The loss of earning capacity due to wagons surplus to requirements was estimated (November 1990) by the Administration at Rs.40.98 lakhs. The reasons for non-achievement of slate were shortage of products, occassional industrial problems in the oil industry affecting loading of POL and heavy rejection of tank wagons by the oil companies.

Southern Railway

The stabling/idling of wagons at the Tondiarpet base station increased from 1,093 wagon days in 1987-88 to 11,377 in 1990-91 (up to December 1990) with corresponding increase in loss of earning capacity from Rs.3.53 lakhs to Rs.41.66 lakhs. The excess stabling was due to one or more of the following reasons:

(a) allotment of more wagons than demanded,

(b) late arrival/materialisation of empties,

(c) labour problem in the oil companies; and

(d) placement of wagons for loading on holidays.

The reasons for stabling at (a), (b) and (d) above were avoidable.

9. Detention of wagons

Free time to be allowed for loading and unloading of tank wagons at the base/terminal stations, yards and sheds, etc. is fixed by the zonal Railways.

A review in audit of utilisation of wagons at certain base/terminal stations on some Railways revealed detention of wagons beyond the free time as mentioned below:

(i) Detention at terminals

Northern Railway

The loss of earning capacity due to excessive detentions at Panki and Suchipind base stations worked out to Rs.14.25 crores during 1986-87 to 1990-91. At IOC siding, Suchipind, number of wagons detained beyond free time of 5 hours increased from 41,329 in 1986-87 to 51,057 in 1989-90 and 49,843 in 1990-91. Detention in terms of wagon days and the loss of earning capacity suffered during 1990-91 alone was 36,330 wagon days and Rs.1.76 crores.

A review by Audit of the records for 1986-87 to 1990-91 at six unloading/terminal points on the Railway disclosed that detention of wagons beyond the free time of 5/10 hours ranged between 1,435 and 13,114 wagon days. The loss of earning capacity on this account amounted to Rs.11.91 crores.

Southern Railway

Targets for terminal detention to wagons were not prescribed. It was, however, seen that the average terminal detention at Irimpanam station was generally within one day during 1988-89 to 1990-91, while at Tondiarpet marshalling yard it was more than one day during that period. The average detention ranged between 31.9 hours and 47.5 hours and the wagon days lost during 1988-89 to 1990-91 were 42,753, 68,341 and 71,509 even after allowing a full day for loading and despatch of empty wagons. The loss of earning capacity due to excessive terminal detention worked out to Rs.6.53 crores.

South Central Railway

There is only inward POL traffic on this Railway from refineries and major depots situated on other Railways for public as well as for Railway's use. The terminal detentions before placement for unloading on the BG circuit, at eight stations and final despatch after unloading was 46,938 wagon days, leading to loss of earning capacity of Rs.4.16 crores in 1989-90 and 1990-91 (up to January 1991).

Delay in placement and desptach of wagons received by Railway Administration for its use in respect of five stations during January 1990 to December 1990 was 20,456 wagon days, equivalent to loss of earning capacity of Rs.1.81 crores. The reasons for detentions were use of tank wagons as storage tanks, despatch of wagons alongwith train loads of MSEB, Parli, etc.

There were terminal detentions of 35,808 wagon days in respect of MG inward loads of POL traffic received at nine stations on the Railway at the time of placement and in the yards before despatch during January 1990 to March 1991. The loss in earning capacity worked out to Rs.1.27 crores.

South Eastern Railway

The average total detention beyond the permissible limit of 60 hours and 33.5 hours at Haldia and Visakhapatnam respectively ranged between 95 and 75 hours at Haldia and between 40.52 hours and 45 hours at Visakhapatnam during 1987-88 to 1989-90. The total loss of earning capacity was Rs.9.58 crores.

Western Railway

The time taken from arrival to placement and removal to despatch at Bajuwa, Gandhidham (BG & MG) and Sabarmati (MG yard) revealed excessive detentions at base stations. Detentions suffered on the above account ranged between 61.94 and 90 per cent of the total detention of 36.18 and 78.35 hours. The total detention at Gandhidham (BG & MG) and at Sabarmati (MG) was on the increase since 1987-88. Total terminal detention at Udaipur City, Rana Pratap Nagar and Bais Godam ranged between 25.4 hours and 104.3 hours on an average during 1986-87 to 1990-91. The time taken for placement, removal and despatch was between 46 and 86.2 per cent of the total detention.

As against the normal transit time of two days, the bulk of POL tank wagons despatched from Sabarmati (MG) to Udaipur city and Rana Pratap Nagar were received after delays ranging from 3 to 30 days during 1990-91. The total loss due to excessive transit time was of 10,202 wagon days at both the stations and the loss of earning capacity was Rs.32.38 lakhs.

(ii) Detention in yards

In Tughlakabad and Moradabad marshalling yards on Northern Railway the free time allowed is 27 hours and 24 hours respectively. The detentions suffered during 1986-87 to 1989-90 (up to December 1989) beyond the free time at these yards were 12,724 and 79,404 wagon days due to inadequate capacity of the yards. The loss in earning capacity amounted to Rs.58.37 lakhs and Rs.3.72 crores respectively.

(iii) Detention at Power House Siding

The excess detention of wagons at the Power House Siding, Delhi during 1988-89 to 1990-91 was 11,146 wagon days for which the loss of earning capacity worked out to Rs.53.85 lakhs. The detention was attributable to inadequate labour of contractors for unloading of wagons when the machine was out of order. An amount of Rs.38.12 lakhs was outstanding on account of demurrage charges at the end of November 1991.

(iv) Detentions at diesel sheds due to non-availability of adequate storage facilities

The diesel shed at Bhagat Ki Kothi on Northern Railway which receives HSD oil from IOC Kandla has a limited storage capacity of 295 KLs against the average daily consumption of 36 and 45 KLs during 1988-89 to 1990-91. Due to the limited storage capacity, during 1987-88 to 1989-90 detention suffered by 1,165 tank wagons after allowing free time of 5 hours, ranged between 1,473 to 2,400 wagon days. The loss in earning capacity amounted Rs.26.18 lakhs.

On Eastern Railway there are 6 regular diesel loco sheds and 14 other points for fuelling locos, receiving supply of HSD oil from IOC loading points Rajbandh, Barauni and Budge Budge. As per agreement in vogue up to October 1985, the storage and fuelling facilities were to be provided by the IOC free of cost to the Railways. This concession was withdrawn in November 1985. Although the IOC was agreeable to continue the facility through negotiations, the Railway did not take any action with the result that direct decantation from tank wagons had to be done for fuelling of diesel locos leading to detention of wagons.

A limited review of 3 loco sheds and 2 fuelling points for various periods between 1984-85 and 1989-90 revealed that the tank wagons were detained for 27,011 wagon days due to non-availability of adequate storage cum fuelling facilities. The failure of the Administration to avail of the offer of IOC to provide requisite facilities free of cost led to loss of earning capacity of Rs.67.14 lakhs.

10. Rejection of tank wagons at Gantry

In May 1989, Ministry of Railways directed the zonal Railways to ensure supply of fit tank wagons to oil companies for loading. It was, however, seen that considerable number of wagons were rejected at the gantry and at the loading points mainly due to defects in master valve, the valve remaining in uncoupled position, placement of wagons already marked sick and wagons being placed with barrel position twisted (dented).

The position obtaining in this regard on some of the zonal Railways is detailed below:

South Eastern Railway

The total number of wagons rejected by IOC at Haldia on South Eastern Railway was 8,865 during 1987-88 to 1990-91. The number of wagons rejected in 1990-91 alone was 3,642. The average detention to the wagons ranged from 74 hours to 95 hours, and 30,397 wagon days were lost equivalent to loss of earning capacity of Rs.1.27 crores.

Western Railway

The percentage of rejection at Sabarmati (MG) base station was the highest, the same being 7.77 to 20.22 per cent during 1986-87 to 1990-91. The rejection at the other three bases viz., Bajuwa, Gandhidham (BG & MG) was 2.71 per cent to 3.92 per cent, 4.10 per cent to 8.24 per cent and 2.87 per cent to 4.98 per cent respectively during the above period.

At Karachia (BG), Gandhidham (BG/MG), and Sabarmati (MG) loading points, it was noticed that during 1986-87 to 1990-91 large number of wagons loaded at the gantry were marked sick in the yard after their removal in rakes from the gantry due to barrel leakage and other mechanical defects necessitating transhipment of the contents from the sick loaded wagons to the fit wagons (empty placed) involving avoidable detention of 23,006 wagon days. In addition, Rs.1.94 lakhs was paid to IOC as transhipment charges.

11. Maintenance of Tank wagons

(i) Central Railway

The Mechanical department had fixed 2.8 days for POH and 2 days for NPOH during 1988-89. The average time taken for POH and NPOH during 1988-89 to 1990-91 was between 4.89 and 8.41 and 5.84 and 7.91 days respectively resulting in loss of 26,168 wagon days and consequent loss of earning capacity of Rs.1.24 crores. The excess time taken for repair was attributable to receipt of wagons in bunches on a particular day, non-availability of stores, failure of overhead cranes/boilers/air compressors and non-availability of shunting engines.

(ii) Northern Railway

In Alambagh workshop, Lucknow, detention of wagons ranged from 5 to 108 days during December 1987 to August 1990 after excluding the actual time taken for POH which ranged from 1 to 5 days, due to receipt of wagons far beyond the capacity of the shop. This involved loss of 5140 wagon days and loss of earnings of Rs.24.83 lakhs.

(iii) Western Railway

Tank wagons, after POH are required to be removed at the earliest to the loading points to utilise the available capacity. There were delays of 5 to more than 15 days in removal of wagons after POH in Pratap Nagar Workshop during January 1990 to March 1990 and January 1991 to March 1991. In the case of 9 wagons, the delay in removal ranged from 35 to 116 days during January 1990 to March 1990.

(iv) Outstanding dues

Liquid Petroleum gas tank wagons are jointly owned by Railways and IOC - Bajuwa. According to the general conditions of the agreement (yet to be executed - July 1991), in the case of empty movement of wagons for maintenance or periodical overhaul, haulage charges are to be paid by IOC at the tariff prescribed by the Railway. Bills for Rs.55.37 lakhs for the period August 1979 to March 1990 towards haulage charges (for 1037 wagons) ex-Bajuwa to Kota Workshop were preferred by the Western Railway Administration during 1983-84 to 1990-91 but, the amount had not been paid by IOC till July 1991. In addition, maintenance charges of Rs.142.49 lakhs (at the rate of 5 per cent of the capital cost) in respect of the jointly owned LPG tank wagons for the period January 1985 to December 1990 were also due for recovery (February 1991). Bills for 1990-91 were yet to be preferred (December 1991).

11. Road Bridging

Road bridging or road movement of POL products to rail fed areas is resorted to by oil companies

(a) on account of non-availability of tank wagons,

(b) due to lack of adequate unloading facilities at terminal depots, and

(c) to meet urgent increase in demands which could not be met by rail, etc.

The Government reimburses the additional expenditure on account of difference between road haulage charges and rail freight to oil companies. The expenditure incurred by the Government on such subsidy on Northeast Frontier Railway in respect of Digboi refinery loading base of Indian Oil Corporation during 1986-87 to 1990-91 (up to December 1990) amounted to Rs.1.75 crores. The subsidy had to be paid due to the Railway not lifting the traffic despite there being no shortage of wagons and wagons even idling at times.

Subsidy paid for such road movements from Bongaigaon and New Jalpaiguri terminal loading points could not be assessed due to non-availability of relevent records.

12. Review of sanctioned works and facilities

The work of modernisation of sicklines at Kurla on Central Railway for POH of tank wagons was sanctioned by the Railway Board in 1987-88 at a cost of Rs.287.12 lakhs. The rate of return was assessed at 10 per cent. The objectives were :

(i) to achieve outturn of 9 to 10 tank wagons of NPOH and 1 POH per day;

(ii) reducing the detention of tank wagons in repair shop with a resultant saving of Rs.11.1 lakhs per annum; and

(iii) undertaking POH of roller bearing tank wagons.

The work commenced in November 1987 with target date of completion as November 1989 (revised to December 1991). The estimated cost of the work underwent revisions in 1988, 1990 and 1991. The estimated cost revised last in February 1991 was Rs.350.54 lakhs. The actual expenditure incurred to end of

March 1991 was Rs.247.88 lakhs and the physical progress of work was 66 per cent. Due to delay in completion of the work the expected saving of Rs.11.1 lakhs per annum originally anticipated to be achieved in November 1989 had not been achieved. Besides, the cost overrun involved was Rs.63.42 lakhs.

13. Underloading of POL trains

To optimise throughput and utilisation of line capacity the optimum load in a train generally consists of 72 four wheelers. The Ministry of Railways noticing (October 1989) that trains despatched from Mathura refinery on Central Railway were running underloaded advised the Central Railway Administration to ensure that the POL rakes were despatched with full loads.

Nevertheless, 204 trains out of 268 booked from Mathura refinery to Phulpur during November 1989 to March 1991 were run underloaded by 1334 wagons for which the loss was estimated at approximately Rs.2.41 crores.

In Karachia yard of Western Railway 428 trains were run with 1946 wagons less than the optimum load. Based on the average lead of 930 Km. for POL traffic (as in 1989-90) over BG sections ex Bajuwa to various destinations, the extra expenditure on haulage of these wagons worked out to Rs.51.08 lakhs. The loss in earnings due to less carriage of wagons was estimated at Rs.2.68 crores.

2.4 South Central Railway: Planning, execution and performance of BG carriage Repair Workshop, Tirupati.

1.Introduction:

The Ministry of Railways (Railway Board), on the assurance of the Government of Andhra Pradesh to provide necessary facilities of land, water, power supply and other amenities, decided in May 1979, to set up a new Carriage Repair Workshop at Tirupati on South Central Railway to cater to the increased workload of periodical overhaul (POH) of broad gauge coaches of the Southern region viz. Southern and South Central Railways. The work was taken up on an urgency certificate in February 1980 and the Abstract Estimate of the work was sanctioned subsequently in December 1981 for Rs.18.33 crores. The workshop was planned for completion by 1983-84 with an annual POH outturn of 2176 units (four wheeler) from 1984-85.

2.Non-materialisation of commitments by State Government:

Against the commitment of 1000 acres of leveled land, the State Government made available only 336 acres of land for the workshop. The State Government also expressed its inability to reimburse Rs.22.59 lakhs spent by the Railway on levelling the land. As against the commitment to supply 5 lakh gallons of filtered water daily, the Project was able to get regular supply of less than 1.5 lakh gallons of water per day. The Railway had to incur an extra expenditure of Rs.24.70 lakhs to augment the water supply arrangements for the workshop.

3. Scope :

The review covers the process of Planning, execution and performance of the workshop.

4. Highlights:

- Requirement of POH capacity was over assessed by the Railway with little prospect of further utilisation of the capacity of the new workshop in the near future (Para 5.1 and 7).

- Delay in finalisation of lay out plan resulted in cost overrun of Rs.40.32 crores (Para 5.2 and 6.3).

- Extra expenditure of Rs.61.10 lakhs was incurred on precast folded plate roofing in lieu of the conventional asbestos roofing (Para 8.1).

- Avoidable expenditure of Rs.29.80 lakhs on transport of wheel sets to other workshop for want of wheel lathe (Para 6.2).

- As against the target of 15 days for POH, the actual ranged between 21 and 53 days leading to detention of coaches (Para 7).

- Cost of POH is high compared to another workshop on the same railway (Para 7).

5. Planning:

5.1 Over assessment of POH capacity requirement:

The Project Report assessed in 1980 the additional requirement of POH capacity as 2811 units per annum by 1983-84 and 4617 units per annum by 1988-89 and envisaged an outlay of Rs.11.97 crores on the new workshop with an annual capacity of 4352 units. In March 1981 the Railway Board decided to Plan the workshop initially for half of its capacity i.e. 2176 units per annum, capable of being expanded to twice the initial capacity at a later date. Accordingly, the Project Report was modified in June 1981 for the reduced capacity but including therein certain additional facilities not contemplated earlier such as additional sorting and stabling lines, staff quarters and other facilities. The number of coaches due for POH during the period 1983-84 to 1987-88 was far less than the requirement anticipated and provided for in the workshop indicating over assessment of the requirements.

Year	Stock holdings of BG coaches (in units)	*Anticipated/ POH arising for this workshop (in units)
1983-84	8552	1357
1984-85	8600	1392
1985-86	8804	1539
1986-87	8868	1585
1987-88	9114	1762
1988-89	9352	1933
1989-90	9798	2254
1990-91	9852	2293

* Figures for 1983-84 to 1990-91 are as per Project Report.

Even out of these anticipated POH numbers about 600 units, every year were met out of the spare capacity generated in the existing workshop of the South Central Railway alone. Thus the prospects of fuller utilisation of the capacity of the new workshop in the near future are remote.

The Railway stated that due to inadequate production capacity and resources the acquisition of coaches during the 7th Plan was very much lower than the requirement of Indian Railways and it was expected that the POH capacity would be adequately utilised with the increased holdings in the 8th and 9th Plans. As the bulk of the requirement of the coaching stock assessed in the 8th Plan was stated to be on replacement account only, it may not result in any increase in POH arisings. This factor coupled with utilisation of the spare capacity already generated in the existing workshop at Lallaguda would render the prospect of fuller utilisation of the capacity of the new workshop in the near future remote. The projected outturn of this workshop is only 1800 units per annum even by 1995 according to South Central Railway.

5.2 Inordinate delay in finalisation of workshop lay out plan:

The finalisation of the general layout plan of the workshop took 4 years as the plan prepared in October 1982 underwent revision in September 1983, December 1983 and July 1985 resulting in major changes in the design of the structures and scope of the work. This led to inordinate delay in execution of civil works and procurement and erection of plant and machinery pushing up the cost of the project substantially. The Railway stated that Tirupati Workshop was one of the first of its kind in the Independent India and repeated deliberations with COFMOW, RITES and Railway Board were necessary.

6. Implementation:

6.1 The workshop, scheduled to be completed by March 1984 had progressed only to the extent of 91.5 per cent (December 1989) and is 96.2 per cent complete on 30.6.1991. As a result of delay in finalising the general lay out plan, there was no progress in the execution of Civil Engineering Works. Out of the total value of Rs.5.41 crores of Civil Engineering Works, contracts for Rs.1.94 crores were awarded only in January 1984 and contracts for Rs.3.47 crores were awarded two years thereafter in February 1986. The works were completed during December 1986 to August 1988. Further even during their execution, the scope of the works was changed considerably which increased the cost by Rs.1.56 crores.

6.2 Plant and Machinery:

Procurement of plant and machinery suffered a set back due to inordinate delay in finalising the layout plan of the workshop. By the target date for completion i.e. March 1984 orders for only 81 out of 508 items of P&M (value Rs.2.28 crores out of total of Rs.19.49 crores) had been placed out of which only 39 items had been received. 136 items of Plant and machinery costing Rs.1.10 crores, commissioned during March 1983 to April 1985 remained idle for periods ranging from 4 to 30 months till the POH works commenced in September 1985. 17 items costing Rs.2.10 crores procured during the period October 1988 to December 1989 were not commissioned even by December 1989 for non-completion of civil Engineering works, short supply of parts and non-arrival of firm's representatives for commissioning. Three of these machines are yet to be commissioned (June 1991).

For erection of an imported surface wheel lathe costing Rs.1.71 crores received in March 1985 and another wheel lathe ordered on M/s Heavy Engineering Corporation in November 1986, foundations were provided at a cost of Rs.3.71 lakhs. However, the machines were transferred to other workshops in January 1986 and February 1989 respectively before they were installed rendering the expenditure on foundations infructuous. For want of wheel lathe, an avoidable expenditure of Rs.29.80 lakhs was incurred by the Railway on transporting the wheel sets for repair to and from other workshops during the period from September 1985 to March 1989. This is indicative of defective planning by Railway.

6.3 Cost overrun:

The delay in completion of Civil Engineering works and procurement of plant and machinery, changes in the scope and inclusion of new items of work resulted in escalation of the cost of the project from the original amount of Rs.18.33 crores to Rs.58.65 crores involving cost overrun of Rs.40.32 crores (220 per cent over the original cost) as mentioned below:

		Civil Works	Plant and mechinery	Others
(a)	Changes in the scope of work and escalation.	19.26	10.96	2.07
(b)	New items of work not contemplated earlier.	2.79	3.72	1.52
		22.05	14.68	3.59

7. Production performance:

As against the contemplated outturn of 2176 units per annum, the workshop turned out 528 units during a period of 31 months from September 1985 to March 1988 and 600 units in 1988-89. At the current level of 600 units per annum, the utilisation is 29 per cent of the capacity created.

As against the schedule of 15 days for POH contemplated in the Project Report, the average number of days taken for POH ranged between 21 and 53 days, during the period April 1988 to November 1989. The increased detention to coaches in the workshop would also lead to loss of earning capacity. The Railway stated that the position had improved in 1989-90 with the improvement in the skill of the workshop.

Cost of POH per unit in the new workshop vis-a-vis cost of POH in Lallaguda workshop on the Railway is as under :

	(Rs. in thousands)	
Year	Lallaguda	Tirupati
1988-89	39.75	42.60
1989-90	39.86	61.03
1990-91	44.18	57.04

Thus, the economies anticipated as a result of having modern plant and machinery have not materialised.

8. Other topics of interest:

8.1 Extra expenditure on provision of precast folder plate roofing:

On the assumption that the difference in cost between the precast folder plate roofing and the conventional asbestos roofing was not likely to be high, the Railway went ahead with the construction of shop structures with precast folded plate roofing without working out the detailed cost analysis. On actual execution of the work, the precast folder plate roofing was found to be costlier by Rs.61.10 lakhs as compared to asbestos roofing.

The Railway stated (October 1990) that precast folder plate roofing provided advantages over conventional asbestos roofing such as improved lightings, less maintenance problems and technical superiority. It was, however, seen that far from these expectations, precast folder plate roofing had actually been causing more problems. During the rainy season in 1988 and 1990, there were heavy leakages of water through the roof and RCC pillars in the shops creating serious problems.

8.2 Financial return on investment:

The project was sanctioned at Rs.18.33 crores to yield a return of 10.9 per cent on the investment. The Railway has not yet worked out the rate of financial return on the revised cost of Rs.58.65 crores.

2.5 Western Railway:

Review of MG Prestressed Reinforced Concrete Sleepers Manufacturing Factory at Sabarmati.

1. Introduction:

The Ahmedabad - Delhi MG trunk route is a high speed route. The track standard prescribed by the Railway Board for such routes is 90R rail on wooden sleepers at M+7 density. A committee of Directors, Chief Track Engineers and Commissioners of Railway Safety set up to review the MG track standards recommended in December 1981, that concrete sleepers were required to be used alongwith 90R rails in view of the acute shortage of wooden sleepers and steel trough sleepers and because of unsuitability of CST 9 sleepers for high speeds. To meet the requirement of MG Prestressed Reinforced Concrete Sleepers (PRC), the Railway Board decided in 1983 to set up a factory at Sabarmati. The factory was to be run departmentally with an estimated output of 50,000 PRC Sleepers per annum.

2. Scope:

The review covers various aspects related to the setting up the factory at Sabarmati and its working.

3. Highlights:

(i) There was time over run of 18 months and cost over run of Rs.41.69 lakhs. The actual expenditure upto March 1991 was Rs.85.01 lakhs against the estimated cost of Rs.43.32 lakhs. This also included procurement of unsanctioned items like jeep, matador and generator sets etc. The time and cost estimates were unrealistic. (Para 4.2)

(ii) The estimated output of 50,000 sleepers by 1986-87 had not materialised till 1990-91. The maximum capacity utilisation was 46.7 percent in 1990-91. (Para 5)

(iii) The decision to manufacture sleepers departmentally instead of procurement from trade resulted in an extra expenditure of Rs.50.58 lakhs during the three years 1988-89 to 1990-91. (Para 6.1)

(iv) The return on the investment of Rs.85.01 lakhs has been negative. (Para 6.3)

(v) The economic viability of the factory is in doubt. (Para 6.2)

(vi) 84 posts have been sanctioned without authority. (Para 7)

4. Setting-up of factory :

4.1 The work was sanctioned in the Final Works Programme for the year 1984-85 at an estimated cost of Rs.34.72 lakhs. The detailed estimate for Rs.43.32 lakhs was sanctioned by the Western Railway Administration in December 1984. The target date for commissioning the factory was October 1985. The work was, however, completed only in May 1987 at a total cost of Rs.85.01 lakhs.

