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