4.2 Time and cost over-run:

Even though tenders for the main work of "setting up of PRC sleepers factory on turn-key basis and for establishing trial production" were invited by the Administration and opened in August 1984 in anticipation of the sanction to the detailed estimate, the tenders were finalised only in February 1985. The agreement was executed in May 1985.

The value of the contract awarded was Rs.45.55 lakhs and the contractor was required to complete the work as well as produce 3,000 MG PRC Sleepers by February 1986. The work was finally completed only in May 1987 resulting in time over run of about 18 months.

4.3 According to Para 708 of the Engineering Code, a revised estimate should be prepared as and when it becomes apparent that the expenditure on a project is likely to be exceed the sanctioned estimate. By March 1986, the Administration was fully aware of the need for revised estimate as the booked expenditure of Rs.52.91 lakhs had already exceeded the sanctioned estimate of Rs.43.32 lakhs. The rules, also, provide that the accounts of the completed works should be closed within six months of the date of completion and a completion report of the work drawn. However, neither the accounts of the work have been closed nor the completion report drawn up till April 1991 though a period of nearly 4 years had elapsed.

4.4 The expenditure against the work exceeded the estimated cost by Rs.41.69 lakhs mainly due to procurement of items like generator sets, welding machines, jeep, matador, expenditure on casual labour etc. which were not originally provided in the estimate and also due to increase in cost because of time over run.

5. Production and utilisation of capacity :

The project report envisaged that manufacture of 3000 sleepers on trial basis would be completed by December 1985 and that production of 50,000 sleepers as per capacity of the plant would be achieved in 1986-87. The manufacture of sleepers, however, commenced only in July 1987 and the full capacity had not been achieved till 1990-91. The manufacturing performance during the last

4 years is shown below :

Period	Rated Capacity	Production	Capacity utilisation
1987-88	37,500	6,548	17.46%
1988-89	50,000	18,394	36.79%
1989-90	50,000	22,402	44.80%
1990-91	50,000	23,352	46.70%

The following are the main reasons for not achieving full production :

(i) Inadequate staff both skilled and unskilled including supervisory staff.

(ii) Lack of training to departmental labour, and

(iii) Low productivity of departmental labour in comparison with contractor's labour.

6. Cost of Production :6.1 The project report worked out the financial viability of the factory on the basis that it would produce PRC sleepers at rates comparable to that obtained from the market. However, it is seen that the cost of production of a PRC sleeper at the Sabarmati factory was higher than the cost of similar sleepers procured from trade. A comparison of the rates during April 1988 to March 1991 showed that the difference varied from Rs.66.75 to Rs.104/- per sleeper which was 28 per cent to 39.7 per cent higher than the trade rates. The extra expenditure incurred, as a result, during the period was Rs.50.58 lakhs.

6.2 Economic viability :

The Board was approached, in June 1986, to permit manufacture of sleepers through the agency of contractor as it was considered to be more advantageous to the Administration. The proposal was, however, not acceded to (November 1986) by the Board in view of the fact that the factory at Sabarmati had been set as a departmental unit. Even after the commencement of the production, and the earlier rejection of the proposal by the Board a fresh proposal was initiated in September 1988 for switching-over to contractual system of manufacture as it was felt that working of the factory departmentally was not only difficult but uneconomical also. This proposal was, also not agreed to.

6.3 The investment in the project is Rs.85.01 lakhs and the return on investment has been negative as the cost of manufactured sleepers is higher than that available in the market.

6.4 The cost of sleepers manufactured at the factory would be much higher if on-cost charges are also levied as per rules.

7. Irregular operation of posts:

For running the factory departmentally, one post of Executive Engineer, two posts of Assistant Engineers and 114 non-gazetted posts were justified. Under the existing instructions, posts for manning new assets can be created by the General Manager only with matching surrender and if matching surrender was not possible, Railway Board's sanction was required for the creation of new posts. 30 Non-Gazetted posts were sanctioned on regular basis. For the remaining 84 posts, matching surrender was not available and the Administration sanctioned these posts by charging them to Complete Track Renewal Works. Creation of the posts at the cost of Complete Track Renewal Works was irregular as the posts have been utilised for operation of new assets. No action has so far been taken to obtain the Board's sanction for the posts.

The Ministry of Railways (Railway Board) stated (December 1991) during discussion that one factor for delay in execution of the project was frequent communal disturbances at Ahmedabad in 1985. The Railway Board also felt that a direct comparison of the cost of production in the departmental unit should not be made with the cost of procurement from the trade as a number of departmental activities were required to be undertaken in the concrete sleeper unit at Sabarmati. The arguements are not tenable as the project was not financially viable at any stage and more than 50 per cent of the capacity of the Plant remained unutilised during 1987-88 to 1990-91. Also, the justification for the project was not for the purpose of having a check on the trade or for other developmental activities.

2.6 South Central Railway: Construction of a new BG line from Bibi Nagar to Nadikude and conversion of Guntur - Macherla MG line into BG.

The construction of a new BG line (149 Kms.) from Bibi Nagar to Nadikude and conversion of Guntur - Macherla MG line (128 Kms.) to BG line was taken up in 1974-75 at an estimated cost of Rs.28.17 crores. The Project was expected to provide a direct BG rail link between Hyderabad and Guntur and to reduce the lead between these two places by 100 Kms. The project was expected to be completed in 4 years but was completed, in phases over a period of 15 years, in May 1990. The overall cost of the project increased by about 350 per cent from Rs.28.17 crores to Rs.126.15 crores.

2. Scope:

The execution of Phase I of the new line (Bibi Nagar to Nalgonda) was reviewed in Audit in 1983-84. The present review covers the planning and execution of Phase II (Nalgonda to Nadikude) and conversion of Guntur - Macherla MG line to BG.

3. Highlights:

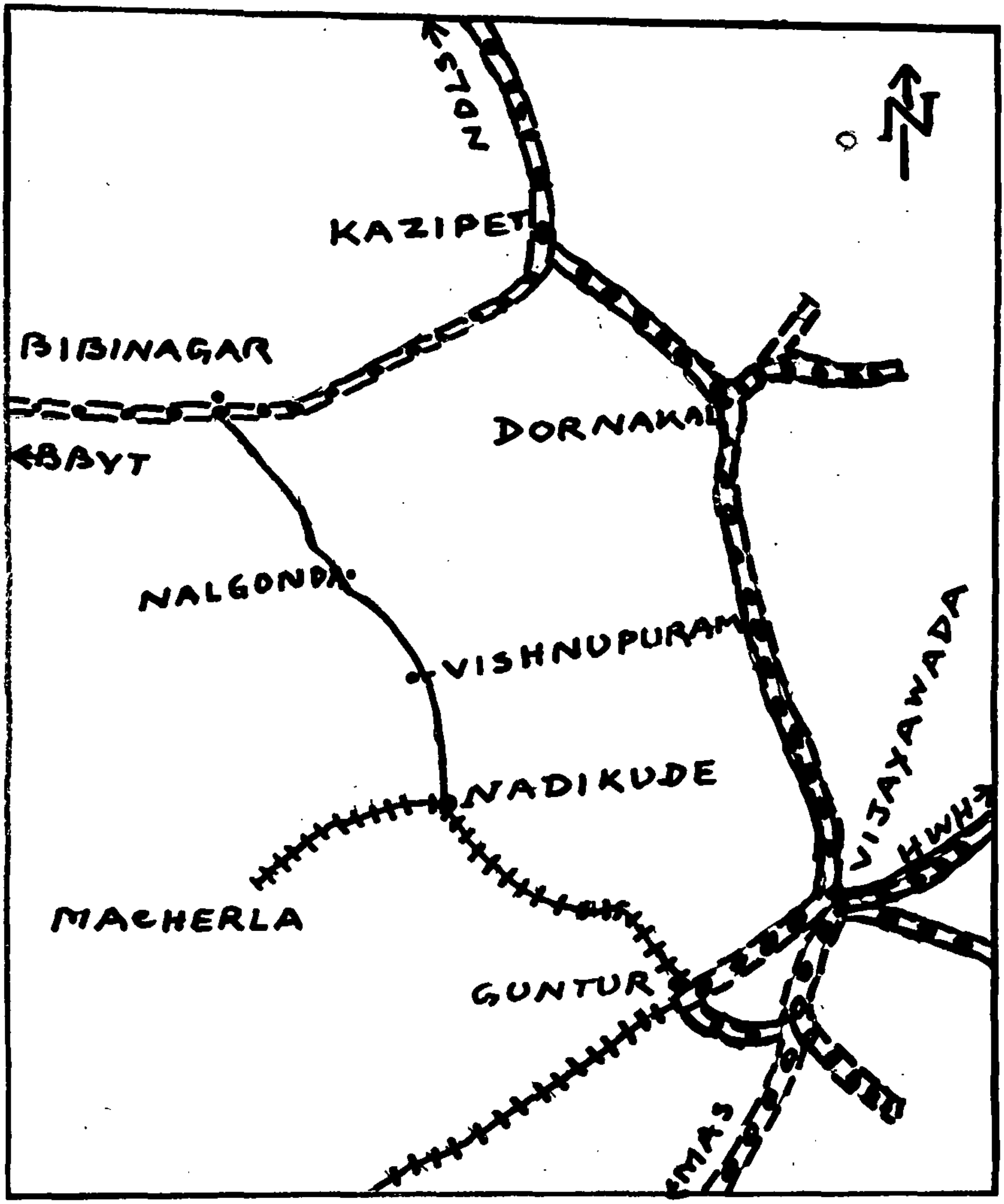
- Apart from abnormal delay in finalisation of estimates, large scale modifications in the scope of work during execution resulted in extra cost of Rs.23.11 crores (Para 4).

- Injudicious provision of mixed gauge line between Vishnupuram and Nadikude to cater to the exclusive benefit of a private party resulted in infructuous expenditure of Rs.60 lakhs (Para 5 a).

- The decision to use CST-9 sleepers in loop lines necessitated avoidable provision of axle counters at an extra cost of Rs.45.26 lakhs (Para 5 b).

- Delay in completion of communication network resulted in investment of Rs.41.89 lakhs thereon remaining unproductive besides avoidable payment of Rs.4.20 lakhs to Department of Communication (Para 5 c).

- Due to non-provision of an essential operational facility goods trains were subjected to detention involving loss of 1300 wagons days per annum (Rs.10.70 lakhs) (Para 5 d)



BIBINAGAR - NADIKUDE NEW BG LINE AND
CONVERSION OF GUNTUR - MACHERLA LINE

4. Planning and execution:

(i) Inadequate Planning:

The project was taken up on a time bound programme in 1974-75 to provide rail transport facility to an economically backward area. The first phase of construction of the line from Bibi Nagar to Nalgonda itself took 6 years and was completed in 1981 at a cost of Rs.14.22 crores as against Rs.9.53 crores.

The progress of the remaining phases was adversely affected for the following reasons:

- Delay in preparation of final estimates.

The Railway Board instructed in May 1979, even when the construction of first phase was in progress, that the second phase of construction should be taken up and completed by 1982. It was also decided that the conversion of Guntur - Macherla line should also be taken up simultaneously. Railway, however, failed to take proper follow up action. The detailed estimates for the second phase were finalised only in June 1981. Similarly the conversion work also did not make much headway. The detailed estimate of the work was finalised in 1984.

- Apart from abnormal delay in finalisation of estimates, the progress of execution of the two phases was also further adversely affected by large scale changes in the scope of work during execution, at an extra cost of Rs.23.11 crores. The changed scope indicated provision for bridges, crossing stations, station buildings, rails and sleepers etc. as discussed in the succeeding paragraphs.

(ii) Large scale modifications:

(a) The detailed estimate for the construction of Nalgonda - Nadikude line was submitted in 1980 without undertaking detailed site investigations. As a result, during execution of earthwork and bridges the scope of work increased substantially involving extra expenditure of Rs.2.53 crores. The requirement of facilities such as approach road, circulating area, staff quarters were also not properly reflected in the detailed estimate and provision of these facilities during execution resulted in an increase of Rs.1.61 crores. The large increase in the scope of work was necessitated due to lack of detailed investigations at the time of preparation of the original estimate.

(b) The first stretch of the BG line from Bibi Nagar to Nalgonda (74 Kms.) was laid with 90 R rail. When the work of the second phase was in progress it was decided in 1987 to use 52 Kg rail for the track with increased provision of sleepers and ballast cushion. By then , a stretch covering 37 Kms. of the 75 Kms. Nalgonda - Nadikude line had already been commissioned using 90 R rails as originally contemplated. The 90 R rails laid over a stretch of 7 Kms. were taken out and replaced by 52 Kg. rails incurring an expenditure of Rs.3.79 lakhs. The converted line from Macherla to Guntur has also been laid with 52 Kg. rails. The lack of uniformity of track strength would cause speed and load restrictions on the entire line rendering the extra investment of Rs.7.53 crores (approximately) on 52 Kg. rails ineffective.

5. (a) Injudicious provision of mixed gauge line:

Pending completion of Guntur - Macherla gauge conversion work, Firm 'R' requested the Railway in September 1985 to provide MG link between Vishnupuram and Nadikude (14 Kms.) to facilitate booking of its cement traffic to Southern and Eastern regions by the shorter route via Nadikude as against the longer route via Bibi Nagar which entailed extra freight to the firm. This request was processed as a material modification and justified on the ground that the MG link line would serve for a period of five years. The firm estimated the traffic to be offered by them at 1.1 million tonnes per annum and Railway estimated that even if 50 per cent of the traffic materialised the investment was viable. In estimating the life of the link line, the time required for commissioning the link line was not taken into account. The mixed gauge line was commissioned in February 1988 at a cost of Rs.1.65 crores. The Guntur - Macherla conversion for which the estimate was sanctioned in August 1984, and for which the Railway Board gave priority in November 1985, was completed and commissioned in May

1990. The MG link line, at Railways' cost to cater exclusively to a single party was in operation for two years. During this period, as against the anticipated traffic of 5.5 lakh tonnes of cement per annum, the actual traffic booked was only 3.79 lakh tonnes. This injudicious decision rendered Rs.60 lakhs on the link line infructuous. In addition, the Railway also lost revenue which it would have earned if the traffic had been routed through Bibi Nagar.

(b) Avoidable expenditure on axle counters:

The revised estimate for Guntur - Macherla gauge conversion work provided for use of standard BG concrete sleepers. It was also decided by the Railway Administration in September 1987 to provide either mixed gauge concrete sleepers or BG concrete sleepers in the loop lines. Axle counters were, therefore, not to be provided. Concrete sleepers were, however, not procured and in March 1988, it was decided to use CST 9 sleepers on the ground that it was difficult at that stage to plan and procure concrete sleepers required for the loop lines. As concrete sleepers were to be used in the extended portions of the loop lines where track circuiting had to be provided, the number of concrete sleepers required could have been assessed and provided. The use of CST 9 sleepers in place of concrete sleepers required provision of axle counters at an extra cost of Rs.45.26 lakhs.

(c) Avoidable expenditure due to delay in execution of communication work:

The work of provision of departmentally owned communication facility between Guntur and Macherla was awarded to contractor 'S' in April 1987 for a value of Rs.44.97 lakhs. The work was to be completed by April 1988. The contractor did not complete the work despite grant of several extensions. The contract was terminated at his risk and cost on 28th April 1990 by which period a sum of Rs.29.27 lakhs was paid for the work done by him. A further amount of Rs.7.62 lakhs was assessed as payable to the contractor against which a recovery of Rs.6.85 lakhs became due from him (May 1991). The Railway Administration undertook the balance work departmentally and incurred a further expenditure of Rs.5.00 lakhs till March 1991. Even after 4 years of commencement, the work is yet to be completed (March 1991) rendering the investment of Rs.41.89 lakhs thereon unproductive. The Railway paid Rs.4.20 lakhs as hire charges to the Department of Communications for three years from 1988-89 to 1990-91 due to non-surrender of their communication net work.

(d) Non-provision of operational facility:

The new line from Bibi Nagar to Nadikude branches from the Secunderabad - Kazipet main line at Pagidipalli (near Bibi Nagar). There is facility for direct entry of trains into the new line from Secunderabad direction only. The provision of a bye-pass at Bibi Nagar to facilitate direct entry into the new line of trains coming from Kazipet, though contemplated in the preliminary survey in 1970, was not taken up during the construction of the stretch of the line from Bibi Nagar to Nalgonda. This was not taken up even subsequently during execution of the line from Bibi Nagar to Nadikude, though its need was pointed out by GM even as early as September, 1981 and a detailed justification was sent to the operating department in February, 1984. Non-provision of a bye-pass line at Bibi Nagar had resulted in detention to goods trains at Bibi Nagar for reversal of engine and brakevan involving a loss of 1300 wagon days per annum (Rs.10.70 lakhs).

2.7 Western Railway: Construction of a new metre gauge line from Bhuj to Naliya.

Construction of a new metre gauge rail line (105.73 Km) between Bhuj and Naliya with BG infrastructure was taken up on strategic consideration in December 1981. The Project estimate for Rs.35.92 crores was sanctioned by the Railway Board in July 1984 with date of completion by December 1985. The line was opened for goods traffic in March 1988 and for passenger traffic in August 1990.

2. Scope :

The Review covers planning and execution of the new Metre Gauge line between Bhuj and Naliya on Ajmer division of Western Railway.

3. Highlights:

- Though the line was justified to meet the requirement of Defence Department viz. movement of 10 trains each way in a year and 150 wagons in a month, not a single wagon had been booked since its opening in 1988.(Para 4)

- 128 staff quarters built at a cost of Rs.78.83 lakhs were lying vacant resulting in unproductive investment. (Para 5.1)

- Despite low density of traffic over the section, track of higher standard was provided involving extra expenditure of Rs.59.24 lakhs. (Para 5.2)

- Expenditure of Rs.1.34 crores incurred on installation of signalling equipments became redundant. (Para 5.3)

- Telecommunication facilities provided at a cost of Rs.1.03 crores largely remained unutilised in view of introduction of 'One Engine only System'. (Para 5.3)

- CST-9 sleeper plates for 75 lbs rails were unnecessarily procured even before the sanction of the project estimate resulting in avoidable expenditure of Rs.11.70 lakhs on re-transportation to another project. (Para 5.4)

- Excessive procurement of permanent way materials resulted in blocking of Rs.1.08 crores besides recurring expenditure on maintenance of inventory. (Para 5.4)

4. Traffic:

Bhuj - Naliya, being a strategic line, was mainly intended to meet the defence requirements. The traffic requirement projected by the Defence Department was 10 trains each way in a year. However, facilities were to be created for dealing with one special a day. The wagon requirement was 150 per month during peace time and 20 per day during emergency. As against the above requirement, the movement has been nil during 1988-89 to 1990-91. The gross earnings from passenger traffic, between August 1990 and January 1991, has been Rs.1.11 lakhs only.

5. Planning and execution:

5.1 Creation of facilities:

The Railway Board decided in 1971 as a matter of policy, that in all construction of new lines, the works should be carried out in two phases. In the first phase, works specific to the provision of crossing stations and staff quarters for gangmen, etc. should be omitted though land for this purpose might be acquired. The work so omitted should only be carried out in the second phase. The Railway Board further directed that the work in the second phase should be taken up with their specific approval only after a review of the pattern of traffic expected on the opening of the line. Facilities and amenities like crossing stations and staff quarters were, however, included in the project estimate in the first phase in contravention of the directives of the Railway Board.

Staff Quarters:

Provision was made in the project estimate for construction of 379 quarters of various types (including 180 type I quarters for Gangmen). While sanctioning the Project Estimate (July, 1984) the Railway Board deleted provision of 2 crossing stations (for which 19 quarters were proposed to be constructed) and directed that accommodation to 80 per cent staff only need be provided. Finally 288 quarters (including 144 quarters for Gangmen) were constructed at a cost of Rs.2.11 crores against the estimate of Rs.1.41 crores. Of these, 128 quarters (including 73 quarters for Gangmen) are lying vacant. The large number of quarters for Gangmen have remained vacant due to the fact that the gang strength for this low density section was assessed on higher side.

Thus, the investment of Rs.78.83 lakhs on construction of 128 quarters largely remained unproductive.

Retiring Rooms:

As per extant orders, retiring rooms are provided only at those stations, where a minimum of 40 per cent occupation was expected. At Naliya city though 2 retiring rooms were constructed, the rooms have not been occupied at all so far (March 1991).

Railway was aware of the fact from the very beginning that except for certain facilities at terminal stations, viz. Bhuj and Naliya, no other facilities were required by Defence Authority. The alignment of the new line ran parallel to the road and there was no likelihood of diversion of appreciable passenger traffic from road to rail. The provision of retiring rooms was, thus, not justifiable.

Gate lodges on level crossings:

Manned level crossings numbering 17 together with gate lodges had been provided, as against 12 envisaged in the project report. As a result of review conducted by Railway Administration in October, 1987 to reduce the number of level crossings and eliminating atleast 30 per cent of the manned level crossings, it was decided to have only 9 manned level crossings and the remaining 8 level crossings were demanned. The entire expenditure on provision of gate lodges on these eight level crossings amounting to Rs.4.67 lakhs approximately became infructuous.

Provision of new halt station:

A halt station is provided when there is financial justification and the proposed site, in the case of non-suburban areas, is at least 4.8 Kms away from the stations of halt on either side. After the sanction of the project estimate in July 1984, it was decided to provide an additional passenger halt at a distance of 3.03 Kms from Mothala station despite insignificant passenger traffic and the absence of any provision in the project estimate. The financial justification for opening the halt station and sanction of the competent authority for this material modification could not be traced in the records of Railway. The actual expenditure incurred on the halt station had also not been separately recorded.

5.2 Higher track standard:

The track standard provided in the

project report was 60 lbs second hand rail on new CST 9 sleepers with M+4 sleeper density and 200 mm ballast Cushion. In February 1984, the Railway Board revised the track standards for metre gauge line on the basis of traffic density and Bhuj - Naliya section fell under 'S' catagory route having traffic density less than 1.5 G.M.T., which required lesser sleeper density (M+3) and ballast cushion (150 mm). The Railway Board while sanctioning the project estimate in July 1984, however, did not direct the project authority to modify the track standard in view of the lower traffic density. Provision of higher standards of track resulted in wasteful expenditure of Rs.59.24 lakhs on sleepers and ballast alone as indicated below :

Sl. No.	Permanent way material	Track standard as revised by Board in February '84	Track standard provided	Extra expenditure (Rs. in lakhs)
1.	Sleepers	1230 numbers per Kms. (M+3)	1363 numbers per Kms. (M+4)	41.91
2.	Ballast	150 mm (673 cum per Km.)	202.14 mm (826 cum per Km.)	17.33
3.	Rails	Second hand 60 lbs	Second hand and imported new rails	Not known
				59.24 lakhs

12,208.66 metres of imported new 60R rails were procured at a cost of Rs.32.86 lakhs, out of which only 5,305 metres (43.5 percent of rails procured) were utilised on the project and 6647.66 metres (54.5 per cent) were transferred to other units resulting in avoidable expenditure of Rs.1.25 lakhs on transportation of these rails. The remaining quantity of 256.00 metres was lying surplus to the requirement.

5.3 Signalling and telecommunication facilities:

(a) In the project estimate provision for signalling equipments was made for Rs.1.12 crores. The work commenced in July 1985 and till July 1987 an expenditure of Rs.78.72 lakhs was incurred (most of it being procurement of material). Even though a decision was taken in May 1987 to open the section with 'one engine only' system by which time the progress of the signalling work was not significant, the requirement of signalling equipment was not reappraised.

With the decision in April 1989 to work this section for passenger traffic also with 'one engine only system', the signalling equipments provided at a cost of Rs.115.72 lakhs became redundant and the entire expenditure of Rs.18.22 lakhs on their installation by way of labour and establishment charges became infructuous. Even after transfer of equipments amounting to Rs.15.84 lakhs to other units surplus stores awaiting disposal in November 1990 was Rs.99.88 lakhs. The Railway is also incurring an expenditure of Rs.0.45 lakh per annum towards pay and allowances of two khalasis engaged to guard this equipment.

In the project Report it was mentioned that the existing telecommunication facilities over Gandhidham - Bhuj section would not be adequate to meet the requirement on opening of Bhuj - Naliya section. Accordingly, provision was made for telecommunication facilities at a cost of Rs.137.00 lakhs against which an expenditure of Rs.103.35 lakhs was actually incurred upto March 1990. Facilities created, however, remained grossly unutilised in view of the thin traffic in the section.

5.4 Surplus material:

The Railway procured 2100 tonnes of CST 9 sleepers (75-R) costing Rs.42.25 lakhs for the project during June to September 1983 prior to sanction of the project estimate in July 1984. As the track standard fixed (February 1984) for the route was of 60R sleepers, the entire procurement of 2100 tonnes of 75R sleepers became redundant and had to be transferred to other works during August 1985 to August 1987 resulting in an infructuous expenditure of Rs.11.70 lakhs on transportation.

Besides, the Project Authority procured permanent way material valuing Rs.1.61 crores in excess of requirement, out of which materials valuing Rs.0.53 crore had already been transferred to other units. Materials worth Rs.1.08 crores were still lying surplus to the requirement at the end of December 1990 mainly due to lack of demand for 60R rail section. The cost of staff engaged in safeguarding these materials could not be assessed for want of separate details.

Restoration works:

Bhuj - Naliya section was opened for goods traffic on 31st March 1988. The target date for opening the line for passenger traffic was fixed as 15th February 1989. Unprecedented rainfall in July 1988 caused damages to the track and bridges requiring slope repairs and recoupment of ballast. In order to adhere to the target date of opening the section for passenger traffic, Railway decided to get the restoration work done within 3 months and invited limited tenders. The work was estimated to cost Rs.60 lakhs.

The rates accepted for various works were very high compared to rates quoted on open tenders even at a later date. The extra expenditure incurred on acceptance of higher rates was estimated in Audit as Rs.6.03 lakhs. The works were to be completed in February 1989/March 1989 but were actually completed during June 1989 to October 1989. Thus the very purpose of getting the work executed at a higher rate was defeated. The extra expenditure on the restoration work of passenger traffic was thus infructuous. The total value of accepted tenders was Rs.46.04 lakhs.

6.Arbitration award:

In 15 cases contractors had lodged claims amounting to Rs.189 lakhs arising out of disputes in connection with variation in quantities, incorrect classification of soil, price variation due to prolonged period of contract and demanded arbitration. In 4 cases, awards amounting to Rs.1.65 lakhs had been given against the Railway. In the remaining 11 cases, arbitrators were yet to be appointed (December 1990).

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that the work was in the nature of defence infrastructure and would have to be put to use suddenly in an emergency or war. It was further stated that the general instructions issued by the Board from time to time regarding creation of facilities do not apply to strategic lines and minimum track standard prescribed in 1989 was 60R rail with m+4 sleeper density. Even if the work is justified on strategic considerations, it is felt that the facilities like number of stations and number of quarters were in excess of requirement and track standard was higher for the maximum traffic projection of the Defence Department.

2.8 Central Railway: Modernisation of Parel Workshop.

Modernisation of Parel workshop was taken up in July, 1985 as a World Bank Aided Project at an estimated cost of Rs.17.53 crores. The main objectives of the project were to reduce POH cycle time, effect economies in the cost of maintenance and to increase the POH outturn of the workshop. The project report also envisaged setting up of a coil manufacturing plant. The project was scheduled to be completed by February 1989 but the progress of the project was slow and only 90.72 per cent of the work could be completed upto 1990-91. The project is now scheduled to be completed by March, 1992.

2. Scope:

The review focuses on the achievements with reference to targets and delay in procurement and installation of plant and machinery.

3. Highlights:

- The project Estimate envisaged setting up of a coil manufacturing plant with a capacity of 212 traction machine sets per annum. Due to delay in completion of civil engineering works, machines procured in 1987 at a cost of Rs.58.09 lakhs for manufacture of coils could not be commissioned. The manufacture of coil is yet to commence (Para 4).

- The progress of finalisation of tenders for procurement of plant and machinery was very slow. Delay in taking procurement action had resulted in cost overrun of the project [Para 5 (i)]

- 19 machines procured at a cost of Rs.86.30 lakhs were commissioned after a delay of 6 to 37 months. [Para 5(ii)]

- The performance of 4 machines (cost Rs.78.65 lakhs) was unsatisfactory [Para 5(iii)].

- Rs.78 lakhs spent on procurement of three engine blocks had become infructuous [Para 5 (iv)].

- Induction of sophisticated machines did not bring about any reduction in manhours as anticipated (Para 6).

- The target for outturn of locos was achieved but a part of it is attributable to shutdown on POH on steam locos. Anticipated recurring saving of Rs.3.69 crores due to reduction in repair days did not materialise (Para 6).

4. Coil Plant:

Central Railway provided Rs.15.95 lakhs in the abstract estimate for site preparation for coil manufacturing plant. But Railway Board while giving sanction for the project in July 1985 deleted this provision and directed the Railway to carry out this work by re-allocation of funds within the existing provision. An amount of Rs.46.05 lakhs was provided and approved by the Railway Board in the detailed estimate for procurement of Plant and Machinery but no provision was made for the site preparation of coil manufacturing plant.

As the site was not ready (February, 1991) machines received from February 1987 onwards, at a cost of Rs.58.09 lakhs, could not be installed and commissioned. The manufacture of coils, at 212 traction machine sets per annum, is yet to commence.

5. Modernisation of main POH shop:

(i) Procurement of Plant and machinery:

Under the modernisation programme, Railway planned to procure 472 items of plant and machinery at a cost of Rs.4.35 crores. In March 1989, the number was reduced to 420 items costing Rs.4.31 crores. The progress of finalisation of tenders was very slow. Even though indents for 410 items were finalised by December 1986, tenders for 361 items costing Rs.4.19 crores, could be finalised by December, 1990.

Under the Modernisation programme 32 items of plant and machinery were to be procured through COFMOW at an estimated cost of Rs.230.70 lakhs. Though indents for all items of plant and machinery were finalised and sent to COFMOW in March 1989, only 29 machines could be procured by December 1990 at Rs.4.51 crores.

Similarly, indents for 87 items of unit exchange spares costing Rs.3.61 crores were sent to the stores department by June 1986. Only 76 items could be procured at Rs.2.97 crores by December 1990. Even after four and a half years of placing the indents, 8 items had not been procured. Delay in taking procurement action had resulted in cost over run of the project.

(ii) Delay in commissioning of machines:

Apart from delay in procurement, 19 machines (costing Rs.86.30 lakhs) received between November 1988 and September 1990 were commissioned after delay of 6 months to 37 months. Nine machines costing Rs.36.91 lakhs were yet to be commissioned (September 1991).

(iii) Unsatisfactory performance of the machines:

Four machines namely two mobile cranes, 1 sheering machine and 1 press brake commissioned between June 1988 and September 1989 were not working satisfactorily. These machines remained inoperative for considerable period (reasons not on record). In addition, in respect of 4 machines, namely 1 CNC lathe (Rs.45.62 lakhs), 1 tower crane (Rs.22.43 lakhs), 1 washing plant (Rs.5.95 lakhs), 1 dynamic balancing machine (Rs.4.65 lakhs) received between March 1988 and March 1990, proving out trial certificates could not be issued (September 1991) because of their frequent failure and poor perfoarmance.

(iv) Infructuous expenditure on procurement of engine blocks:

Four engine blocks were imported at a cost of Rs.104 lakhs in February 1990. One engine block was transferred to New Katni workshop and 3 engine blocks costing Rs.78 lakhs were still lying unused since their procurement. The justification for the procurement was not available.

(v) Transfer of machines to other units:

A loco pulsor (200 Tonnes) imported from a British firm in November 1988 proved unsuitable for pushing locomotives and was, therefore, transferred to Kurduwadi workshop for pushing coaches/wagons. The machine was also found unsuitable in that workshop and was returned to Parel workshop. It was again sent back to the Kurduwadi Workshop in February 1991 and the machine was lying there idle.

Contrary to the recommendation of the One Man Committee on Re-organisation, Rationalisation and Modernisation of Indian Railway Workshops that no capital inputs were to be absorbed for Kurduwadi Workshop and no new Machinery and Plant was to be procured for the workshop, 8 machines (including the loco pulsor) costing Rs.25.44 lakhs were transferred to Kurduwadi Workshop.

One road mobile crane costing Rs.16.54 lakhs was transferred to Jhansi Workshop in 1988.

6. Targets vis-a-vis achievements:

The modernisation of Parel Workshop aimed at achieving the following objectives:

POH of	Increase in outturn	Reduction in repair days
WDM/2 loco	4.5 locos to 9 locos per month	from 23 days to 18 days
WDS/4 loco	2 locos to 4 locos per month	from 45 days to 25 days

Railway anticipated substantial savings in manhours due to the induction of costly sophisticated machines. However, it was seen that the allowed time for various operations carried out by new machines had not been revised. Consequently, the objective of reduction in repair days for locos could not be achieved fully. During 1989-90 and 1990-91 actual repair days ranged from 21 days to 27 days for WDM/2 locos and from 31.5 days to 36 days for WDS/4 locos.

The increase in outturn of locos as envisaged in the project report was achieved. The achievement cannot, however, be attributed fully to modernisation, as POH of steam locos which was being done at this workshop has been completely shut down.

The Project Report anticipated a recurring saving of Rs.3.69 crores due to the reduction in repair days. The savings could not materialise fully due to non-reduction in repair days.

CHAPTER III

EARNINGS

3.1 Central and South Eastern Railways: Non-recovery of Wagon Registration fees.

All demands for despatch of goods in wagon loads are registered by the Railways. The demands are to be accompanied by the prescribed registration fee. Parties having regular transaction with the Railways are permitted, at the discretion of the Railway, to pay a lumpsum deposit in lieu of payment of registration fees each time an indent is made. The lumpsum amount is fixed on the basis of the number of wagons the parties have to register at a time. The wagon registration fee so collected is forfeited when the party cancels the indent or fails to load the indented wagons after their physical supply by the Railway. In the case of lumpsum deposits, the amount of forfeited wagon registration fee is recovered from the amount deposited and the party is asked to recoup the same.

A check of the forfeiture of wagon Registration fee on the Central and South Eastern Railways revealed the following.

Central Railway :

In accordance with a Railway Board's directive issued in May 1981 to revive the system of obtaining lumpsum deposits towards wagon registration fee for coal traffic from the collieries, the Central Railway Administration assessed in June 1981 that an amount of Rs.3.24 lakhs was payable as lumpsum deposit by four collieries of the Western India Coalfields on the basis of their average daily loading of coal. Against this only one of the collieries had paid an amount of Rs.0.33 lakh and the balance amount of Rs.2.91 lakhs was proposed for recovery from the coal bills. This had not been done. As the required amount of lumpsum deposit towards wagon registration fee was not available, the amount due to the Railway on account of forfeiture of wagon registration fee for failure of the collieries to load the indented wagons placed for loading was also not being realised. In July 1982, the Western India Coalfields authorised the Railway Administration to recover the amount on account of forfeited wagon registration fee from their coal bills. This was not done and the total outstanding towards forfeited wagon registration fee not realised upto February 1991 was Rs.79.45 lakhs.

South Eastern Railway :

The Railway Board issued instructions in June 1981 that wagon registration fee should be imposed on all wagons indented at sidings and the facility of lumpsum deposit for wagon registration fee be also allowed, whenever wanted by the siding owner, under extant rules. It was to be ensured that no siding was exempted from the levy of wagon registration fee.

It was noticed in Audit (November 1985) that in respect of wagons supplied to two sidings of Bhilai Steel Plant (BSP) wagon registration fee against their indents for wagons was not being realised alongwith registration of indents nor any lumpsum deposit in this regard had been obtained except an amount of Rs.3.04 lakhs recovered from the supply bill of Steel Authority of India towards lumpsum deposit in October 1981. In the absence of any deposit with the Railway, the amount due on account of forfeiture of wagon registration fee for cancellation of indents and non-acceptance/loading of wagons was also not being realised. On this being pointed out by Audit in November 1985, the Railway realised a lumpsum deposit of Rs.3.24 lakhs from the BSP in May 1986 and June 1989. An amount of Rs.1.06 crores on accout of forfeiture of wagon registration fee during August 1981 to June 1991 had not, however, been recovered so far (September 1991).

3.2 Western Railway: Non-recovery of dues from a siding owner.

A firm of Sawai Madhopur had been dealing with traffic in Limestone, Gypsum, Coal and Cement in its BG and MG sidings at Sawai Madhopur and a BG siding at Phallodi. The facility of making payments by credit notes granted to this firm was withdrawn by the Railway in August 1975 due to delay in realisation of railway dues and the firm was asked to pay all dues towards freight and other charges in cash on a day to day basis thereafter. This was not implemented and the wagons booked to the firm on freight 'To Pay' basis were delivered at the sidings by granting memo deliveries without realising freight. The working of the firm's factory came to a standstill in June 1987 and the factory was closed down in August 1987.

An amount of Rs.1.17 crores on account of freight and Rs.61.35 lakhs being other dues were outstanding from the firm in May 1988. As the Railway was not able to realise the dues because of the adverse liquidity position of the firm, a suit was filed in Court in April 1989 for recovery of an amount of Rs.1.09 crores towards freight and Rs.61.35 lakhs of other dues besides interest charges of Rs.17.20 lakhs. The expenditure on court fees and fees paid to Advocate for filing the suit was Rs.10.35 lakhs.

The Railway Administration stated (June 1990) that the wagons booked to the siding were placed therein pending book delivery as per terms of the agreement since the goods clerks posted there were empowered to effect book delivery. It is, however, pertinent to note that as per the extant rules the goods clerks posted at the siding are required to effect book delivery after collection of the railway receipt and the freight and other charges due. The delivery of goods to the firm without collection of freight was thus irregular.

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that the court had ordered payment to the Railways of an amount of Rs.192 lakhs in preference to other claims in the manner mentioned below:-

(i) Rs.16 lakhs in equal quarterly instalments of Rs.1.33 lakhs each commencing from May 1998; and

(ii) The balance Rs.176 lakhs by

(a) 20 per cent down payment, i.e., Rs.35.2 lakhs, and

(b) remaining Rs.140.8 lakhs in three equal annual instalments commencing from May 1992.

3.3 Central Railway: Uneconomic movement of goods traffic.

Tariff rules provide that, unless it is necessary to divert for operational convenience, after the consignments have been booked, all goods should be carried by the route(s) specified under routing instructions issued by the Railway Board. Several consignments of cement from a cement siding served by Wadi station (BG) were being booked to Miraj (BG and NG) via Kurduwadi Junction (418 Kms.) involving transhipment from BG to NG at the Kurduwadi transhipment shed instead of via the rationalised all BG route via Pune (689 Kms.) prescribed under routing instructions of Railway Board effective from 1st March 1987.

In January 1989 the Railway proposed to the Railway Board a special arrangement for routing the cement traffic to Miraj (NG) via Kurduwadi by creating a dump at Kurduwadi to be operated by the consignor on the plea that this would make the shorter lead available to this traffic and the existing provisions of the routing instructions would not also be violated. This was approved by the Railway Board in March 1989 and implemented from May 1989. The carriage of cement consignments on the non-rationalised route via Kurduwadi instead of the rationalised all BG route via Pune resulted in undercharges of Rs.1.20 crores during March 1987 to April 1989.

A review of the movement of cement traffic via Kurduwadi dump during June 1989 to March 1991 revealed the following :

(a) The special arrangement provided for booking of cement initially from Wadi (BG) to Kurduwadi in trainloads/wagon loads, unloading the consignment in the dump at Kurduwadi and then rebooking the same from Kurduwadi (NG) to Miraj (NG). The existing BG-NG transhipment shed at Kurduwadi was used as cement dump. Due to limited capacity of the shed, 127 of the 159 rakes received during May 1989 to March 1991 were detained in the yard for over 48 hours against the target of 32 hours. Besides, 415 BG wagons suffered detention, on an average, for 26.5 hours after placement in the shed for unloading till the cement bags already lying in the dump were loaded into NG wagons.

(b) The total amount of freight realised from this traffic during May 1989 to March 1991 was Rs.400.21 lakhs for which the cost of haulage was Rs.1443.74 lakhs including Rs.693.71 lakhs on account of haulage of empty NG wagons from Miraj to Kurduwadi due to negligible traffic on the return trip.

The decision to allow routing of the

cement traffic by transhipment at Kurduwadi was not, therefore, economically justified.

3.4 Northern Railway: Non-rationalisation of route for goods traffic.

In February 1976, the Ministry of Railways (Railway Board) asked the Railways to communicate to the Board details of the streams of traffic being booked and charged by the shortest route but carried always by the longer route due to operational difficulties to enable the Board to consider rationalisation of route for the same.

During inspection by Audit of Faizabad station in December 1989 it was noticed that there was regular traffic of cement in trainloads from Cement siding, Maihar on Central Railway to Faizabad. The traffic was booked and charged by the shortest route via Chheoki - Phaphamau but actually carried always on the longer route via Kanpur Goods Central - Lucknow..

There was no scope for carrying this traffic on the shortest route Allahabad - Prayag - Phaphamau (via Chheoki) as this single line section was already working at saturation point with an utilisation of line capacity of over 85 per cent and it was not possible to introduce any further traffic on the section. The Railway, therefore, issued instructions in December 1987 for routing the trainload consignments for Faizabad via Manikpur instead of via Chheoki. The goods traffic originating from Central Railway for destinations like Faizabad, Lucknow, etc. were accordingly being carried regularly on the longer route via Satna - Manikpur - Juhi Marshalling yard since then. The Railway had not, however, so far approached the Railway Board for rationalisation of this longer route over which a stream of trainload traffic in cement was being carried regularly in public interest due to operational difficulties on the shortest route. Non-rationalisation of the actually carried route was thus causing considerable loss of earnings to the Railway.

The loss due to undercharges on this account in respect of the cement traffic carried to Faizabad from January 1989 to June 1991 alone worked out to Rs. 1 crore.

3.5 Western Railway: Short realisation of freight.

The Oil and Natural Gas Commission (ONGC) advised the Railway in November 1988 that the Commission had set up facilities at Hazira for disposal of LPG and NGL through rail wagons and that the loading system was to be commissioned soon. Although specific calibration/loading data such as density of Hazira Naphtha was not available to the Railway, proposals for calibration of tank wagons for this commodity were not sent to the Central Tank Wagon Calibration Committee/Railway Board. The ONGC commenced the movement of their Raw Naphtha from IOC siding, Kawas to Naphtha siding, Gandhidham from 26th January 1989. As density is required for computation of the chargeable weight, freight charges for the bookings of Naphtha from Kawas were realised on the basis of a density of 0.6957 notified for Naphtha from Koyali refinery without specifying that the freight realised was provisional.

The Chief Goods clerk, Kawas intimated the Divisional Authorities in January 1990 that the Hazira Naphtha was heavier with a density of 0.72. Thereafter, the matter was referred to the Central Tank Wagon Calibration Committee (CTCC) on 30th March 1990 for arranging calibration of tank wagons for this product. The particulars of density and temperature were advised on 23rd August 1990 after request from the CTCC. The calibration/loading data specifying density of Naphtha Hazira as 0.7210 was notified by the Railway on 11th October 1990 effective from 10th September 1990. This was implemented by the station from 13th February 1991. The delay in notifying the density of Naphtha moved from Hazira, delay in implementing the notification and failure to specify the freight realised as provisional resulted in short realisation of freight charges of Rs.74.86 lakhs during 26th January 1989 to 12th February 1991.

3.6 South Eastern Railway: Undercharges of freight due to non-observance of Rationalisation Orders.

Mention was made in para 4.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989 - No.10 of 1990 - Union Government (Railways) about losses of revenue of Rs.37.76 lakhs on the Northern and Western Railways due to non-observance of the provisions of rationalisation orders for routing of traffic issued by the Railway Board.

A review by audit of the implementation of rationalisation orders issued by the Railway Board during March 1982 to March 1987 at 17 stations on South Eastern Railway disclosed non-observance of the specified routing instructions resulting in short realisation of freight of Rs.86.70 lakhs. On these being pointed out by Audit (October 1982 to March 1988), the Railway realised Rs.9.33 lakhs and debits were raised for Rs.27.58 lakhs on the stations. Action for the balance amount of Rs.49.79 lakhs was, however, yet to be taken (details in Annexure).

3.7 South Central, North Eastern and Eastern Railways : Non-recovery of shunting charges.

Rules regulating the working of Private/Assisted sidings provide that when a railway locomotive is used for shunting, by the siding users, beyond the point of interchange, shunting charges shall be realised from the siding owners.

The agreement executed with a cement factory served by Vishnupuram station on South Central Railway for working its private siding opened in August 1988 for outward traffic of cement in train loads provided that wagons would be made over/taken over by the Railway to/from the siding at the fixed point of interchange. It was, however, noticed in Audit in November 1990 that railway locomotives were being sent beyond the point of interchange for shunting work inside the private siding but shunting charges therefor were not being claimed and realised. The amount of shunting charges recoverable from the siding owner on this account worked out to Rs.16.59 lakhs for the period October 1988 to March 1991.

On North Eastern Railway an amount of Rs.23.03 lakhs towards shunting charges for shunting inside a private cane loading siding at Paliakalan (constructed in 1959) during April 1976 to February 1991 had not been recovered although agreement with the siding owner provided for recovery of the same. Records for the period prior to April 1976 were not available.

There are three assisted sidings served by Panagarh station on Eastern Railway catering to the needs of Defence Department. It was noticed during audit of Panagarh station in September 1988 that the agreements executed with the Defence Department for operation of these sidings were not available. Records relating to the shunting work done by the Railway in these sidings were not maintained and shunting charges had not been preferred upto March 1988. The serving station realised the need for claiming shunting charges from the Defence Department after receipt of the Railway's circular dated 12th July 1988 revising rates of shunting charges for shunting operations performed in military sidings retrospectively from 1st April 1988. A reference was thereupon made to the Defence Authorities in August 1988 notifying the levy of shunting charges. Bills for Rs.3.81 lakhs for shunting work done in the three sidings during April 1988 to March 1989 were also preferred in May 1989. In January 1990, the Railway stated that shunting charges were not leviable as there was no point of interchange in these sidings. It is, however, not clear how the Railway had been working the three sidings all these years without demarcating the siding premises and the points at which the sidings take off. The amount of shunting charges recoverable from the Defence Department is Rs.3.81 lakhs for 1988-89. The amount of shunting charges prior to and after this period could not be quantified in audit.

3.8 Central and Northern Railways : Loss due to non levy of sleeper Surcharge.

A surcharge at the rate(s) notified from time to time is leviable for providing sleeper accommodation in second class sleeper coaches in trains. Military personnel travelling in sleeper coaches on second class tickets in exchange of Railway warrants or concession vouchers are also required to pay this surcharge.

A second class sleeper coach known as MCO coach with 72 berths was attached to Jhelum Express train to run from Jammu Tawi from 15th November 1986 and from Pune from 18th November 1986 as per orders of the Railway Board. It was noticed that surcharge for the sleeper accommodation provided to military personnel in this coach was not being realised. Undercharges on this account for the period from 15th November 1986 to 31st August 1991 amounted to Rs.36.24 lakhs.

The Central Railway started realising the surcharge at Pune from 22nd May 1990. The Railway's claim for arrears of Rs.13.82 lakhs upto 30th April 1990 on this account preferred on the Defence Department in

September 1990 was rejected on the grounds that recovery from the defence personnel was not possible at this late stage and it was not also possible for the Defence Department to pay the claimed amount which the Railway should have recovered through Travelling Ticket Examiners. As there was thus absolutely no possibility of recovery of the undercharges, the Central Railway proposed write off of the same in February 1991. Final outcome was awaited (December 1991).

Action to realise the sleeper surcharge for allotments made from Jammu Tawi and for regularisation of the arrear undercharges had not been taken by the Northern Railway so far (September 1991).

3.9 Central and Southern Railways : Incorrect notification of distance for charge.

Freight charges on goods carried by the Railway are levied for the total distance between the forwarding and receiving stations as determined upon the basis of the distance notified by Railways as being the distance for charge.

It was seen in Audit that there were cases of incorrect notification of the distance for charge on Central and Southern Railways resulting in total loss of earnings of Rs.33.83 lakhs as disussed below :

Central Railway:

As per extant instructions of the Railway Board, effective from 1st July 1987, freight charges on train load traffic carried in trains running through to/from a siding with railway locomotives or originating from or terminating in the exchange/peripheral yard provided by the siding holder are to be levied for the distance upto the buffer end of the siding on through distance basis. The distance for charging freight to or from the siding is computed by adding the length of the siding to through distance to or from the serving station. The length of the Madhya Pradesh Electricity Board Siding, Sarni served by Ghoradongri station was notified by the Railway in July 1987 as two kilometres upto the buffer end for the purpose of working of the through distance for charge. This was later revised to 19 Kms. retrospectively from 1st July 1987 and the same was implemented from 1st January 1990. The undercharges in freight on this account worked out to Rs.24.81 lakhs for the period July 1987 to December 1989.

The Railway Board accepted (December 1991) the error in notification and stated during discussion that efforts were being made to recover the amount from the Madhya Pradesh Electricity Board.

Southern Railway:

With the closure of Madras Beach station in April 1986 for goods traffic and non-availability of adequate facilities at Madras Egmore, Korukkupet station was opened for Metre Gauge traffic in rake loads with effect from 1.7.1986 and 1.8.1986 for outward and inward traffic respectively. The distance for charge to be added was notified in July 1986 as 2 Kms. over and above the distance from Madras Beach station, eventhough the actual distance between the two points as given in the local distance table was 5 Kms. This came to the notice of the Administration in August 1989 and the distance for charge was revised in January 1990 to 5 Kms. effective from 1.3.1990. A review of the goods traffic dealt with at Korukkupet (Metre Gauge) during the period from June 1986 to February 1990 revealed that the loss of revenue due to adoption of incorrect distance amounted to Rs.9.02 lakhs.

The Railway Board stated during discussion (December 1991) that the Railway Administration was initiating action to recover the amount. The distances notified in these cases were not provisional. The chances of recovery, therefore, of the amount of undercharge are remote.

3.10 Northern Railway: Delay in notification of distance for routing of traffic.

According to Para 5.2 of General Order No.1/1989 (Rationalisation Scheme) effective from 1st May 1989, all goods traffic from and to Northern Railway to destinations reached via Delhi area or originating/terminating in Delhi area was to be booked and routed via Goods Avoiding Line (GAL)/Delhi Avoiding Line (DAL)/Tughlakabad, whichever was applicable. The chargeable distances via GAL and DAL were notified by Northern Railway only in December 1989. In the absence of the notified distances via GAL and DAL, foodgrains traffic to stations on different Zonal Railways continued to be booked and charged via Delhi instead of the rationalised route. The loss of freight due to delay in notification of the chargeable distances via GAL DAL worked out to Rs.12.37 lakhs for the period May to

December 1989. Even after notification of the chargeable distances via GAL DAL some of the stations continued to book and charge the traffic via Delhi resulting in further loss of freight to the tune of Rs.5.97 lakhs during January to December 1990.

Delay in issue/implementation of the chargeable distance thus resulted in loss of revenue of Rs.18.34 lakhs.

3.11 Western Railway: Non-recovery of charges for detention of special trains.

The rules regulating the running of special trains such as 'Excursion Trains', 'Pilgrim Specials', etc. on the written request of parties provide, inter-alia, for levy of charges for detention of trains at the starting, intermediate or destination stations at the request of the parties except for minor halts of a few minutes where the trains are normally stopped for operationsl considerations or for the convenience of passengers for entraining and/or detraining.

A review by Audit of the records of 8 Pilgrim Special Trains run from Bombay V.T., Bombay Central, Valsad and Vapi to various stations and back during 1985-90 at the request of authorised travel agents revealed that detention charges amounting to Rs.10.66 lakhs leviable for the specified halts of the trains enroute at Giridih, Bhagalpur, Nawadah, Gaya and Nizamuddin as per approved programme were not recovered. Reasons for non-recovery are not known.

The Railway Board sanctioned, as a special case, running of Vans Parcel Units (VPUs) in lieu of the kitchen cars normally allowed with Special Trains, for which charges were recovered at the rates prescribed for the use of kitchen cars. The undercharge involved in the use of 10 such VPUs amounted to Rs.4.68 lakhs.

3.12 North Eastern Railway: Misdeclaration of goods.

According to Rule 126 of IRCA Goods Tariff, if on arrival at the destination it is found that the goods have been improperly described and that a lower freight rate than that correctly applicable has been thereby obtained, penalty will be levied at double the class 300 rate.

Consignments of timber tendered for despatch as 'Fire wood for fuel purposes' were booked (December 1985 and January 1986) in 12 wagons from Dimapur to Bareilly city. It was found at the destination stations that these were actually consignments of 'Timber NOC' misdeclared at the forwarding station as 'Fire wood for fuel purposes' resulting in freight being levied at a lower rate. The Railway decided in April 1986 to charge the consignments at double the class 300 rate as it was a proven case of misdeclaration. A penalty of Rs.4.02 lakhs was accordingly imposed through error sheets issued in November 1986 and August 1987. Subsequently, the Railway reversed (May 1990) the decision after realising an amount of Rs.0.35 lakh being the difference between freight charges for 'Timber NOC' and 'Fire wood for fuel purposes', on the ground that the consignments booked from Dimapur to Bareilly city were cases of 'misclassification' and not 'misdeclaration', as the commodity was loaded in open wagons under the supervision of railway staff, although as per joint report (February 1986) of the Commercial and Accounts Inspectors 90 per cent of the timber in the consignments consisted of Timber NOC on the basis of their size and girth and the related invoices clearly showed:

(i) loading in covered wagons;

(ii) loading and unloading by owner not supervised by railway staff;

(iii) "said to have been loaded with Firewood for fuel purposes".

Again, 21 wagons booked from Langtin and Lumding to Shahmatganj during April 1990 as 'Firewood for fuel purposes' were found on examination at the destination station by the Commercial Inspector as 'Timber NOC' but were reclasified and, on the above analogy, charged only the difference of freight resulting in non-recovery of a penalty for Rs.8.38 lakhs.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that the consignments were in fact 'Timber NOC' which were wrongly classified by the booking staff at the booking station as 'firewood' for which it was not possible to hold the consignors responsible for misdeclaration.

The action taken against the booking staff of Railways for wrong classification is not known. Besides, while the responsibility for wrong classification may be with the railway staff for their failure in not having checked the consignments by actual examination before accepting them as described on the forwarding note, Rule 126 of the Goods Tariff also places the onus of correctly describing the goods in the forwarding notes on the consignors. The consignors in these cases apparently knowingly gave declaration on the forwarding notes that the consignments were 'firewood for fuel purposes' although, as per the special conditions in the tariff, the timber pieces in the consignment were not to be accepted as 'firewood' on the basis of their size and girth. The consignors thus were also a party to obtain lower rates by misdeclaring the consignments on the forwarding notes which attracted levy of penalty.

The reversal in May 1990 of the original decision of April 1986 for reasons which were not borne out by the actual entries on the related invoices thus resulted in a loss of Rs.12.05 lakhs.

3.13 South Central Railway: Short realisation of freight on vegetable oil carried in tank wagons.

The goods tariff followed by South Central Railway provides that when a liquid is despatched in a tank wagon not earmarked for its carriage and the carrying capacity of the tank wagon for that liquid is not notified, freight should be levied on the highest of the carrying capacities of the tank wagon notified for other liquids, and in the absence thereof, on the highest carrying capacity as marked on the tank wagon.

It was noticed in audit of Sanatnagar Goods Complex and Warangal stations during January to April 1988 that freight on castor oil, neem oil and rice bran oil booked in POL tank wagons not earmarked for their carriage was charged on the carrying capacity marked on the tank wagons and not on the highest of the carrying capacities of the tank wagon notified for other liquids.

A further review in November/December 1989 and May 1990 of the bookings of vegetable oil at seven selected stations (including Sanatnagar Goods Complex and Warangal) revealed short realisation of freight of Rs.11.87 lakhs from April 1986 to March 1990.

The Railway Board stated (December 1990) that according to Rule 160 of the IRCA goods tariff, liquids carried in tank wagons would ordinarily be charged on the carrying capacity marked on the tank wagon. The above argument is not tenable as, according to Rule 101 of IRCA goods tariff, the rates quoted therein are subject to the variations published in the goods tariff and circulars of the Railways concerned. The undercharges pointed out above are in respect of bookings which are subject to the Railway's local tariff according to which freight was chargeable on the highest of the carrying capacities of the tank wagons notified for other liquids.

3.14 Northern Railway: Short realisation of freight charges due to incorrect classification.

Under the rationalised freight structure for goods traffic introduced from 15th April 1985, the classification of wheat and rice was revised from class 65 to class 80 in train load and from class 75 to class 85 in wagon load.

A review by audit of foodgrains traffic at four stations on the Railway revealed that freight charges on consignments of wheat and rice booked from these stations between February 1986 and February 1987 were realised incorrectly under class 80(A) in train load and 85(A) in wagon load. This resulted in short realisation of freight charges of Rs.9.20 lakhs.

3.15 Western Railway: Non-revision of calibration chart for MG tank wagons.

Indian Railway Conference Rules , Part-III, provide that the carrying capacity of a tank wagon is required to be determined with reference to the limitations imposed either by the provision of air space or by the axle load capacity of the wagon, whichever is less. The loadability of MG tank wagons as shown in the calibration chart is based on a maximum permissible axle load of 12.2 tonnes per axle fixed in 1963 or earlier when the sectional weight of rails in the track on the MG system was 60 lbs or less.

Consequent upon strengthening of the MG track through measures like renewal of track with heavier rails, welding of rails, better ballast cushion and increase in sleeper density, etc, the maximum permissible axle load for wagons on MG sections including fully vacuumed POL specials was revised by the Railway from 12.2 to 12.5 tonnes per axle with effect from August 1979. The Railway did not, however, revise the calibration chart of tank wagons due to enhancement of the maximum axle load. A test check in Audit revealed that in respect of about 1550 bogie tank wagons the loadable volume of different liquids could be increased upto 35.6 tonnes with reference to the enhanced axle load of 12.5 tonnes after providing the prescribed allowance for air space. Non-revision of the maximum pay load was thus resulting in wastage of wagon space to the extent of 1.2 tonne per bogie tank wagon. The loss due to underloading of tank wagons on this account at the POL loading points at Khari Rohar Road and Sabarmati during May 1989 alone was assessed in Audit at Rs.2.63 lakhs.

CHAPTER IV

WORKS

4.1 Southern Railway: Contract management in the construction of a parallel Broad Gauge line.

The construction of a parallel Broad Gauge (BG) line from Dindigul to Madurai forms part of Karur - Dindigul - Madurai - Tirunelveli - Tuticorin BG line project. The cost of the work as per initial and revised estimate was Rs.19.08 crores (June 1985) and Rs.63.07 crores (June, 1990) respectively. The work was targetted to be completed by June 1992. A review of the contracts revealed deficiencies in contract management involving an extra expenditure of Rs.98.81 lakhs. These are given below :

2. Termination of contracts.

2.1 **Reach No. XI:**

Based on the recommendations of a Review Committee, the Railway Board issued instructions in 1979 that whenever it was proposed to terminate a contract which had sufficiently advanced or whenever a contract was running into trouble, a departmental committee may be appointed to discuss the progress of the contract and to solve the problems in order to avoid termination of the contract. The Southern Railway did not follow the above procedure in three cases resulting in extra expenditure of Rs.28.22 lakhs. Besides, it led to consequential delay in the completion of the works.

The contract for earthwork and construction of minor bridges was awarded to contractor'A' at a cost of Rs.37.36 lakhs in June 1987 with due date for completion as 3rd December, 1988. The contract contemplated construction of two bridges but their plans were not prepared at the tender stage and only rough sketches were prepared. Subsequent to the award of the contract the number of bridges was reduced to one and its plan was finalised in July 1988. Extension of time was given to the contractor upto 30.6.1989 on the ground that power lines were not shifted and thereafter upto 31.3.1990 on the ground that land for earthwork could not be made available to the contractor. The contract, however, was terminated on 4th March 1990, when the progress of work was 55% on the ground that the contractor had not mobilised resources for showing adequate progress. The left over works were awarded to contractor 'B' in July 1990 involving extra expenditure of Rs.4.67 lakhs with due date of completion as 12.4.91. The extra expenditure was not demanded and recovered from the defaulting firm. Contractor 'B' was also given extension of time upto 30.9.91.

2.2 Reach No. XII:

The contract for earth work and construction of a bridge was awarded to contractor 'A' in June 1987 at a cost of Rs.33.69 lakhs with due date of completion as 3rd December 1988. The work was not completed by the due date because the power lines were not shifted and the bridge design was not finalised. The bridge design was finalised only on 19th December 1988, after the expiry of the original date of completion of the work.

The Railway granted extension of time on departmental account up to 31st March 1990. During this extended period the contractor completed the earth work except at the approaches of the bridge. The Railway changed the dimensions of the bridge resulting in increase in the value of the work. The contract was, however, terminated on 3rd March, 1990 because of inadequate progress. On the date of termination, the contractor had completed 75% of the work. The contract for the left over work was awarded to contractor 'C' in August 1990 at a cost of Rs.13.42 lakhs with due date of completion as 12.4.91. The extra cost in getting the left over work done by the contractor 'C' was worked out to Rs.5.36 lakhs. The left over work was yet to be completed (September 1991). The extra expenditure was not demanded and recovered from the defaulting firm.

2.3 Reach No. XVI:

The contract for earth work in forming bank was awarded to contractor 'D' in June 1988 at a cost of Rs.83.11 lakhs. The work was required to be completed by 29th September, 1989. By that date only 60% of the work was completed by the contractor due to non-clearance of standing crops on Railway land, non-acquisition of well and delay in finalisation of agency for Road under Bridge work and construction of retaining wall. Extension of time was, therefore, granted upto 29th March, 1990 on departmental account.

Railway, however, terminated the contract on 1st March 1990, nearly a month ahead of the extended period, as the contractor had not mobilised adequate resources at the site of the work. The contractor's request for reconsideration of the termination of the contract was not acceded to. For the balance work, the contract was awarded to contractor 'B' in July 1990 at a cost of Rs.41.88 lakhs and the defaulting contractor was asked to pay Rs.18.19 lakhs as risk cost. The amount has not yet been paid. The work is yet to be completed (September 1991).

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that in all cases where contracts had to be terminated at the risk and cost of defaulting contractors, risk cost had been demanded.

3. **Verification of capacity:**

Contracts for earthworks in three reaches (Reaches XVII to Contractor 'E' and Reaches XXI and XXII to Contractor 'F') were awarded to Contractors who were new to the Railway based on the certificates produced by the tenderers. Railway did not investigate the capability of the contractors despite the fact that they were new to the construction organisation.

In all the three reaches the contractors failed to complete the work by due dates (September 1989 and December 1989) and fresh contracts had to be awarded at their risk and cost to contractor 'G' (Reaches XXI, XXII) and 'C' (Reach XVII) in January 1990 and June 1990 respectively. The accepted rates of the contractors 'G' and 'C' were substantially higher resulting in an extra expenditure of Rs.36.25 lakhs.

Had the Railway investigated the capability and financial status of the contractors before hand as per rules the extra expenditure of Rs.36.25 lakhs could have been avoided.

4. **Delay in handing over sites:**

The contract for earthwork and construction of 9 minor bridges was awarded in September 1988 (Reach XVIII) to Contractor

'E' at a cost of Rs.39.37 lakhs with due date of completion as 23.12.1989. In May 1989 the contractor brought to the notice of Railway that land, free from all obstruction, was not available for execution of the work. The Railway, however, terminated the contract on 10th August 1989 due to poor progress of the work. The termination was revoked on 6th November 1989 based on the representation made by the contractor and the contractor was advised to complete the work by 23.12.89.

In November 1989 the contractor asked for extension of time and enhancement of rates, alternatively suggesting that the matter might be referred to arbitration. This request was not accepted. Railway, at a later date, realised that the contractor could not be made responsible for the delay in view of the fact that Railway were unable to shift the telegraph posts and acquire the land belonging to National Highways. The contract was, therefore, allowed to lapse on 23rd December 1989. The contract for earthwork was thereafter awarded to Contractor 'C' on 4th January 1991 at Rs.57.84 lakhs and the work of construction of 9 bridges was awarded to another agency in September 1990 at Rs.12.23 lakhs.

The instruction issued by the Railway Board in September 1983 and December 1984 contemplated that contracts for earthwork should be finalised only when Railways are fully prepared to hand over the sites. Failure to make available the land during the currency of the original contract (September 1988 - December 1989) resulted in extra expenditure of Rs.34.34 lakhs with reference to the quantities included in the fresh agreements.

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that instructions would again be reiterated to the Railways to enter into contracts only after the availability of land was reasonably certain.

4.2 Metro Railway: Unintended financial benefit to contractor.

Metro Railway awarded a contract in October 1984 to Contractor 'X' for the construction of sub-way structures in sections A and B.

To enable the contractor to arrange for mobilisation of equipment and men, a mobilisation fee of Rs.100 lakhs was demanded by the contractor while submitting his quotation in 1983. While extending the validity of his offer in December 1983, the contractor demanded escalation in the mobilisation fee (for escalation in the cost of machines and material during the period between the date of original offer and actual month of award of contract) from Rs.100 lakhs to Rs.175 lakhs for each section which was accepted and paid.

(1) The contract provided for payment of escalation in labour, material and full costs at a particular fraction of the gross value of work done during the period under consideration. The gross value of work, as defined in the contract, included mobilisation fee and an amount of Rs.24.16 lakhs was paid as escalation cost on the initial mobilisation fee of Rs.200 lakhs (both the sections). The contractor was, thus, paid Rs.24.16 lakhs for no work done. The payment of escalation on mobilisation fee was irregular and the payment could have been avoided if "Gross value of workdone" was defined correctly in the contract.

Thus, the contractor was extended financial benefits on the same mobilisation fee twice - once an escalation of Rs.75 lakhs for each section at the time of awarding the contract and again Rs.24.16 lakhs treating it as work done.

(2) The contract provided for payment of interest bearing recoverable advance to the extent of 15 per cent of the contract value. Accordingly Rs.9.90 crores was paid from time to time at 19 per cent interest to achieve speedy progress. A further advance of Rs.2.19 crores was paid at a reduced rate of interest of 8 per cent on the condition that work worth Rs.1.50 crores during 1987 and Rs.2 crores during 1988 should be completed every month. In the event of failure to achieve the above progress, interest was to be levied at 19 per cent. Even though the contractor failed to achieve the targetted work and an amount of Rs.82.76 lakhs was levied as penalty, an amount of Rs.47.88 lakhs being the difference between 19 per cent and 8 per cent was refunded to the contractor. Metro Railway justified waiver of 11 per cent interest on the ground of heavy rainfall and suspension of work during Durga Puja festival.

The progress of work being not

satisfactory and far below the target, a further advance of Rs.150 lakhs was given to the contractor @ 10 per cent on the commitment that the work would be completed by 31.12.1990. In the process Metro Railway exceeded the 15 per cent limit set in the contract.

(3) Despite extension of these financial assistances, only 38 per cent and 34 per cent progress was achieved in respect of sections A and B within the original target date October 1988. As on 31.3.1990, progress achieved was only 50 per cent in respect of both the sections. As extensions were granted without imposing penalty, Metro Railway had to pay Rs.4.64 crores as escalation between November 1988 and February 1990.

(4) The grant of all these concessions was justified as due to reasons not attributable to the contractor. The contractor, on the other hand, has filed a claim for Rs.12.42 crores as compensation for underutilisation of investment and has sought for arbitration.

(5) To sum up, the following points arise :-

(a) Payment of Rs.24.16 lakhs as escalation on mobilisation of Rs.100 lakhs for each section was irregular.

(b) The amount of interest bearing advance has exceeded the 15 percent limit set in the contract.

(c) Despite several financial assistances, viz. grant of mobilisation advance and financial loans at reduced rates the contractor failed to achieve satisfactory progress in the execution of the work. Only 38 per cent and 48 per cent progress was achieved within the target date (October 1988). Extention of time without imposing penalty from November 1988 to February 1990 was against the interest of Railway and resulted in payment of Rs.4.64 crores towards escalation.

(d) The object of granting advance of Rs.3.69 crores at a reduced rate of interest was not fulfilled.

(e) Metro Railway is faced with a

claim in arbitration of Rs.12.42 crores.

The Ministry of Railways (Railway Board) conceded during discussion with Audit (December 1991) that the clause regarding payment of mobilisation fee was an unusual condition which to the best of their knowledge had not been adopted in any of the contract in the past. The Board, however, could not give a adequate justification for the payment of Rs.24.16 lakhs as escalation on mobilisation fees treating the fees as work done whereas the mobilisation fee was for mobilising men and machine at the site.

4.3 Central Railway: Infructuous expenditure on provision of an Industrial Structure and a Siding.

The Ministry of Railways (Railway Board) decided in October 1985 to set up a spring manufacturing plant with foreign collaboration at Gwalior on a turn key basis, with a view to improving the quality and reliability of springs used in the rolling stocks. The plant was expected to manufacture 2 lakhs coil springs and 50,000 laminated (Parabolic) springs per annum.

The work was taken up in June 1986 under Urgency certificate for Rs.1. crore with a stipulation that the abstract estimate would be submitted by the Railway by December, 1986. The amount on Urgency Certificate was enhanced to Rs.4 crores in July 1987. Preliminary works like formation of detailed plan/estimate, land acquisition and development of land, architectural consultancy for administrative building were to be taken up initially. Railway, however, entered into a contract on a limited tender basis with a firm for the construction of 2 industrial structures - one for coil springs and the other for parabolic leaf springs at Sithouli (Gwalior) at a cost of Rs.1.06 crores each in June 1987 without submitting the abstract estimate to the Railway Board.

Pending receipt of the abstract estimate from the Railway, Railway Board placed an order in March 1988 for a coil manufacturing plant only on a West German firm, on turn key basis, at Rs.32 crores and enhanced the amount of Urgency Certificate to Rs.55.54 crores.

By March 1988, it was known to the Railway that the project was to be confined to the facilities for manufacture of coil springs only due to shortage of funds, yet no action was taken to stop the construction of the industrial structure for the parabolic spring plant which was in progress and which was around 15 per cent complete at that point of time. The Railway submitted the Abstract Estimate for Rs.127.02 crores in June 1988.

In November 1989, Railway Board asked the Railway to submit a revised estimate containing the estimate to the amount of Urgency Certificate and accordingly Railway submitted a revised estimate for Rs.54.04 crores deleting a number of facilities included in the original estimate. The industrial structure for the Parabolic springs and a siding were retained in the revised estimate as the works were almost complete by that time. The expenditure on these works was Rs.1.32 crores.

The modified detailed estimate submitted by the Railway in November 1990, is yet to be approved by the Railway Board. The plant for manufacture of coil spring was commissioned in March 1990 with a target of 2,000 tonnes of springs of different sizes. Actual production for the period from April 1990 to March 1991 was only 953.94 tonnes (28706 nos) resulting in underutilisation of capacity of the plant to the extent of 50 per cent.

Thus, the decision to construct an industrial structure and a siding without proper sanction was injudicious and resulted in infructuous expenditure of Rs.1.32 crores. These facilities were remaining unutilised (November 1991).

The Ministry of Railways (Railway Board) interalia, stated (November 1991) that the second shed was used as a constructional necessity during the construction stage and was, later on, used as maintenance support for the spring plant. The contention of the Railway Board is not tenable as the second shed and siding were not included in the original estimate as maintenance support. On the contrary, the Railway Board asked the Railway in April 1990 to examine the circumstances under which the construction of the industrial structure and siding was taken up without the approval of the Railway Board.

4.4 Metro Railway: Loss due to lack of supervision of work done by a contractor.

A contract for RCC piling work, earth work, road and sanitary staff quarters at Dum Dum was awarded to Contractor 'A' on 18th July 1980 at Rs.99.92 lakhs. The work was required to be completed within 18 months from the date of issue of letter of acceptance, time being the essence of the contract. The progress of the work by the contractor was very slow even after extension of time by 14 months, without penalty. The contract was terminated on 5.10.1982 on the ground of poor performance but joint measurement of the work done was not recorded. The residual work was awarded to contractor 'B' in August 1983 at the risk and cost of the defaulting contractor at Rs.153.79 lakhs but no amount of risk cost was claimed by Metro Railway.

As per item 4.09 (a) of the schedule to the contract, the earth excavated in forming garbage tanks was to be used to raise land required for piling work, to fill up the existing low lying areas to form embankaments for road etc. of the car depot complex including spreading in layers, levelling etc. Contractor 'A', however, dumped the earth in one place raising the level of earth surface. Metro Railway failed to supervise the spreading of the excavated earth as stipulated in the contract. While executing the work by Contractor 'B' this was detected and 35,780.849m^3 of earth had to be excavated from the raised surface resulting in an extra expenditure of Rs.11.09 lakhs.

Similarly, casting of piles as per schedule items No.4.01 to 4.07 was not properly supervised by Metro Railway. Out of 247 piles cast by Contractor 'A', 31 piles were not cast upto the full height of cut-off level. The reinforcement was also short of cut off level. In certain cases, concreting was not done properly as a result of which even after 2 metres of digging from the cut off level the pile concrete was either missing or found to be unsound condition. On 7 piles, the number of reinforcement bars at the top was 8 as against 12 provided in the drawing. Thus, 31 piles not being fit to carry the load of 50 MT oer piles, were rejected and fresh piles were constructed for the safety of the structures. The piles were constructed for the safety of the structures. The piles were cast with enlarged pile caps at an extra cost of Rs.9.68 lakhs. Deficiencies in the work done by the Contractor 'A' were not pointed out to the contractor at the time of settlement of his claim nor was the extra expenditure included in the counter statement filed before the arbitrator.

Thus, due to lack of proper supervision of piling work and earth work Railway sustained a loss of Rs.20.77 lakhs.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that the claim for 22 defective piles was not entertained by the arbitrator. The above statement is not correct as the Arbitrator awarded an amount of Rs.68.900 for 44 piles which included the defective piles. The contention of the Railway Board that the Contractor 'A' could not fill up the low lying areas due to resistence from the local people is also not acceptable because Metro Railway submitted before the Arbitrator that the entire area was made available to the contractor 'A' by January 1982 and the contractor dumped the earth of his own at near by place.

4.5 Eastern Railway: Loss due to irregular execution of works.

The work of water proofing of 16000 m^2 of leaky roof was awarded to a firm in July 1981 at a cost of Rs.3.50 lakhs. During the progress of the work, the Divisional Engineer asked the firm to execute additional 16000 m^2 of work on the plea of approaching monsoon. Finance concurrence and approval of the competent authority were not obtained before entrusting the additional quantum of work. No supplementary agreement was also executed. The works were completed in September, 1982.

The firm submitted a claim in July 1983 for Rs.25.86 lakhs for the additional work of 16000 m^2. Railway, however, failed to come to an agreement with the contractor and sort out the issue amicably. In August 1985, after a lapse of two years, the contractor moved the Calcutta High Court for appointment of an arbitrator. The Honourable High Court appointed (March 1986) a retired judge of the Calcutta High Court as the sole arbitrator in the case.

Though according to measurement book the additional work executed was only 4006 m^2 (value Rs.84272) the contractor filed a statement of claims for 16000 m^2 of work (value Rs.25.32 lakhs inclusive of value of work amounting to Rs.3.47 lakhs) before the Arbitrator. Railway failed to convince the arbitrator with documentary evidence that the total quantity of work was very much less (4006 m^2) than what was claimed by the contractor. The Arbitrator gave a non-speaking award in May 1988 for Rs.9.99 lakhs representing Rs.2.63 lakhs for 12000 m^2 of the work and Rs.7.36 lakhs towards idle labour and other business losses. Railway filed an objection petition against the award in the Calcutta High Court but when the case came up for hearing in September 1989 no one from the Railways appeared and a decree was passed accordingly. The firm was paid an amount of Rs.9.15 lakhs additionally for work not actually executed by them.

The cumulative result of the various failures on the part of the Railway resulted in a loss of Rs.9.15 lakhs in the execution of a small work. No responsibility for the loss suffered by Railway has been fixed.

4.6 Western Railway: Avoidable expenditure due to inadequate planning in the construction of a Diesel Shed.

Western Railway has two MG Diesel loco sheds - one at Abu road and the other at Sabarmati. A proposal for setting up a third MG Diesel Shed at Bhavnagar was sent to the Railway Board and the work was sanctioned at an estimated cost of Rs.4.38 crores in July 1988. The decision to locate the Diesel Shed at Bhavnagar was taken with the approval of Railway Board to take the advantage of ready pool of staff quarters for loco maintenance staff and also the vast area of steam loco shed already available.

When the work of the Diesel Shed was in progress, Railway Administration sent another proposal in 1989 for setting up the fourth MG Diesel Shed at Mhow for homing 50 locomotives at an estimated cost of Rs.5.08 crores. The work was included in the works programme for 1990-91. In July 1990 the Railway Board felt that setting up of four MG Diesel loco sheds on the Railway was on the high side and asked the Railway to drop the proposal for setting up the fourth Diesel Shed at Mhow. The Railway proposed that the work of Bhavnagar Diesel Shed be deferred in preference to the Diesel Shed at Mhow as Mhow was located almost half way between two existing Diesel Sheds at Abu Road and Guntukal which are far apart.

The expenditure incurred on Bhavnagar Diesel Shed was Rs.69.89 lakhs. Inadequate planning in prioritising the requirement of

Diesel Sheds and their location rendered the expenditure of Rs.69.89 lakhs on Bhavnagar shed unproductive.

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that Bhavnagar shed was basically planned for holding Diesel Hydraulic Shunting cum Passenger Locomotives being manufactured at Chittaranjan. The traffic department did not find the locos very efficient as these could not be utilised for freight service. Keeping in view the high cost of loco and its lower flexibility for operation, the Board decided to discontinue the manufacture of the locomotive and also to freeze the construction of the Bhavnagar diesel shed. By the time the decision taken a net expenditure of about Rs.50 lakhs had akready been incurred. Utilisation of the structures already completed was under active consideration of the Board.

4.7 Eastern Railway: Loss due to damage to wagons in colliery.

Saunda Colliery of Central Coal fields Ltd. is served by an Assisted cum Private siding which has a steep falling gradient from the interchange point to the buffer end. Wagons for loading coal are handed over to the colliery at an interchange point on the siding wherefrom they are rolled down manually to its coal handling plant. After loading, the wagons are again rolled down manually further towards the buffer end of the siding in blocks of 8 to 10 wagons at a time to form a rake for despatch from the colliery. This arrangement was suitable for handling 4 wheeler open wagons which were then in use for loading of coal.

With the introduction of improved 8 wheeler BOX wagons in the Railway system as early as 1960 for dealing with coal traffic, Railways did not take prompt action in consultation with the colliery authority for adoption of improved arrangements for haulage of BOX wagons in the private portion of the siding but continued the earlier system of manually rolling down the wagons resulting in frequent derailments and damages to wagons. There was no systematic reporting of such derailments/damages, nor any joint survey of the damages to the wagons by the Railway as per rules to assess and recover the cost of damage from the colliery authority.

In December 1988 a team of Railway officials estimated that 55 wagons got damaged due to derailments during the years

1983 to 1988 (details of wagons damaged prior to 1983 are not available) and recommended adoption of suitable measures such as use of wagon hauler and hire of railway locomotive for haulage of wagons to prevent damages to wagons within the colliery. A bill of Rs.24.25 lakhs towards the cost of 55 damaged wagons was sent to the colliery authority in March 1989. The claim was rejected because the Railway as per agreement failed to arrange for joint survey of damages caused by derailment/accidents as and when they occured. The loss sustained on account of damages to another 48 wagons is yet to be assessed (July 1991). The loss of earnings due to the non-utilisation of these wagons has been assessed in audit as Rs.7.78 crores.

The failure of the Railway to ensure adoption of appropriate measures by colliery for haulage of wagons within the siding resulted in an avoidable loss of Rs.24.25 lakhs on 55 wagons damaged in accident. The loss would go up further if the cost of the remaining 48 damaged wagons and the loss in earnings is taken into account.

4.8 Eastern Railway: Infructuous expenditure on electrification of Galsi-Jhaptardhal link line.

Electrification of Galsi-Jhaptardhal link along with additional loops at Jhaptardhal on Eastern Railway was sanctioned in 1986-87 at an estimated cost of Rs.165.09 lakhs. The work was sanctioned to provide relief to Andal inter-yard by bypassing the through loads from Northern Railway to Northeast Frontier Railway via Jhaptardhal. The work was financially justified on the basis of comparative economics of cost of operation by diesel and electric traction for movement of 11 goods trains between Andal and Jhaptardhal (67 Kms.).

The expenditure booked to the work is Rs.183.36 lakhs (31.3.91) against the sanctioned estimate of Rs.165.09 lakhs.

In October 1990 it was decided to delete the work for the following reasons :-

(a) Andal Inter yard had been identified for train examination of through loads for Northeast Frontier from Northern Railway and facilities for such examination had been created at Andal. Further, carriage and wagon examining facilities have to be created at Jhaptardhal with some additional investment.

(b) Northern Railway load had declined significantly and would disappear altogether due to re-routing of traffic via Barauni-Katihar route.

The Project lacked justification for the following reasons:

(i) Conversion of Baruni-Katihar MG section of North Eastern Railway was sanctioned by Railway Board in 1978 with a view to carry traffic from Northern and Western Railways to Northeast Frontier Railway hitherto moving via Farakka. The line was opened for traffic on 17.10.1984. Thus, in 1986-87 when the electrification of Galsi-Jhaptardhal was sanctioned, the fact that there would be decline in traffic from Northern to Northeast Frontier Railway was known to the Railway.

(ii) The fact that Andal yard had been identified for creation of facilities for train examination of through loads was also known to the Railway.

(iii)The work was expected to be completed at an estimated cost of Rs.165.09 lakhs but an amount of Rs.183.36 lakhs was spent till March 1991. Railway, however, did not analyse the reasons for such wide variations. Deletion of the work resulted in Rs.63.20 lakhs spent on the work infructuous.

4.9 Northern, North Eastern, Northeast Frontier, South Central and South Eastern Railways : Delay in commissioning and under utilisation of machines.

In August 1984, Central Organisation for Modernisation of Workshops (COFMOW) placed an order on an indigenous firm for supply of 13 numbers of Automatic Railway Wheel Flange Welding Plants at a total cost of Rs.1.20 crores (FOR) for thirteen workshops on Zonal Railways. The price was exclusive of excise duty and sales tax which were charged extra as applicable at the time of supply.

The firm supplied the foundation drawings, as required under the contract, three months in advance of the receipt of the machine in each case (excepting Ajmer Workshop).

Despite the supply of foundation drawings in advance, there was delay in completion of foundation works resulting in delayed commissioning of the machines. The delay ranged from 3 to 33 months as indicated in the following table.

Sl. No.		Month of receipt of the drawing	Month of receipt of the machine	Month of commiss-ioning of the machine	Extent of delay in months (excluding the month of receipt the month of commi-ssioning & one month for other work)
1.	Rayanapadu	June 85	Dec. 85	May 86	3
2.	Hubli	June 85	Jan. 86	Oct. 86	7
3.	Lallaguda	June 85	Feb. 86	Aug. 87	16
4.	Izatnagar	June 85	Feb. 86	Apr. 87	12
5.	Jagadhri	June 85	Nov. 85	Oct. 88	33
6.	Jodhpur	June 85	March 86	Mar. 88	22
7.	Kharagpur	Nov. 84	Sep. 85	Mar. 86	4
8.	Waltair	June 85	Nov. 85	Aug. 86	7
9.	Raipur	June 85	Dec. 85	Sep. 87	19
10.	New Katni	June 85	Feb. 86	Sep. 86	5
11.	Ajmer	April 86	May 86	Sep. 87	14
12.	New Bon-gaigaon	June 85	May 86	June 88	23
13.	Lilluah	June 85	July 87	Jan. 88	4

A review of the performance of eight machines revealed the following :

1. South Central Railway :

The machine which was commissioned after a delay of 16 months at Lallaguda dealt with only two wheels and the machine could not be put to regular use for two years due to defective power connection. The machine received in Hubli workshop developed defects in January 1987 just after two months of its commissioning and the machine was under repair for one year. The machine supplied to Rayanapadu Workshop was used only to 13 per cent of its capacity. Under utilisation of the machine was due to failure of the Railway to procure required wire, flux, etc.

As a result of the abnormal delay in commissioning of the machines in Lallaguda workshop and non-utilisation / under-utilisation of machines after their commissioning, South Central Railway could not realise the anticipated savings of Rs.49 lakhs.

2. <u>North Eastern Railway</u> :

North Eastern Railway took 12 months to commission the machine at Izatnagar. The machine remained either defective or grossly under utilised. During the period April 1987 to February 1990 only 130 wheelsets were dealt with by the machine against the production capacity of 5 wheel sets in an 8 hour shift. Under utilisation of the machine was attributable to non-procurement of wire and flux needed for the machine and erratic power supply.

3. <u>Northeast Frontier Railway</u>:

Since its commissioning, after a delay of 23 months at New Bongaigaon workshop, the machine was operated for only 28 days with an outturn of only 12 BG wheelsets and 1 MG wheelset against 5 wheelsets per shift of 8 hours per day. From 7th June 1989 the machine is under break down condition on electrical account. Railway, therefore, failed to achieve the anticipated saving of Rs.22.68 lakhs upto 30.9.89.

4. <u>South Eastern Railway</u>:

Although one wheel flange welding machine commissioned at Raipur Workshop on 17.7.1982 remained grossly under utilised, another wheel flange welding machine costing Rs.11.68 lakhs was received on 17.12.1985. The machine was commissioned after a delay of 19 months on 12.9.87. Production commenced in November 1987. Against a capacity of 5 wheelsets per 8 hours shift 3 wheelsets/shift was targetted by Railway Administration. The average outturn of the machines was less than 2 wheelsets. The performance of two machine installed at Kharagpur and Waltair Workshops is stated to be satisfactory.

5. Northern Railway :

In Jagadhri workshop the machine could not be put to trial for 20 months from its receipt in November 1985. The total outturn of the machine from August 1982 to February 1991 was 2176 wheel sets as against its capacity of 5300 wheel sets. In Jodhpur workshop the machine was commissioned after 2 years of its receipt mainly because foundation was not ready and power connection was not provided. The machine developed some defects immediately after commissioning in March 1988 and was under repair till November 1988. Thereafter the total outturn of the machine upto February 1991 was 602.5 wheel sets as against the anticipated outturn of 4200 wheel sets i.e. 14.34 per cent of its capacity. The shortfall was mainly due to persistent defects in the machine and non-availability of welding material.

There had been delay of 4 months to 14 months in commissioning of three machines on Eastern, Central and Western Railways.

4.10 Central, Eastern, North Eastern, Southern, South Central, South Eastern and Western Railways: Non-recovery of cost of maintenance of level crossings opened at the request of State Governments or local authorities.

As per codal provision, the cost of construction, maintenance and manning of level crossings asked for by a State Government or Local Authority should be borne by the party requiring the facility. An agreement incorporating these conditions should be got executed with the party before such work is undertaken.

A review of the recovery of the cost of maintenance and manning of level crossings on seven Railways revealed that an amount of Rs.2.38 crores has been outstanding. The reasons for the outstanding are :

(i) Non-execution of agreements with the parties.

(ii) Non-submission of bills for the maintenance charges.

(iii) In-ordinate delay in submission of bills.

(iv) Delay in updating the maintenance charges at regular intervals.

(v) Non-finalisation of the Completion Reports for the deposit works.

Non-execution of agreements :

In respect of 139 level crossings on Southern, Western, North Eastern, South Central and Eastern Railways no agreements were executed by the Railway before providing the level crossings. In the absence of agreements with the parties, Railways claim becomes difficult to enforce.

Non-submission/delayed submission of claims :

Bills for the cost of maintenance and manning of level crossings are to be preferred by Railways, based on the cost of gate keepers and other charges, at regular interval. In respect of Western, Southern, North Eastern and South Central Railways claims for Rs.55.51 lakhs for the period between 1976-77 and 1990-91 towards maintenance charges have not been preferred against the parties. Some of the claims pertained to 1976-77. On Southern, Western and South Central Railways claims for Rs.38.90 lakhs were preferred late against the parties after a delay of one to eight years.

Thus, non-observance of rules and delay in taking action by the Railways resulted in non-realisation of Rs.1.90 crores.

4.11 North Eastern Railway: Construction of Road over bridges in replacement of level crossings.

1. The North Eastern Railway constructed (July 1978) a road over bridge, in replacement of a level crossing, at Samastipur at a cost of Rs.60.32 lakhs. The cost of the road over bridge was shared between the Railway and Bihar Government on the clear understanding that the existing level crossing would be closed after the opening of the road over bridge to road traffic. It was also provided in the agreement between the two parties that the State Government would reimburse the cost of maintaining the level crossing in case the level crossing was not closed for any reason. The level crossing could not be closed because of litigation. The cost of maintaining the level crossing of Rs.9.85 lakhs (1978-79 to 1990-91) has not been recovered from the State Government so far. The Railway is also incurring a recurring expenditure of Rs.1.3 lakhs every year. The cost of maintenance of the road over bridge, which is also recoverable from the State Government, is yet to be assessed.

2. The detailed estimate for the construction of a road over bridge, in replacement of a level crossing between Motihari and Semera station was sent in March 1983 to the Bihar Government for acceptance. Even though the detailed estimate was not accepted by the State Government and the agreement sent by the Railway in December 1983 was not executed by the State Government, the Railway Administration started the construction of the bridge in 1983-84 and incurred an expenditure of Rs.37.64 lakhs upto March 1990. The State Government had not executed its portion of the work. The construction of the bridge could not be completed so far (1991). Thus, the action of the Railway in spending Rs.37.64 lakhs before the acceptance of the detailed estimate and execution of the agreement has resulted in the expenditure remaining unproductive.

The Ministry of Railways (Railway Board) stated during discussion (November 1991) that the matter had been taken up at the highest level with the Bihar Government to expedite the work as well as to get the level crossing closed. Pending realisation of Railway's dues, Eastern Railway had been asked not to release the Bihar Government's share from the Railway Safety Works Fund. The Railway Board further decided that the construction of bridge proper over the tracks would be undertaken only after the State Government commenced or atleast awarded a contract for the work on approaches.

4.12 Southern Railway: Failure to extend validity of Guarantee Bonds in a works contract.

The work of re-construction of the railway bridge across the river Swarnamuki on the Madras - Gudur section was awarded to contractor 'A' at Rs.42.93 lakhs in January 1988. The work was to be completed by 11th April 1989. Two bank guarantees, one for Rs.4 lakhs towards installation charges and another for Rs.1.5 lakhs towards security deposit, executed by the Bank of Tamil Nadu, Trichy dated 19th April 1988 and 25th April 1988 respectively, with validity period of one year, were produced by the contractor.

While the work was in progress, the contractor 'A' sought, in November 1988, enhanced rates due to change in soil conditions and increase in the price of MS plates.

The Railway did not agree to the enhancement as the contractor had quoted a uniform rate for boring through all soil and the agreement did not provide for escalations.

The contract was finally rescinded on 3rd May 1989 at the risk and cost of the contractor 'A' when 52% of the work was completed.

The left over work was awarded to contractor 'B' in January 1990 at Rs.43.79 lakhs after obtaining legal advice. The contractor 'A' was asked (December 1990) to remit the risk cost of Rs.23 lakhs within a month. The amount is yet to be realised. The following points arise :

(1) Legal action has not been taken against the defaulting contractor so far.

(2) The Railway Administration did not take timely action to get the validity of the guarantee bond extended. The Railway Administration, thus, lost the opportunity of recovering atleast Rs.5.5 lakhs of the extra expenditure of Rs.23 lakhs.

The Ministry of Railways (Railway Board) during discussion stated (December 1991) that procedure for monitoring guarantee bonds had been tightened on the Railways so that timely action is taken to get the guarantee bonds extended or encashed as the case might be.

4.13 North Eastern Railway: Loss due to delay in installation of lubricating oil storage tanks.

The Ministry of Railways (Railway Board) had advised all the Railways, in May 1980, to provide bulk storage tanks at diesel sheds having consumption of lubricating oil of 30 KL per month or more, as the facility was economical. In March 1982, the Railway Board further advised that Indian Oil Corporation (IOC) had agreed to provide the bulk storage and maintenance facilities at their own cost provided the off take was about 100 KL per month.

In pursuance of this policy IOC proposed (July 1987) installation of two bulk storage tanks of 50 KL capacity each at Gonda Diesel Shed by December 1987 in case a levelled plot of land with fencing and wicket gate, water and electric connections and laying of Hume pipe below the Railway track were provided by the Railway in advance of their installation. IOC assessed the saving at Rs.1700 per Kilolitre to Railway based on the then price differential between bulk and packed oil.

Railway made available the facilities only in February 1990 at a cost of Rs.24,504 and IOC commenced the work of installation of tanks in March 1990 and completed the work in December 1990.

Allowing for a maximum of one year for the Railway to provide the required facilities to IOC and another 9 months to IOC for installation of storage tanks there had been an avoidable delay of 21 months in providing the storage facilities. This delay in making available a facility which cost Rs.24,504 had resulted in a net loss of Rs.18.55 lakhs on the procurement of 1590 KL of lubricating oil during April 1989 to December 1990, after giving credit of Rs.112.00 per steel barrel.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that the delay was basically due to time taken in finalising a mutually agreed site plan so as to accommodate IOC's requirement of safety and in observing necessary procedural formalities. However, it is relevant to point out that audit had arrived at the delay of 21 months after allowing one year's time to Railway and nine months to IOC for completion of the project.

4.14 Northeast Frontier Railway: Loss due to delay in pursuance of a land acquisition case.

For the construction of a BG line from New Jalpaiguri to Mukuria and conversion of the MG section between Mukuria and Kumedpur the Railway Administration acquired 54.69 acres of land. The Notification and Declaration in connection with the above land was published in the Calcutta Gazette in April 1961 and July 1964 respectively and the Administrative approval to the estimate amounting to Rs.19,056/- being the cost of land was given in August 1965. The line was completed in April 1964. Since the notification and the declaration published were found to be erroneous, an errata was published by the State Government in November 1981. Even at this time the Railway administration did not attempt to find whether the compensation money was paid or not.

Subsequently, the Railway Administration took up the work of patch doubling in the same section in May 1986 and a contract was entered into by the Railway in October 1986 for earthwork. But the work could not be carried out due to protest by the land owners for non-receipt of compensation for land acquired.

The matter was referred by the Railway to the State Government only in December 1987 and again in June 1988 and it was only in December 1988, the Railway came to know from the State Government that the award on the land acquisition case in question had lapsed. This could have been avoided if the payment of Rs.19056 had been made before 23rd September 1986 under the provision of an amendment made in 1984.

Having no other alternative, the Railway Administration went for acquisition of the land afresh. The compensation was worked out at Rs.13.45 lakhs made up of cost of the land at the present day market value of Rs.4.90 lakhs (out of which an amount of Rs.3.92 lakhs being 80 per cent on account payment, was paid in July 1989) and Rs.8.55 lakhs as compensation for the periods of amicable possession (1.7.60 to 26.7.89) at the rate of 6 per cent per annum on the revised cost of the land. The amount was paid in September 1990. Since the land could not be made available to the contractor in time due to the aforesaid reasons, the validity of the contract was extended from time to time and Railway had to accept higher rates in respect of certain items which has also resulted in further extra payment of Rs.7.98 lakhs to the contractor.

Although there was delay in issuing notification and declaration by the State Government in processing the land acquisition proceedings, the Railway Administration did not pursue the case regularly. In December 1977 a list of outstanding land acquisition cases was prepared where the instant case was found to have been included. Had the Railway Administration pursued the case vigorously with the State Government even after 1977 the land acquisition case could have been settled by the target date of 23.9.86. The delay resulted in an avoidable payment of Rs.21.43 lakhs.

The Ministry of Railways (Railway Board) during discussion stated (December 1991) that as physical possession of land was available and there was no demand for additional compensation from West Bengal Government the Railway did not pursue the matter. However, it was admitted that there was a failure in not having the land immediately mutated in Railway's favour in time and added that suitable istruction to the Railway's was being issued to ensure follow up action till mutation after physical possession of the land was received.

4.15 Northeast Frontier Railway: Loss due to delay in providing site to the contractor.

The construction of 24 units of type II (single storeyed) quarters at Lumding railway colony, in replacement of old quarters, was awarded to a contractor 'A' in February 1984. The value of the contract was Rs.9.21 lakhs at 129% above the schedule of rates. The work was to be completed within one year. After construction of 6 units of quarters, the contract was terminated in March 1987 without any liability on either side on the ground that the site could not be provided to the contractor on account of encroachment by the Railway staff.

A fresh contract for construction of the remaining 18 units of (double storeyed) quarters was executed with contractor 'B' in May 1988 at a cost of Rs.19.59 lakhs at 328% above the schedule of rates. The work was completed at a total cost of Rs.23.76 lakhs which included two additional units of quarters and provision of 20 sintex overhead water tanks.

The Railway Board directed the Zonal Railways in 1972 that Railways should decide calling of tender only when they are fully prepared to hand over the site to the contractor. The quarters in the present case were to be constructed in a railway colony after demolition of the old quarters and as such the Engineering Department should have been aware of the encroachment and desisted from awarding the contract in 1984. Awarding the contract without ensuring the availability of site was, thus, a clear violation of Railway Board's directive. The removal of the encroachments (within 14 months of termination of the old contract) and awarding the contract in May 1988 resulted in an extra expenditure of Rs.14.32 lakhs.

Railway Administration stated (September 1991) that unauthorised structures were erected by Railway staff overnight on 30.7.84 and in spite of best efforts encroachments could not be removed. Railway further clarified that extra expenditure was Rs.10.43 lakhs excluding the cost of new items of work which were not included in the earlier contract.

CHAPTER V

STORES AND PURCHASES

5.1 Central Railway: Irregular purchase of steel.

The rules prescribed for purchase of railway stores provide that the tender system, in one form or another, should be given very careful and serious consideration in all cases as one of the most effective methods for keeping down rates and that the primary duty of the Executive is to obtain the best value possible for the money spent. The system of invitation to tender by public advertisement in the most open and public manner possible should be used as a general rule and purchases through limited tender system should be resorted to only when sufficient reasons exist in public interest for not calling for tenders by advertisement, and when the demand is so urgent that any additional expenditure involved by the elimination of open tenders must be incurred.

It was noticed in Audit of the Stores Depot, Currey Road in January 1989 that non-stock items of steel valuing Rs.18 lakhs were lying in the Depot without any despatch to the indentors although the Railway had issued instructions in November 1987 that catering of steel requirements to various Divisions from this Depot be discontinued and the accounts of steel be closed by transferring the existing stock to the Depots nominated for meeting the demands of steel thereafter. These items of steel were received in the Depot during June to September 1988, as supplies from three Bombay based firms against 40 Purchase orders placed by resorting to Limited Tender Enquiries. Records relating to the purchases were not available and as such it could not be ascertained whether purchase through limited tenders was actually warranted or whether there was any justification for procurement of these materials at all.

Detailed investigation into the matter by the Vigilance Department of the Railway, however, revealed that these formed part of the steel items of stores valuing Rs.1.24 crores purchased irregularly from the three firms by a Senior Stores Officer of the Railway against a total of 304 Purchase Orders issued during April to September 1988 at exhorbitantly high rates by resorting to limited tender enquiries. The methods used by the three firms was to track receipt of demands, get the tender enquiries issued to a cartel and submit quotations in such a way that the items were allotted among them. The Purchase orders were released by the Stores Officer without conducting the pre-requisite enquiries, viz. whether materials were available in stock and obtaining approval of higher authority necessary for calling limited tenders, whether the rates were reasonable in comparison with the last purchase rate etc. The firms supplied the materials immediately and the payments were released by the Accounts Department speedily overlooking the extant rules and procedures prescribed for pre-check of local purchase orders. The records pertaining to these purchases were not available despite the fact that the period of preservation had not expired. The Railway assessed that the materials supplied to the Railway could be valued at only Rs.54.84 lakhs at the then prevailing JPC rates as against Rs.1.24 crores on the orders. The amount of extra expenditure incurred worked out to Rs.68.83 lakhs, of which the Railway had withheld an amount of Rs.10.93 lakhs from the pending bills of the three firms. The Ministry of Law advised (January 1991) for initiating prosecution of the firms under the IPC, but no action had been taken so far (October 1991).

5.2 Eastern Railway: Irregularities in the purchase of coach fittings.

Eastern Railway purchased in 1988 and 1989 certain items of coach fittings under the names of Waprop (Wall Protector), Glass Monitoring (window frame) and PKSS (Push Cock). 1300 numbers of Waprop (cost Rs.98.37 lakhs), 836 numbers of Glass Monitoring (cost Rs.41.73 lakhs) and 500 numbers of PKSS (cost Rs.3.98lakhs) at a total cost of Rs.144.08 lakhs were received by the consignees against these supply orders.

It was seen in audit that these materials were not catering to the required size/specifications, the rates were exhorbitant, the quantities were split up to enable issue of purchase orders at lower levels and that a large number of purchase orders were issued in a short time.

The rate for the Wall Protector ranged between Rs.4750 and Rs.9999 each, as against the estimated cost of Rs.300 each.

Incidentally, it was seen that a similar item was actually purchased in February/April 1989 at a cost of only Rs.160/- each. Similarly the Window Frame (Glass Monitoring) and Push Cock (PKSS) were actually purchased at Rs.4800 and Rs.765/- each as against the estimated cost of Rs.300 and Rs.60 each respectively. The total quantities of items of stores were split to keep the amount within the powers vested with the authorities who finalised the purchases. As many as 225 purchase orders were placed to cover the supply of 1300 numbers of Waprop, 109 purchase orders for 836 numbers of Glass Monitoring and 10 purchase orders for 500 numbers of PKSS.

The materials supplied by the firms were also not conforming to the required sizes/specifications and unsuitable to actual requirements for maintenance of different types of coaches. Consequently 5 out of 1300 numbers of Waprop and 265 out of 500 numbers of PKSS were utilised, while the entire 836 numbers of Glass Monitoring had remained unutilised even after two years of their purchase (January 1991). The Railway Administration realised only in November 1989, after a major portion of the materials were received that these were technically unsuitable and that the rates were exhorbitantly high.

The irregular purchase thus resulted in an extra expenditure of Rs.1.22 crores (difference between actual cost and estimated cost).

The Ministry of Railways stated (January 1992) during discussion that investigation had been taken over by CBI and that necessary action would follow the result of the CBI's report.

5.3 Metro Railway: Transit loss of steel materials.

Metro Railway have been procuring large quantity of steel materials for construction purposes and these materials are received from the steel plants at Brace Bridge Depot which is served by Calcutta Port Trust Railway (CPTR). CPT Railway being at the tail end of the transport system is required to witness disturbed/tampered wagons and grant short certificate to Metro Railway based on which Metro Railway can submit claims to the carrier railway. CPT Railway was granting such delivery of tampered/disturbed wagons upto March 1985.

From April 1985 CPT Railway started refusing assessment delivery on the ground that it did not have a weigh bridge capable of weighing eight wheeler wagons. Consequently, compensation claims for short receipt of steel material lodged by Metro Railway were not entertained by the Carrier Railway. The proposal of Metro Railway to use its weigh bridge at Brace bridge depot for weighment did not evoke positive response from the CPT Railway. Due to non issue of certificates by CPT Railway Metro Railway suffered a loss of Rs.1.84 crores during the period from July 1985 to 20th November 1990 on account of short receipt of steel materials for which full payment was made to the steel plants on proof of despatch.

Metro Railway brought these huge losses to the notice of the carrier railways namely, Eastern Railway and South Eastern Railway only in February 1990 for locating the place(s) of crime and to arrest the pilferages. It was only in July 1989, after the matter was taken up in audit that Metro Railway sought the intervention of the Railway Board for issue of suitable instructions to CPT Railway so that short certificates of steel consignments are issued by re-weighment of wagons, if necessary at Metro Railway's weigh bridge at Brace Bridge Depot. Accordingly a working agreement was executed between Metro Railway and CPT Railway on 21st November 1990 in respect of re-weighment of tampered and damaged wagons at Metro Railway Weigh Bridge and short certificates were being issued by CPT Authority.

Had the Metro Railway made same working arrangement in consultation with the Railway Board in time, loss of Rs.1.84 crores could have been considerably reduced if not totally eliminated.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that the non-witnessing of weighments at Brace Bridge Depot by CPT Railway had been resolved and the shortage certificates were being issued to enable Metro Railway to prefer claims on Eastern and South Eastern Railways. It was admitted that in case the security was tight, the tampering of consignments could not have taken place.

5.4 Eastern, central, North Eastern, Western, Southern and Northeast Frontier Railways: shortages in receipt and accountal of hard coke in Railway Workshops.

In para 38 of the Advance Report of the Comptroller and Auditor General of India (1981-82) on the Union Government (Railways), heavy shortages in receipt and accountal of hard coke in Railway Workshops were commented upon. Subsequently, Railway Board issued instructions in July 1983 to all Zonal Railways to adopt various measures which inter-alia included :

(i) thorough investigation for determining the factors leading to heavy shortages;

(ii) re-weighment of atleast 5% of hard coke wagons wherever such facilities exist to determine the extent of shortage vis-a-vis the invoice weight;

(iii) volumetric measurement, where re-weighment facility is not available, in the presence of Commercial and RPF staff;

(iv) proper accountal of shortages and

(v) development of half/full rake load facilities for receiving hard coke.

Heavy shortages, however, continue to occur in the receipt of hard coke in Railway Workshops.

A review revealed that between 1984-85 and 1989-90, on six Railways, 33083.223 MTs of coke was short received. The value of the shortage was Rs.3.93 crores.

The following lapses were noticed in these cases :

(i) Inadequate security arrangements en-route.

(ii) The shortages noticed, though heavy and recurring, were advised in a routine manner to Commercial/Operating Department and Chief Mining Adviser of the Railway, by the workshop authorities.

(iii)No action was taken at any time during these years to re-weigh a percentage of the wagons to demarcate the areas where such shortages occurred.

(iv) No action had been taken to investigate the shortages;

(v) Some of the Railways did not even initiate write off proposal for regularisation of the loss.

(vi) Facilities for receiving hard coke wagons in block rakes as suggested by the Board have not been developed.

(vii) Despite heavy shortages, consignments continued to be received in open K.C. wagons.

5.5 Northern Railway: Loss due to theft/pilferage of iron and steel consignments.

Northern Railway has been making heavy payment of compensation claims every year to the steel plants and others on account of short delivery of consignments at the destination stations on account of theft/pilferage enroute. An analysis of the causes of such claims indicated that most of the shortages in iron and steel consignments were noticed from the wagons loaded on Eastern and South Eastern Railways, especially from Durgapur Steel Plant, Indian Iron and Steel Company Limited, Burnpur, Tata Iron and Steel Company Limited, Tatanagar and Bhilai Steel Plant. The packing of the iron and steel consignments was often found in disturbed condition soon after the wagons came out of steel plants and before they were handed over to the Railways for onward transportation. Loaded wagons containing iron and steel consignments were also abnormally delayed in important yards on Eastern Railway viz. Andal and Neempura etc. and block loads of iron and steel consignments were not being escorted in the crime prone sections. The wagons were also not being properly handed over/taken over at the interchange points.

Out of the shortages mentioned above, a joint inspection was conducted by the Commercial and Accounts Officers of Northern Railway in February 1988 only in the case of Durgapur Steel Plant. This inspection have concluded that theft and pilferage took place in the peripheral yard of the Steel Plant between the loading point and the interchange point from where Railway engine took over the loads. During the Journey on this stretch termed as 'no man's land' rakes were not escorted by Railway staff and no documentation of the loads at interchange point was done by Railway staff.

Northern Railway had to pay a sum of Rs.2.92 crores during the period 1984-85 to 1989-90 as compensation to the consignees for shortages found on re-weighment of the consignments at the destination stations in respect of all the steel plants.

It was further noticed in Audit that even though both the loading and the weighment were done mechanically and supervision of loading or weighment by Railway staff was not practicable, Railway Receipts were issued with the remarks 'weighment witnessed by Railway staff' or 'loading supervised by Railway staff'. These remarks on the Railway Receipts weakened the position of Northern Railway in defending the claims in the courts of Punjab, Haryana and Delhi for recovery of shortages (valued at Rs.1.06 crores) found in iron and steel consignments in 278 cases (upto March 1989).

The Railway Board issued instructions for curbing such thefts and pilferages only in July 1986. Even so the Eastern Railway Administration failed to take adequate steps to tighten the security arrangements in the areas around steel plants which resulted in payment of Rs.2.92 crores as compensation claims.

5.6 Central Railway: Procurement of defective cables.

Central Railway placed an order on Firm 'A' in October 1986, for supply of 12 Kilometres of 3 core 185 sq. mm. standard 3.3 K.V. grade cable conforming to I.S. 1554 Part II-1981. The contract provided that all tests applicable to 3.3 K.V. grade cable prescribed under para 18.1 of I.S. 1554 Part II-1981 should be carried out and independent inspection would be conducted by RITES. The supply was made between March 1987 and February 1988 and a net quantity of 11.309 Kms. costing Rs.13.29 lakhs was accepted.

Out of this supply, 9 Kms. of cable was laid in Bombay suburban section and a portion of 4.4 Kms. of cable was charged in March 1988. In June 1988 the charged portion developed faults and 3.2 Km. length of cable was subsequently taken out.

The cables were type tested as per I.S. 1554 and inspected for acceptance test by RITES. A joint inspection by the firm's representatives, RITES and Central Railway revealed manufacturing defects like - ingress of water, insulation failure etc. The entire lot of 11.3 Kms. of cable was, therefore, rejected. It was concluded that these cables were not manufactured to the I.S. specifications and as such, the firm should be advised either to refund the money due for the rejected length of cable or in the alternative asked to supply cables in strict compliance with relevant Indian Standard Specification.

The following points are noted in this context:

(i) One drum having manufacturing defects was type tested and cleared by the Railway's representative and the other drums were inspected for acceptance sampling.

(ii) All the samples tested by the Bureau of Indian Standards, Bombay showed manufacturing defects, and

(iii) The firm has accepted manufacturing defects in some pieces due to lack of quality control at their factory.

All these points indicate that the inspection of the material was not carried out properly. As a result cables costing Rs.13.29 lakhs are lying unutilised for over 3 years rendering the expenditure unproductive.

The Ministry of Railways (Railway Board) stated, during discussion (January 1992), that the matter had been taken up with the higher authorities of Bureau of Indian Standards as the basic responsibility for proper manufacture and testing of the cable at each stage of manufacture was of the manufacturers' and the firm had also been pressurised to replace the defective cables. The matter had also been referred to an Arbitrator at the firm's request.

5.7 Northern Railway: Loss on excess procurement of tyres for steam locomotives.

The Ministry of Railways (Railway Board) placed an order on a Hungarian firm, in March 1981, for manufacture and supply of 163 tyres at a cost of US $ 1,17,686 (fob). The allocation of these tyres was 41 for Eastern Railway, 71 for Northern Railway and 51 for Southern Railway.

The Railway Board took a policy decision to phase out steam locos in July 1981 and Zonal Railways were apprised of the decision. Consequently, the Railways should have reviewed their requirements afresh. Southern Railway conducted such a review and advised the Railway Board in November 1981 to cancel its indent for 51 tyres. Northern Railway on the contrary, placed a further demand for 30 tyres even after announcement of the decision to phase out steam locos.

Northern Railway received 113 tyres costing Rs.12.94 lakhs (excluding custom duty and inland freight) against its demand of 101 tyres. Out of this, only 15 tyres were ultimately used indicating that the initial as well as subsequent assessments were defective. As the tyres became surplus due to condemnation of steam locos, 70 tyres were sold in auction at Rs.2.03 lakhs. The Railway, thus, sustained a loss of Rs.8.89 lakhs. Besides, Railway also incurred an expenditure of Rs.11.79 lakhs towards custom duty and inland freight for these tyres.

Thus, the assessment of tyre requirement was defective resulting in a total loss of Rs.20.68 lakhs.

5.8 Central Railway: Avoidable import of costly machines.

Central Railway imported one "Semi Automatic Helical Spring Coil" machine and one "Bar straightening" machine, from a West German firm, through COFMOW, at a cost of Rs.33.98 lakhs for manufacture of springs at Matunga Workshop. The machines were commissioned in October 1985 and January 1985 respectively. Other linked items of machinery such as automatic quenching, hardening, grit shot peening and load testing machines were, however, not procured.

By the time the machines were commissioned Railway Board took a policy decision to set up a "Coil Spring" manufacturing facility at Gwalior to produce coil springs for the entire railways.

Central Railway, therefore, decided not to proceed with the idea of setting up the coil manufacturing line at Matunga. It was also decided to transfer these machines to the new plant at Gwalior. The machines were dismantled and crated in good condition for transfer.

The Railway Board, in March 1988, placed an order on another West German Firm, on "turn key" basis for the supply of all the machines for the coil spring plant, thereby rendering, two machines already procured by Central Railway surplus. Railway's effort to transfer these machines to other workshops also did not materialise because the Gwalior workshop is equipped to meet the requirement of springs of Zonal Railways. The import of these two machines at Rs.33.98 lakhs has, thus, become infructuous.

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that the procurement of machines was based on a projected need and this was expected to materialise in the near future. The argument of the Railway is not tenable as subsequently it was decided to set up a coil spring manufacturing plant at Sithoili (Gwalior). Further, the 2 machines could not be transferred to this new plant as it was set up on turnkey basis. The capacity utilisation of this new plant is only 50 per cent and as such utilisation of the machines is not likely to materialise in the near future.

5.9 Northern, Southern and Central Railways: Loss on account of failure to observe the provisions for enforcement of risk action.

General conditions of the contract provide that in case of failure of a contractor/firm to execute a work for which written agreement has been entered into with the Railways, the latter shall be entitled to have the balance of work executed at the risk and cost of the defaulting firm. Railways are also entitled to forfeit the entire or any part of security deposit or any sum fallen due or at any time thereafter may become due to the firm to compensate the extra amount involved in executing the work left over by the defaulting firm.

A review of Risk contracts by Audit revealed that Railways failed to sustain their claim of Rs.94.71 lakhs for risk cost due to non-observance of provisions for enforcement of risk action and other administrative lapses as mentioned below :

i) The work of supply, fabrication and erection of microwave antenna tower at Arakkonam junction was awarded to firm A at Rs.20.14 lakhs in August 1986. The firm did not commence the work and Railway rescinded the contract in December 1986. The work was awarded to firm B in March 1988 at Rs.37.82 lakhs. Firm A was asked to remit an amount of Rs.17.68 lakhs towards risk cost.

The Railways decided not to pursue the recovery of risk cost for the following lapses on their part :

(a) A copy of the risk tender was not served on the defaulting contractor;

(b) The risk tender was not finalised within the time limit prescribed;

(c) Change in scope of work from pile foundation to open foundation;

(d) Deviations made in the special conditions quoted by the firm A while sending letter of acceptance.

ii) A contract for execution of earthwork in formation of bank and cutting, construction of bridges and Palahalli Halt station building between Srirangapattana and Naganahalli stations of Southern Railway was awarded to contractor A in February 1989 at Rs.17.81 lakhs. The scope of the work was, however, not properly estimated.

As contractor 'A' did not start the work, the contract was terminated at his risk and cost in December 1989. The risk contract was awarded with increased scope of work, based on site conditions to contractor B in June 1991 at Rs.38.35 lakhs. The extra expenditure recoverable from contractor 'A' with reference to the original scope of work was Rs.9.75 lakhs.

iii) Non-imposition of Risk and Cost.

Clause 10 of 'Regulations for Tenders and Contracts' provides that in the event of any tenderer, whose tender is accepted, refuses to execute the contract documents, the Railway may determine that such tenderer has abandoned the contract and thereupon his tender and the acceptance thereof shall be treated as cancelled and the Railway shall be entitled to forfeit the full amount of earnest money and to recover the liquidated damages for such default.

Central Railway accepted the offer of a contractor 'S' in September 1988 for earthwork on Mankhurd - Belapur Rail link. The contractor did not execute the contract documents whereupon the Railway cancelled the acceptance and forfeited the earnest money. The work was awarded to another contractor 'T' at an extra cost of Rs.5.69 lakhs. The Railway did not recover the extra cost on the plea that the declaration furnished by the contractor in the tender document provided only for the forfeiture of earnest money and that the contract was not terminated under clause-62 of the General Conditions of contract.

The reply of the administration is not tenable. The declaration form was revised by the Railway Board in 1966 to provide not only for the forfeiture of earnest money but also for the imposition of liquidated damages. Thus, the failure of the Railway Administration to revise the declaration form resulted in a loss of Rs.5.69 lakhs.

iv) Incorrect assessment of Risk cost.

The contract for supply and erection of Traction Overhead Equipment on Nurabad - Jhansi section of Central Railway was awarded to a contractor 'A'. The contractor 'A', however, failed to complete the work and the contract was terminated in March 1986. The left over work was executed through other agencies at the risk and cost of the defaulting contractor. A sum of Rs.6.49 lakhs representing supervision charges on cost of stores supplied to the contractor 'B' was, however, not included in the claim for risk cost.

v) Delay in placement of Risk Purchase orders.

As per "standard conditions of contract", the recovery of risk cost can be enforced only if the orders for risk purchase are placed within six months of the termination of the contract (9 months in case of materials not easily available in the market).

Northern Railway cancelled two orders, on firms A and C, for supply of brake blocks in September 1987 and August 1989 at the risk and cost of the defaulting firms. The risk cost of Rs.20.44 lakhs could not be sustained as the risk purchase orders were placed after the expiry of the aforesaid period. The risk order was placed in August 1988 in the first case i.e. after a lapse of 11 months while the risk purchase order was placed in June 1990 after a lapse of 10 months, in the second case.

vi) Lack of verification of capacity.

Northern Railway placed an order (in May 1988) on firm A for supply of 2 lakhs Malleable cast iron inserts (MCI) at Rs.21.50 per piece for use in concrete sleepers. The firm neither deposited the security amount nor commenced the supply of stores. The order was cancelled in April 1989 at the risk and cost of the firm. The firm asked for exemption from penalty being a sick unit.

The risk purchase order was placed, in October 1989, on the same firm. The fact that the firm A was a sick unit was not brought to the notice of Tender committee. The firm A was asked to pay Rs.9.16 lakhs being the difference between the original contract rate and the rate as per this risk contract, as risk cost.

The firm again failed to execute the order. The order was then cancelled in September 1990 at the risk and cost of the firm. Fresh purchase order was placed on firm C for supply of 2 lakhs MCIs on 19th February 1991 @ Rs.43.03 per piece at an extra cost of Rs.25.50 lakhs. A demand notice was served on firm 'A' for payment of Rs.34.66 lakhs towards risk cost but the amount has not been deposited so far (July 1991).

The defaulting firm being a sick unit there is a very remote chance of recovery of Rs.34.66 lakhs from them. Had the financial position of the firm A been brought to the notice of the Tender committee, the offer of Rs.26.48 per piece of next higher tenderer in the first risk tender could have been considered and extra expenditure restricted to Rs.9.96 lakhs, apart from avoiding the delay of more than two years.

5.10 Western Railway: Avoidable expenditure due to delay in finalisation of Tenders.

Railway Board in December 1982, issued instructions, stressing the need for expeditious finalisation of Tenders within the validity periods to guard against the possibility of increase in prices and consequent extra expenditure. The Western Railway Administration fixed in February 1987, 50 working days as the norm within which the tenders should be finalised.

In two cases, due to non-finalisation of tenders within the validity period, the Railway Administration incurred extra expenditure of Rs.15.65 lakhs (approximately).

(1) Purchase of Cement:

Open Tenders were invited for supply of 13315 M.T. of cement in June 1989. Even though the offers were technically suitable and valid upto November/December 1989, the tenders could not be finalised due to delay in appointing Tender Committee till February 1990. To meet the urgent requirement of 5100 MT of cement, the Railway Administration had to go in for Limited Tenders in May 1990. The rates accepted were much higher than the rates obtained in June 1989. Delay in finalisation of the tenders invited in June 1989, resulted in an avoidable expenditure of Rs.8.88 lakhs.

(2) Purchase of Godrej Steel Rack:

Tenders invited in November 1985 for purchase of 2 Godrej Steel Rack were not finalised till April 1986, the date of expiry of validity period, for want of remarks on technical suitability. Fresh Tenders floated in September 1988 for the same item were finalised by the Tender Committee in August 1989. The cost of the Racks worked out to Rs.8.96 lakhs as against Rs.2.19 lakhs obtained in the earlier tender. Thus the Administration incurred an extra expenditure of Rs.6.77 lakhs on this account.

5.11 Diesel Locomotive Works : Loss on 'Deemed Export' Orders.

Diesel Locomotive Works (DLW), Varanasi entered into an agreement (in February 1978) with the Project and Equipment Corporation (PEC) for the supply of 18 Diesel Locomotives to National Thermal Power Corporation (NTPC).

The supply of 18 locomotives was completed between December, 1981 and March, 1987. The supply was financed by the World Bank and was treated as 'deemed export'. On 'deemed exports' DLW was entitled to a supplementary cash assistance in lieu of Customs and Central Excise drawback. An application for the grant of supplementary cash assistance is to be made before the Chief Controller of Imports and Exports and any application made after a period of 24 months from the last month of export is treated as time barred and summarily rejected. DLW did not know the procedure and submitted the application after the expiry of the prescribed time limit. DLW, thus, could not avail of the benefit of Rs.2.01 crores under 'deemed export' orders.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that duty drawback receipts were not included in the quotation for sale of locomotive and as such there was no loss to DLW/Railways. The argument is not tenable as the para highlights the failure of DLW in submitting its claim for duty drawback in time and consequent non-realisation of Rs.2.01 crores.

5.12 Diesel Locomotive Works: Non-realisation of sales tax and other dues for supply of locomotive.

Diesel locomotive Works (DLW) Varanasi, executed seven orders through Project and Equipment Corporation (PEC) for manufacture and supply of 18 locomotives to National Thermal Power Corporation. Delivery of 18 locomotives was completed between December 1981 and March 1987. Though there was clear provision in the contract that all taxes and duties would be borne by the buyer, DLW did not recover sales tax for the supply of the locomotives. An amount of Rs.73 lakhs was paid by DLW as sales tax on the 18 locomotives and spares, but has not been recovered from PEC/NTPC.

It was further noticed that even after four years of supply of these locomotives, PEC through whom the orders were executed, did not pay Rs.2.86 crores due from them towards the cost of spares and escalation charges (March 1990).

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that an amount of Rs.72 lakhs had been realised towards the cost of spares and energetic efforts were constantly being made to realise the balance amount due.

5.13 Diesel Locomotive Works: Non-realisation of cost of diesel electric locomotives and spares.

DLW offered (February 1981) to supply 7 diesel locomotives with spares to Uttar Pradesh State Electricity Board (UPSEB). The terms of payment stipulated that 30 per cent cost of locos and spares was to be paid as advance at the time of placing the order and the balance cost of locos was to be paid in instalments, 100 per cent payment being received at the time of delivery. 70 per cent cost of spares was, however, to be paid on proof of despatch. Sales tax, excise duty and other taxes were to be paid at the time of delivery of the locomotive.

The locomotives were delivered to UPSEB in 1984-1986 and spares between March and July 1988 without realising full payment as above. Railway Board was, however, not apprised of the deviation till November 1988.

An amount of Rs.2.12 crores(Rs.1.48 crores for locos and Rs.0.64 crore for spares) has not been realised so far. The Railway Board in December 1988 brought the inordinate delay in payment to the notice of State Government and suggested that in case UPSEB found it difficult to arrange payment due to cash problem, Northern Railway might be directed to adjust the dues from traction bills of UPSEB. The proposal, however, was not accepted by UPSEB.

Deviation from the standard terms of payment by DLW without prior approval of the Board resulted in non-realisation of Rs.2.12 crores. The loss of interest on this amount would also be substantial.

The Ministry of Railways (Railway Board) during discussion stated (November 1991) that the locomotives as well as spares were supplied to UPSEB without realising full cost before delivery, as UPSEB was a state government undertaking and that the amount outstanding had come down to Rs.1.59 crores. However, it is to be pointed out that neither the codal provisions nor the contract with the UPSEB provided that locomotives would be supplied without realisation of full cost.

5.14 Non operation of Risk Purchase Clause against a defaulting firm

A Global Tender was floated in April 1987 for the procurement of 272 loose wheels, 136 axles and 264 wheelsets. Against the tender six offers were received. The offer of firm 'A' of South Korea at a CIF price of US $ 670.54 per loose wheel, US $ 476.93 per loose axle and US $ 1838.4 per wheel set each was assessed to be the lowest and technically suitable and recommended for acceptance (January 1988).

The acceptance letter was issued to the firm in February 1988, within the extended validity of the firm's offer. The formal contract was sent in June 1988. The firm informed the Railway Board in June 1988 that the wheels could be manufactured without keys as per the firm's own drawing. This was not accepted by the Railway Board as the firm's original offer was to tender drawings/specifications. The firm was directed to furnish the Performance Guarantee Bond and to make arrangements for the supplies as per delivery schedule failing which the contract was to be cancelled at the firm's risk and cost. In July 1988, the firm expressed their inability to execute the contract as they did not have enough machinery/capacity to produce the tyred wheels and returned the contract for cancellation. The Railway Board cancelled (August 1988) the contract with forfeiture of earnest money of Rs.1,00,000/- without invoking the Risk Purchase clause of the General Conditions of contract as stipulated in Bid Documents Part-I.

The offer for the items was placed on firm 'B' of Hungary at the next higher FOB rate of US $ 693, US $ 427 and US $ 1875 each for loose wheels, loose axles and wheelsets for Trailer coaches respectively, at a total CIF value of Rs.1.08 crores. The supplies against this order were received in June 1989.

Failure to invoke the Risk purchase clause resulted in an extra expenditure of Rs.23 lakhs (Rs.24 lakhs less 1 lakh E.M.D. forfeited) being borne by the Railways.

The Ministry of Railways (Railway Board) stated during discussion (July 1991) that since Performance Guarantee Bond (as required under clause 20 of the General Conditions of contract - Bid Document Pt.I) was not submitted by firm 'A', the option of making risk purchase at firm's cost (as per clause 18 of Bid Documents Pt.I) could be considered only if the firm repudiated the contract. Even though the firm had made the original offer against Board's tender to supply tyred wheels exactly to tender drawings, they had made a genuine mistake in as much as they lacked the capability to do so. The Railway Board, while reitrating the above points, during discussion (December 1991) stated further that if the Tender Committee had known that the firm did not have the capacity their offer would have been overlooked and orders would have been placed on the Hungarian firm in the first instance.

The reply is not tenable. On the issue of acceptance letter in February 1988, the contructual process was legally complete and the refusal to sign the formal contract is a repudiation of the contract. Firm's plea that they did not have enough machinery/capacity to produce tyred wheels is not legally acceptable. If the firms plea is acepted than any tenderer who quotes according to the tender may backout, after the issue of acceptance, on the ground of incapacity. Incidentally, Railway Board had themselves warned the firm in June 1988 that in the case of failure to furnish the guarantee bond and to commence supplies, the contract would be cancelled at the firm's risk and cost and the entire extra expenditure to be incurred by the purchaser would have to be borne by the firm as per tender/contract conditions.

5.15 Eastern Railway: Injudicious procurement of Ultra High Frequency (UHF) Radio Equipments.

Eastern Railway placed orders on Firm 'A' in January 1981 and March 1981, for supply of 10 numbers and 12 numbers, 1+4 channel UHF Radio equipment complete with Antenna and Coaxial Feeder Cable as per firm's specifications, at a total cost of Rs.49.24 lakhs. The equipments were for providing improved communication system in Barkakana - Barwadih - Garwa Road-Chopan-Singrauli-Dehri-on-Sone sections of the Eastern Railway and for providing a back-up communication to the control circuits in Dhanbad Mughalsarai Divisions.

The UHF Radio Equipments were received by Eastern Railway between August 1983 and May 1984. 8 sets were installed initially on a trial basis and various defects were noticed. The sets were, therefore, not found fit for providing communication on a regular measure round the clock. The firm carried out certain modifications or reconditioning (1987) but the defects persisted. The sets could not be utilised and have been kept in stores for emergency communication in future.

Since the procurement in 1984 and reconditioning in 1987 and 1988, only six sets out of 22 could be used.

The following points arise :

(1) The Railway Administration ordered the equipment according to the firm's specification and did not specify the technical parameters which the equipments were to satisfy;

(2) The Railway Administration presumed that the equipment would conform to International Consultative Committee on Telephone and Telegraphy (CCITT) specifications. The firm pointed out, after the purchase, that it would not be so and this was clear from the price quoted.

(3) The Railway Administration should have judged the performance of the equipment through a trial order instead of placing an order for all 22 equipments at a time.

(4) The expenditure of Rs.49.24 lakhs on the purchase has, thus, remained largely unproductive.

Ministry of Railways (Railway Board) stated, during discussion, (January 1992) that the equipments were purchased as per practice of encouraging indigenisation of telecommunication equipments and that the performance of the equipment was reasonably satisfactory in laboratory evaluation. It was stated further that the Firm was being requested to render technical assistance as and when required.

5.16 Eastern Railway: Injudicious procurement of an EOT Crane.

Kanchrapara workshop has two 25 tonne EOT cranes operating intandem for lifting EMU coaches. These cranes were installed in 1929. It was recommended by the Railway Board in December 1983, that these two cranes be replaced on safety considerations.

The workshop, however, procured one 30T EOT crane in August 1988 at a cost of Rs.12.57 lakhs in replacement of one of the 25T cranes. As the speeds of the old 25T crane and the new 30T crane did not synchronise, the new crane could not be utilised intandem operation. Meanwhile, in September 1985, a contract for rehabilitation of the two old cranes was entered into and the overaged cranes were repaired at a cost of Rs.21.08 lakhs.

The new 30T crane could not be effectively utilised. The Railwatly administration should either have replaced both the cranes by new ones or repaired the old ones without resorting to the purchase of only one 30T crane. Not doing so has resulted in the expenditure on 30T crane being unproductive (Rs.12.57 lakhs). The repair of the two old cranes at Rs.21.80 lakhs without any guarantee about their continued performance, in view of their age, was not convincing.

The Ministry of Railways (Railway Board) stated during discussion (January 1992) that the EOT crane (30T) would be rechecked for its utilisation and if the same was inadequately utilised, action would be taken to relocate the same at a new location.

5.17 Chittaranjan Locomotive Works: Import of pantographs for high speed electric locos.

CLW placed an order on an Australian firm, in April 1988 for supply of 68 sets of pantographs with spares at a total FOB value of A $ 381,292.70 for use in high speed electric locomotives. Clause 3.22 of the contract provided that service trials were to be conducted on 10 locos for a period of 4 months. Clause 3.4 provided that 24 sets were to be shipped first for conducting service trials and the balance 44 sets only after receipt of satisfactory service trial reports.

The first lot of 24 pantos was received in June 1989 and 10 sets were sent to Eastern and Northern Railways for trial run. A trial run conducted on Eastern Railway (July 1989) indicated that the profile of pantopan was substantially different from that of the tender specification and resulted in entanglement of the pantograph at cross over point of overhead electric traction structure.

As the pantographs cannot be used till the pantopan profile was brought to the specification, the firm was asked to conduct joint inspection to rectify the defects. The firm was asked not to send the residual lot of 44 sets until they were made to conform to the specifications in the contract.

The firm carried out certain modifications in the Panto Horn portion and joint service trial was conducted with one loco in October 1989. The trial report pointed out design deficiencies and suggested that another field trial after modifications should be conducted by CLW direct in association with RDSO on high speed locomotives to prove the suitability of the pantographs.

Inspite of the design deficiencies and unsatisfactory service trial the firm was asked to supply the remaining 44 sets. Performance report of pantographs on Northern Railway was also not obtained. The firm supplied the 44 sets of pantographs in March 1990.

Performance report received from Northern Railway indicated that the pantographs suffered from major design defects and carbon strips of the pantos were found to be not fit for overhead traction system of Indian Railways. Northern Railway had also asked CLW not to issue locomotives with imported pantos till the matter was finalised at RDSO's level. The matter was taken up by RDSO with the firm in May 1991 and the firm was asked to depute a design expert to rectify the defects. The firm maintained that they have performed their contract and that the warranty period of these pantos had already expired.

The purchase of 68 sets of pantographs at a cost of Rs.1.43 crores in foreign exchange thus proved infructuous and the expenditure of Rs.1.11 crores on 44 sets could have been avoided had CLW waited for service trial before invoking clause 3.4 of the Contract.

5.18 Thyristerisation of WAG 1 electric locos

A contract for design, manufacture, modification, testing, supply and installation of complete conversion equipments (single step control with BARC technology) on 5 WAG 1 locos was placed on Firm 'A' in September 1974 at a cost of Rs.53.5 lakhs. The firm was paid an advance of Rs.16.05 lakhs in November 1974. The delivery and commissioning of the locos was to be completed during August 1976 to April 1977 (revised to March 1979 and November 1979). The first prototype (loco No.20700) with single step control supplied in July 1978, was commissioned in December 1981.

Ministry of Railways in May 1978 asked the firm to explore the possibility of making one of the conversions (out of the five on contract) with sequential (double) bridge design, two step control with BBC technology. The firm demanded an extra development cost of Rs.5 lakhs, but agreed to waive the development charges, if the quantity was increased from 5 locos to 10. Consequently, in May 1983, the quantity was increased to 10. Firm's request for escalation in cost by 50 per cent from Rs.9.7 lakhs to Rs.14.55 lakhs was also agreed to. The schedule of delivery for 3rd to 10th equipments was revised to March 1986 - March 1987 in October 1985.

The loco No.20701 nominated in March 1981 for conversion with two step control was commissioned in January 1985. Though only prototype tests had been conducted till 1985 yet clearance for bulk manufacture of the remaining 8 equipments (cost Rs.1.16 crores) was given in July 1985 subject to satisfactory test reports of acceptance tests. The third set of equipment was supplied in March 1986 and the loco No:20726 commissioned in October 1989.

During trials of loco No.20701, RDSO observed that the loco was interfering with the axle counters. As such the firm was advised in July 1986 to defer further despatch of equipments until such time the problem of interference with axle counters was resolved. Subsequently in January 1988 based on the test results of field trials conducted on loco No.20701, RDSO gave clearance for trial operation subject to certain conditions. This loco was taken into holdings only in April 1988. The locomotive, as per status report (August 1990) was utilised (as provisionally approved prototype) in regular freight service since then. The loco thus remained out of regular service from March 1981 to April 1988 for seven years.

Once the design and development work of thyristerisation was completed in February 1988, balance seven equipments worth Rs.1.02 crores were supplied by November 1988. But these equipments had not been installed and commissioned till March 1991 as the firm refused to co-operate unless their claims for Rs.5 crores towards escalation, expenses for extra design features were settled. The claims were rejected by Ministry of Railways in October 1990. In May 1991, the Railway

Board had requested the firm to attend to all the deficiencies.

In this connection the following observations are made :-

1. The performance of the locos with two step control had not stabilised. The thyristerisation of electric locos has been going on for 16 years.

2. The increase in quantity from 5 locos to 10 in May 1983 involved additional liability of Rs.72.75 lakhs as against Rs.5 lakhs demanded by the Firm as development charge. The increase in quantity was not warranted as two step control design was still in its infancy and had not been proved.

3. Though prototype tests alone had been conducted till 1985, the Railway asked the firm to manufacture the remaining 8 equipments without waiting for satisfactory test reports. Seven equipments worth Rs.1.02 crores (4th system to 10th) were lying with Railways awaiting commissioning (March 1991).

Ministry of Railways (Railway Board) stated during discussion (December 1991) that the delay of 16 years in execution of the contract occured because the design had to be evolved by repeated experimentation and mid course corrections and the entire project was an effort towards indigenous development of highly sophisticated technology. It has further been stated that the firm was not agreeable to continue with the project on the plea of heavy cost overrun and that commissioning of the balance locomotives by some alternative means was being explored.

5.19 Western Railway: Procurement of Heavy Duty Travelling Column Milling Machine.

The Central Organisation for Modernisation of Workshop (COFMOW) placed an order in July 1986 on a foreign firm for supply of a Heavy Duty Travelling column Milling Machine at an estimated cost of Rs.57.53 lakhs. The machine was to be installed in Ajmer workshop in replacement of a Duplex Horizontal Slot Drilling and Key Way Milling Machine of 1937 vintage.

The machine required a voltage stabilizer. Even though COFMOW advised the Railway in March 1987 to procure the voltage stabilizer, action was initiated only in August 1987 and the stabilizer was received in May 1988. The machine was commissioned in June 1988. The total expenditure incurred in procurement and installation of the machine was Rs.67.08 lakhs.

A review of the performance of the above machine revealed that the machine was under breakdown ranging from 87 days in 1988 to 290 days in 1990. In 1991 (till 30.3.91) the machine was in working condition only for 14 days and has been out of order from April 1991. Thus, the investment of Rs.67.08 lakhs on the machine largely remained unproductive and the work was still being done through the old machine.

5.20 Procurement of Elastic Rail Clips

A limited tender for procurement of Elastic Rail Clips (ERC) was opened in May 1989. As the rates received were high, negotiation was held and a counter offer was made at a net rate of Rs.18.28 per clip and contracts for purchase of 211.5 lakh of ERCs were placed during October - November 1989. This rate was based on a consumption norm of 1.09 Kg of silico manganese rounds per 1 Kg of clip.

The manufacture of 1 Kg ERC out of 1.09 Kg of silico manganese rounds would generate scrap for which a reduction has to be made while working out the reasonable rate. One of the firms, in its cost analysis, had deducted Re.0.40 paise towards scrap value. This factor was, however, not taken into account by the tender committee resulting in the reasonable rate being higher by .34 paise leading to an extra expenditure of Rs.71.91 lakhs.

The Member Engineering, in July 1989, while approving the tender committee's recommendation for holding negotiations, had desired that the consumption norm fixed by the Railway Board in April 1982 be got reverified before adopting it again, as in the recent years, contract had been placed on the basis of 1 Kg of raw material for 1 Kg of finished product. A reference was made in September 1989 to M/s Rail India Technical and Economic Services (RITES) to conduct the requisite studies. The consumption norm is yet to be reverified (July 1991).

5.21 Western Railway: Idle machines.

Two spring coil machines were received at Ajmer/Dohad workshop in February 1985 and March 1985 through COFMOW and installed in October 1985 at the total cost of Rs.51.09 lakhs. A number of defects were noticed in

Sl.	Railways	Total Quantity received short (in litres)	Period from	to	Total (in Rs.)
6.	Northeast Frontier	28,061,86	1982	1990	1,17,502.00
7.	Western	12,865.00	1988	1988	34,039.62
	Total	11,50,749.86			36,69,156.75

Despite the provision in the 'Transit risk clause' and claims being preferred in time by the Railways, IOC did not pay the amounts. The DGS&D also failed to recover the amounts from IOC's subsequent bills. The position has been continuing for the last 10 years without any remedial action being initiated by the Railways/Railway Board.

CHAPTER - VI

ESTABLISHMENT AND MISCELLANEOUS

6.1 All Railways: Non-recovery of surcharge on Income Tax from contractors's bills

Section 194 C of the Income Tax Act, 1961 provides that any person responsible for paying any sum to a contractor shall deduct an amount equal to 2% of such sum as Income Tax on income comprised therein. The Central Board of Direct Taxes issued a circular in February 1988 stating that in cases where tax has been deducted under section 194 C, the deduction shall be increased by a surcharge at the rates prescribed from time to time.The deduction towards surcharge was to be made on all payments made after 16th December, 1987.

A review of payments made to the contractors revealed that the above instructions were not implemented and Rs.1.42 crores towards surcharge remained unrecovered.

The Railway-wise position of non-recovery is indicated below :

Sl. No.	Railway	Period From	Period To	Amount (Lakhs of Rupees)
1.	Southern	1987-88	1990-91[1]	9.37
2.	Northeast Frontier	1987-88	1990-91[1]	16.14
3.	Eastern	1987-88[2]	1989-90	35.06
4.	RPU			
	(a) CLW	1987-88[2]	1989-90	0.70
	(b) ICF	1988-89	1990-91[3]	24.61
	(c) Metro	1988-89	1989-90	1.83
5.	Central	1987-88	1989-90	11.11
6.	Northern	1987-88	1989-90	14.67
7.	Western	1987-88[4]	1989-90	17.45
8.	North Eastern	N.A	N.A	2.86
9.	South Eastern	1987-88	1989-90	8.61
				142.41
				or Rs.1.42 crores

For failure to deduct the surcharge at source the Railway may be liable to pay the amount of tax not deducted together with interest thereon at the prescribed rate and a penalty not exceeding the amount of such tax (Section 201(1) read with 221(1) (1) of the Income Tax Act, 1961).

1 Up to January 1991
2 From 16-12-1987.
3 Up to September 1990.
4 From January 1988.

6.2 Eastern Railway: Avoidable payment of penalty surcharge for low power factor.

In Mughalsarai Division, Eastern Railway Administration receives A.C. High Tension electric supply from Bihar State Electricity Board (B.S.E.B) through Grid sub-stations situated at Sonnagar, Karmanasa, Gaya and Kudra. The Kudra sub-station was commissioned on 15.2.88 while the other three sub-stations were commissioned much earlier. In the absence of a formal agreement with BSEB, the tariff schedules applicable in respect of Sonnagar sub-station are applicable in the case of Kudra also. According to these tariff schedules, Railway Administration is required to pay power factor (a ratio between Kilowatt hours and kilovolt Ampere) surcharge, as penalty @ 1% of energy demand and fuel surcharge for every .01 fall below 0.8 power factor.

In order to prevent the fall in power factor and the consequent payment of surcharge, Eastern Railway Administration installed capacitor Banks one each at Sonnagar in December 1986, at Karmanasa in May 1986 and at Gaya in November 1986 at a cost of Rs.20 lakhs approximately per bank and the fall in power factor was arrested considerably. However, at the Kurda sub-station the capacitor bank was not installed at the time of commissioning resulting in the payment of Rs.1.60 crores as penalty for the period 15.2.88 to 31.12.90. The liability on this account from 1.1.91 to 30.6.91 is expected to be Rs.27 lakhs based on the monthly average.

As the provision of capacitor bank was not included in the original estimate of Kudra sub-station, Railway Administration sought for material modification to the original estimate and the same was approved in December 1988 by the Railway Board. Railway Administration, however, failed to initiate prompt action for procurement and installation of a capacitor bank at Kudra sub-station. An order for capacitor bank could be placed only on 12.6.1990 after a lapse of one and half years. The work of installation and commissioning of the capacitor bank is yet to be completed (March'91).

Thus, failure of the Railway Administration to provide a capacitor bank at

Kudra sub-station in February 1988 despite the knowledge of its benefit in arresting the fall in power factor and transmission loss in other three sub-stations and also the delay in taking prompt action for procurement of the capacitor bank after approval of the material modification by the Railway Board in December 1988 resulted in avoidable payment of Rs.1.87 crores by the Railway.

The Ministry of Railways (Railway Board) stated during discussion (November 1991) that though the provision of capacitor bank for the Kudra sub-station was sanctioned during 1984-85, the actual procurement of the capacitor bank could not be pursued because the technical know-how, the performance experience etc of the functioning of the capacitor banks for traction purposes were not known at that stage. The contention of the Railway Board is not tenable in view of the fact that a capacitor Bank was installed at Krishna Canal sub-station on South Central Railway in December 1984 resulting in an annual saving of Rs.15 lakhs by arresting poor power factor. Later on, in three more sub-stations on Eastern Railway, Capacitor banks were installed in 1986 bringing down penalty surcharge considerably from Rs.93.27 lakhs in 1984-85 to Rs.1.06 lakhs in 1988-89.

6.3 South Eastern Railway: Avoidable payment for non-compliance of the provisions of the Industrial Disputes Act 1947.

On Kharagpur Division 28 Casual Labourers were engaged between 13th August 1973 and 4th November 1973 and were given temporary status including regular scale of pay on completion of the requisite period of continuous service. Due to closing down of the work, their services were terminated w.e.f. 23.4.75 by giving one month's notice on 22.3.1975.

The casual labourers, obtained interim injunction from the Calcutta High Court against the termination order but on a move by the Railway, the Hon'ble High Court modified the interim order on 1.10.1975 directing the Railway to terminate the services of the petitioners by issuing notices of retrenchment in accordance with law.

Railway, therefore, terminated the services of 28 casual labourers on 3.10.1975 but failed to pay the retrenchment compensation in accordance with the Industrial Disputes Act, 1947. Railway also did not serve termination notice on the labourers personally as required under the provisions of the Act.

Consequently, the Calcutta High Court ordered in September 1986 that the retrenchment was void and the casual staff were deemed to be in service abinitio. The Railway filed a Special Leave Petition in the Supreme Court against the orders of the High Court. The Special Leave Petition was, however, dismissed by the Supreme Court. Accordingly, all casual labourers (except one who expired) were re-instated between 3.10.1986 and 7.10.1986 and an amount of Rs.20.88 lakhs was paid in August 1987 towards arrears of pay and allowances.

Railway stated that the exact content of the modified orders dated 1.10.1975 passed by the Hon'ble High Court were neither communicated by the Railway Advocate nor by the Law Officer. The Hon'ble High Court of Calcutta opined that this was a case where the Indian Railways not only acted in violation of law but there was delay and lapses on the part of its officers.

Thus, failure to implement the interim orders of the Court in accordance with the Law resulted in avoidable payment of full wages to Casual labourers for ten years. No action was taken to fix responsibility for the lapses.

6.4 Northern and South Eastern Railways: Loss due to improper termination of services.

Casual labour treated as temporary are entitled to all the rights and privileges admissible to temporary railway servants as laid down in chapter XXIII of Indian Railways Establishment Manual. The rights and privileges admissible to such labour also include the benefits of the Discipline and Appeal Rules. The services of such temporary employees cannot be terminated without holding an enquiry and giving them an opportunity to represent against any proposed punishment.

(i) The services of 26 temporary khalasis on Palampur section and 9 khalasis in Signal Shop Ghaziabad on Northern Railway were terminated in July 1985 and in July 1986 without holding any enquiry on the ground that they had furnished forged school leaving certificates and forged casual labour cards in proof of their age and previous experience. The termination order was challenged by 20 temporary khalasis on Palampur section and 9 khalasis of signal shop, Ghaziabad in the Central Administrative Tribunal (CAT) and the Honourable Tribunal observed that the termination orders were in violation of the principles of natural justice as the applicants were not given an opportunity to defend themselves.

The Honourable Tribunal further directed Northern Railway to reinstate these khalasis and pay all consequential benefits on their re-instatement. Twenty seven khalasis were re-instated in batches in August 1987, February 1988 and April 1989. An amount of Rs.6.44 lakhs was paid to 27 khalasis as wages and dues for the period they were not on duty.

(ii) On South Eastern Railway, the services of 7 temporary labourers were terminated, in March 1982, on the ground of gross misconduct, without holding any enquiry. 4 of these temporary labourers filed an application in the High Court of Calcutta in 1982 which was transferred to the Central Administrative Tribunal (CAT) in 1985. The Honourable Tribunal observed that the termination of services was not sanctioned by law and directed South Eastern Railway to reinstate the applicants to their former posts and to pay them the wages due from the date of termination of services till the date of their re-instatement.The four applicants were re-instated in 1990 and were paid Rs.4.00 lakhs as wages for the period they were not on duty.

In another case on South Eastern Railway 35 labourers were recruited between December 1974 and August 1975 for Kurda Road Division. On completion of the work their services were terminated in June 1976 without any notice or compensation. The compensation payment was arranged in December 1976 but was declined by the labourers. All the 35 labourers were offered employment afresh on different Railway works, but 11 labourers did not join.

In 1979 the labourers filed a writ petition in the Orissa High Court challenging the order of irregular termination. After a lapse of 4 years Railway filed their counter affidavit in August 1983. The High Court passed orders (February 1985) in favour of the petitioners, on the ground that the provisions of Section 25F of Industrial Disputes Act, 1947 had not been complied with. The Railway paid a sum of Rs.7.08 lakhs for no work period to the 11 labourers and also reinstated them.

Thus improper termination of services of temporary khalasis/labourers by Northern and South Eastern Railways, inspite of the explicit instructions contained in the IREM, resulted in a loss of Rs.17.52 lakhs.

6.5 South Eastern Railway: Loss due to adoption of incorrect rates of Retiring Room Occupation charges.

Retiring rooms are allotted to passengers for occupation on payment of charges fixed by the Zonal Railway Administration from time to time. The charges are per bed for 24 hours or part thereof.

Rates of recovery of occupation charges of Retiring Rooms at Tatanagar station were revised from 1 August 1986 and from September 1988. The charges were, however, erroneously recovered by the station staff on per 'room' basis instead of per 'bed' basis till 3 November 1989 resulting in short collection of Rs.5.05 lakhs for the period from 1 August 1986 to 3 November 1989.

6.6 Eastern Railway: Loss in the conduct of Recruitment examination.

The Railway Recruitment Board, Calcutta entrusted the pre-examination work of a recruitment - NTPC/87- to a Computer agency 'A' in August 1987. Call letters, for the examination scheduled on 15th November 1987, to 3.5 lakhs candidates were to be issued by the agency latest by 30th October 1987. The last call letter was despatched only on 9th November 1987. This apart, call letters were sent to RRB office instead of to the candidates, in some cases blank envelopes were despatched and in many cases the call letters were despatched to wrong persons. The RRB failed to check and supervise the work of the agency. Due to non-receipt of call letters in time, a large number of candidates could not write the examination held on 15th November 1987 and the RRB had to conduct a supplementary examination on 6th March 1988 for 1.88 lakhs candidates (53% of the original 3.5 lakhs). The additional expenditure incurred in the conduct of the supplementary examination was Rs.9.10 lakhs, excluding the cost of printing test booklets and answer sheets which was not assessed.

There was no formal/written agreement between the RRB and the agency. In the absence of such an agreement and a suitable penalty clause, the RRB had to bear the main burden of the extra expenditure, except a sum of Rs.0.94 lakh which was recovered from the firm.

The failure of the RRB in not having a written agreement and in not providing for penalty, resulted in a loss of Rs.8.16 lakhs plus the cost of test booklets and answer sheets.

Ministry of Railways (Railway Board) during discussion (January 1992) stated that RRB did not have previous experience in computerisaton of recruitment work relating to NTPC examination but tried their best to do the job within the stipulated time. The Board further added that recovery of an amount more than Rs.94,000 would not have been legally enforceable in the absence of any penalty clause. The Railway Board, however, did not explain why a written agreement with a suitable penalty clause was not executed with the Agency to safeguard the interest of Railway.

6.7 Northern Railway: Non-recovery of revised rent.

A new Railway Mail Service (RMS) building in the place of an old building was constructed for the Posts and Telegraph (P&T) Department, at Varanasi Station. The new building was handed over to the P&T Department in October 1976. The rent of the new building was assessed at Rs.51,911 per annum against the rent of Rs.1308.38 per annum for the old building. The revised rent statement was sent to the P&T Department for acceptance in 1984 after a delay of 8 years. The acceptance of the P&T Department was received in January 1985.

Despite acceptance of the revised rent, Railway continued to raise the rent bill at the old rate of Rs.1308.38 per annum. On this being pointed out by Audit in June 1986 and again in June 1988, Railway preferred a bill in September 1989 for Rs.5.82 lakhs representing the difference between the old and the revised rate for the period from October 1976 to March 1988 to the Department of Posts for their acceptance. The P&T Department, however, asked for a copy of the relevant agreement for verification, before acceptance of the bill. A copy of the agreement has not been sent to the Department of Posts. The rent for the years 1988-89, 1989-90 and 1990-91 has been raised at the old rate. The arrears of rent recoverable till March 1991 from P&T Department were Rs.7.35 lakhs.

Thus, failure of Railway to take timely action in raising rental bills resulted in non-recovery of Rs.7.35 lakhs (March 1991).

6.8 Metro Railway: Infructuous expenditure on leased land.

Metro Railway took on lease, land measuring 11,493.81 square metre, from the Calcutta Port Trust on 12th June 1986. The license fee was Rs.111.00 per hundred square metre plus 10% surcharge on license fee plus usual occupier's share of Municipal Tax on land. The land was leased to store released structures (scrap) from the North section till their final disposal. Metro Railway incurred an expenditure of Rs.12.08 lakhs towards construction of a compound wall and other developmental work on the land, with the permission of Calcutta Port Trust.

In August 1989, Metro Railway requested the Security Department for posting of RPF personnel to keep a watch over the scrap material. The Security Department, however, expressed their inability to provide any security guard due to shortage of RPF staff. The proposed scrap yard did not materialise and the land was handed over to the Calcutta Port Trust on 1.11.90 without any utilisation what so ever. An amount of Rs.13.94 lakhs was paid to the Calcutta Port Trust as licence fee and other charges from 12.6.86 to 1.11.90.

Thus, Metro Railway incurred an infructuous expenditure of Rs.26.02 lakhs on the creation of a scrap yard for storing of released structurals which did not operate.

The Ministry of Railways (Railway Board) stated during discussion (December 1991) that Maidan Depot was full of released steel materials from Southern section and there was no further space available to store the released materials from Northern Section which was scheduled for completion by October 1988. Metro Railway, therefore, had to plan another depot in Brace Bridge area by taking land on lease from CPT authorities. Due to various reasons such as delay in getting certain plots of land from the State Government, delay in shifting of utilities by local authorities etc. the work on Northern section could not progress as per schedule. In the meantime accumulated steel materials in the Maidan Depot were auctioned and adequate space was available. The land taken on lease from CPT was, therefore, released to avoid further expenditure on the lease account.

The reply is not tenable. The reasons attributed for delay were known to the Railway authorities from the experience gained in the Southern Section and release of scrap materials was a regular part of their work. The leasing of land and development work on it were indicative of defective planning.

6.9 Central Railway: Irregular payment of Electricity duty

On electrical energy sold or supplied to the Railways, for consumption in the construction, maintenance, or operation, electricity duty is not payable. The duty, however, is payable in respect of domestic consumption.

A review of electricity bills revealed that Central Railway paid Rs.15.32 lakhs, during April 1982 to March 1991, as duty on electricity consumed mainly for traction purposes.

The irregular payment of electricity duty was brought to the notice of the Railway Board in 1989 when the Board contended that the segregation of loads on the basis of applicability of duty would not be economically feasible. It is, however, stated that other Zonal Railways could get exemption from payment of electricity duty on the basis of mutually agreed percentage for dutiable and non-dutiable comsumption.

6.10 Eastern Railway: Short recovery of House Rent.

Consequent on the implementation of the recommendations of the Fourth Pay Commission, the Railway Board issued instructions (September 1987) for revising the licence fee for residential accommodation based on the category of the accommodation and the plinth area. The revised rent was to be effective from 1.7.87.

A review of the implementation of the above instructions at Jamalpur Workshop revealed that the revision in the rent of residential accommodation was implemented from October 1990 only. The short recovery of rent for 39 months (1.7.87 to 30.9.90) works out to Rs.21.42 lakhs. No steps have been taken so far (August 1991) to recover the arrears.

The Railway Board in September, 1987 instructed the Zonal Railways to revise the standard rent of Railway quarters on the basis of plinth area. In March, 1988 the Railway Board further instructed that the classification of quarters was not to be altered while revising the rent. 26 Bungalows with plinth area ranging between 172 and 470 Sq. Mts. were re-classified as type-IV and the rent was revised downwards. The downward revision of rent was not correct since the assessed rent was increased by 10 per cent even for sub-standard houses. Administration suffered a loss of revenue to the tune of Rs.2.09 lakhs for the period from 1.7.1987 to 30.9.1991 for downward revision. The Railway Administration has not replied to the Draft Paragraph (October, 1991).

6.11 Eastern Railway:Misappropriation of cash by senior cashiers.

A review of two cases of misappropriation of cash of Rs.3.56 lakhs in May 1988 and February 1989 by two senior cashiers in Asansol Division of Eastern Railway revealed the following system failures :-

(i) The cash book of cashiers are required to be closed and balanced daily whenever they are at headquarters and in any case not less frequently then once a week. The verification of cash by actual count is required to be conducted by the Accounts Officer once in every month preferably without prior notice. The verification for the month of March is to be made on 31st of that month. Surprise verification of cash was not done monthly. During the period from October 1985 to February 1989 cash verifications were done only on four occasions in case of cashier A and on five occasions in case of cashier B. Even though shortage of cash was detected earlier in November 1987 in one case no verification of the cash with cashier B was conducted between December 1987 and January 1989.

(ii) Senior cashier B mixed up Eastern Railway Co-operative Credit Bank cash with General Cash of Railway.

(iii) The return of the paid and unpaid bills, by senior cashier within one month, was to be watched in both the Cash and Accounts office. But this was not done. There was abnormal delay in returning paid bills along with the unpaid amounts by senior cashier B. Bills for the period April 1988 to November 1988 along with unpaid amounts were not returned by senior cashier B to Pay Master and Accounts Department.

(iv) According to Codal provision, the Divisional Cashier's cash book should be submitted to the Accounts office for check at least once in a month and "an acquittance certificate" indicating that "all cheques issued in favour of cashier have been correctly taken into account and there are no bills outstanding with Divisional Cashier beyond the permissible period of one month" is to be recorded on the cash book. Contrary to this provision "Provisional" acquittance certificates were issued by Accounts office since April 1988.

(v) Senior cashier B was provided with extra fund by the Division/cashier as an advance, very frequently, over and above the amount due to him. During the period from July 1987 to November 1987 such provision of extra fund was made on thirty five occassions. This provided a scope for direct misappropriation of cash by the Senior Cashier.

The Ministry of Railways (Railway Board) stated (November 1991) that one cashier had been removed from service and disciplinary action for imposition of major penalty was in progress in the case of second cashier. Recovery of misappropriated amount was in process. It was also stated that the Railway had introduced the prescribed time limit of one month for retention of bills for cheque payments by the cashier and discontinued the practice of issuing provisional acquittance certificate besides increasing the frequency of the existing inspection of cash and pay office.

A. C. Tiwari

New Delhi
The
8 APRIL 1992
19 CHAITRA, 1914

(A.C.TIWARI)
Deputy Comptroller and Auditor General of India

Countersigned

New Delhi
The
8 APRIL 1992
19 CHAITRA, 1914

(C.G.SOMIAH)
Comptroller and Auditor General of India

ANNEXURE I

(Para 1.3)

Summary of salient indicators of the financial and operating performance of the Railways for the years 1986-87 to 1990-91

		1986-87	1987-88	1988-89	1989-90	1990-91
1.	Capital-at charge at the end of the year (Rs. in crores)*	10,373.10	11,622.22	12,987.51	14,629.45	16,125.80
2.	Total block assets (Rs. in crores)	13,836.59	15,807.17	17,965.20	20,587.79	23,193.19
3.	Revenue receipts (Rs. in crores)	7,683.08	8,679.46	9,528.63	11,041.26	12,451.55
4.	Revenue expenditure (of which amount appropriated to funds) (Rs. in crores)	7,002.24 (1,630.92)	7,956.31 (1,872.51)	8,791.29 (2,113.58)	10,059.19 (2,507.72)	11,337.77 (2,989.57,
5.	Net revenue including subsidy (Rs. in crores)	680.84	723.15	737.33	982.07	1,113.78
6.	Net revenue excluding subsidy (Rs. in crores)	536.93	549.59	529.93	749.47	830.43
7.	Revenue surplus after providing for dividend due (Rs. in crores)	101.99	84.29	21.67	173.26	187.64
8.	Return on capital-at-charge (reckoning subsidy-percentage of items 5 over item 1)	6.56	6.22	5.68	6.71	6.91
9.	Return on capital-at-charge (without reckoning subsidy-percentage of item 6 over item 1)	5.18	4.73	4.08	5.12	5.15
10.	Return on block assets (Percentage of item 5 over item 2)	4.92	4.37	4.10	4.77	4.80
11.	Return on block assets (Percentage of item 6 over item 2)	3.88	3.48	2.95	3.64	3.58

	1986-87	1987-88	1988-89	1989-90	1990-91
12. Indebtedness <u>(Rs. in crores)</u>					
a) On account of shortfall in dividend liability	428.43	428.43	428.43	428.43	416.46
b) On account of deferred dividend payable in respect of new lines which have completed moratorium.	170.94	210.00	263.89	334.49	421.56
c) On account of shortfall in development Fund	348.17	401.96	529.28	534.44	534.44
Total (a to c) ·	947.54	1,040.39	1,221.60	1,297.36	1,372.46
13. Revenue earning goods traffic (million tonnes)	277.75	290.20	302.01	309.97	318.41
14. Total traffic (million tonnes)	307.31	318.50	336.79	334.20	341.45
15. Passenger Kilometres (in millions)	256,467	269,389	263,731	280,848	295,644
16.(a) Goods earnings (Rs. in crores)	5,133.24	5,839.23	6,343.11	7,624.49	8,407.87
(b) Passenger earnings (Rs. in crores)	1,940.96	2,060.00	2,455.50	2,668.92	3,147.5
17. Fuel consumption by locomotives per thousand gross tonne Kilometres					
(a) Passenger services					
i) Coal (kg)	81.0	78.9	73.6	83.8	84.7
ii) Diesel (litres)	5.37	5.27	5.44	5.42	5.37
iii) Electricity (KWH)	20.7	19.5	20.9	20.8	20.6
(b) Goods services					
i) Coal (kg)	105.4	107.6	103.6	105.2	107.9
ii) Diesel (litres)	3.48	3.46	3.52	3.46	3.46
iii) Electricity (KWH)	10.9	10.2	9.47	9.60	8.96
18. Number of staff (in thousands)	1,612	1,617	1,626	1,647	1,651
19. Average annual wages per employee (in Rupees)	21,076	24,808	27,366	29,543	31,878
20. Operating ratio (Per cent)	92.2	92.5	93.05	91.5	91.97

* Excludes expenditúre on Metropolitan Transport Projects and Circular Railway Calcutta.

ANNEXURE II

(Para 1.12.1)

Details of Audit objections issued upto 31 March 1991 but outstanding on 31 August 1991

Railways Units	Where money value known (Rs. in thousands)								Where money value not known					
	Pt.I Audit Notes and Special Letters				Pt. I Inspection Reports				Pt. I Audit Notes and Special Letters			Pt. I Inspection Reports		
	No.	Items	Amount	Oldest	No.	Items	Amount	Oldest	No.	Item	Oldest	No.	Items	Oldest
Central	51	78	62257	1985-86	98	187	141017	1986-87	2	2	1988-89	7	24	1986-87
Eastern	35	41	7243429	1982-83	200	407	2539747	1980-81	7	9	1985-86	18	38	1983-84
Northern	451	538	576072	1982-83	243	1199	461762	1983-84	669	699	1980-81	215	1297	1982-83
North Eastern	148	148	205611	1977-78	432	2096	597875	1977-78	80	99	1976-77	432	2083	1977-78
North-east Frontier	315	359	163311	1975-76	307	1160	154031	1975-76	401	483	1974-75	882	5511	1975-76
Southern	178	310	979915	1987-88	110	370	208296	1987-88	383	709	1983-84	98	487	1986-87
South Central	157	227	140692	1982-83	134	458	66865	1982-83	20	54	1985-86	57	282	1982-83
South Eastern	139	149	165167	1976-77	365	909	1144696	1978-79	25	25	1975-76	36	52	1982-83
Western	114	147	149935	1985-86	244	772	954300	1983-84	19	30	1985-86	136	295	1983-84
Metro Calcutta	3	3	22075	1987-88	36	83	23734	1987-88	-	-	-	21	67	1987-88
C.L.W.	47	53	94303	1985-86	199	251	228534	1980-81	1	1	1989-90	90	173	1980-81
D.L.W.	32	32	43605	1986-87	25	25	173724	1984-85	22	22	1986-87	76	76	1984-85
I.C.F.	-	-	-	-	-	-	-	-	48	102	1988-89	18	50	1986-87
Total	1670	2080	9846372	1975-76	2313	7917	6694581	1975-76	1677	2235	1974-75	2086	10435	1975-76

Sl. No.	Name of the station	Details regarding non-observance of orders	Amount pointed out by	Amount realised raised against the stations	Amount of debit be regula-rised	Amount yet to
	(1)	(2)	(3)	(4)	(5)	(6)
		instead of via WAT-GDR-TNPM-AJJ as required under para 6.7 of General Order No.1 of 1986 effective from 1.1.1986 to 28.2.1987.				
6.(a)	Adra	Traffic from stations on Northern Railway was booked to Adra by other than ratio-nalised route in terms of para 5(i) of General Order No.2 of 1983.	48,198	762	Nil	47,436
(b)	Vishakhapatnam	-DO-	27,537	Nil	Nil	27,537
7.	Jamul Cement Works/Bhillai Steel Plant Siding	Traffic booked by other than the rationalised route via Galsi - JhapaterDhal as per General Order No.2 of 1977.	10,13,595	Nil	Nil	10,13,595
		GRAND TOTAL	86,70,417	9,33,126	27,58,228	49,79,063

E R R A T A

Page No.	Line No.	For	Read
XI.	16 from bottom	inncrease	increase
	19 from bottom	millionn	million
7.	14 (Grant No.5)	15.27	15.11
	14 (Grant No.5)	6.83	6.92
9.(table)	Col.2 Heading	Plan Heads Grants/ appropriations	Plan Heads
	Col.2 Heading	Final Expenditure	Final Grant/ appropriation
	Col.2 Heading	Actual (+) Excess (-) Savings	Actual Expenditure
	Col.2 Heading	Variation	Variation (+) Excess (-) Savings
11.	29 from top	Eastern	Northern
15.	7 from bottom	Budget provision	Final grant
16.	last line	South Eastern	South Central
50.	1 from top	Wagons	Wagon
67.	9 from bottom	occassional	occasional
69.	27 from top	desptach	despatch
71.	15 from top	amounted	amounted to
73.	3 from bottom	11	12
74.	25 from top	12	13
75.	9 from top	13	14
83.	20 from top	to be exceed	to exceed
84.	6 from botom	set	set up
85.	8 from bottom	arguements	arguments
181.	Item 12(b) 1986-87	170.04	170.94
	Item 16(a) 1990-91	8407.80	8407.87

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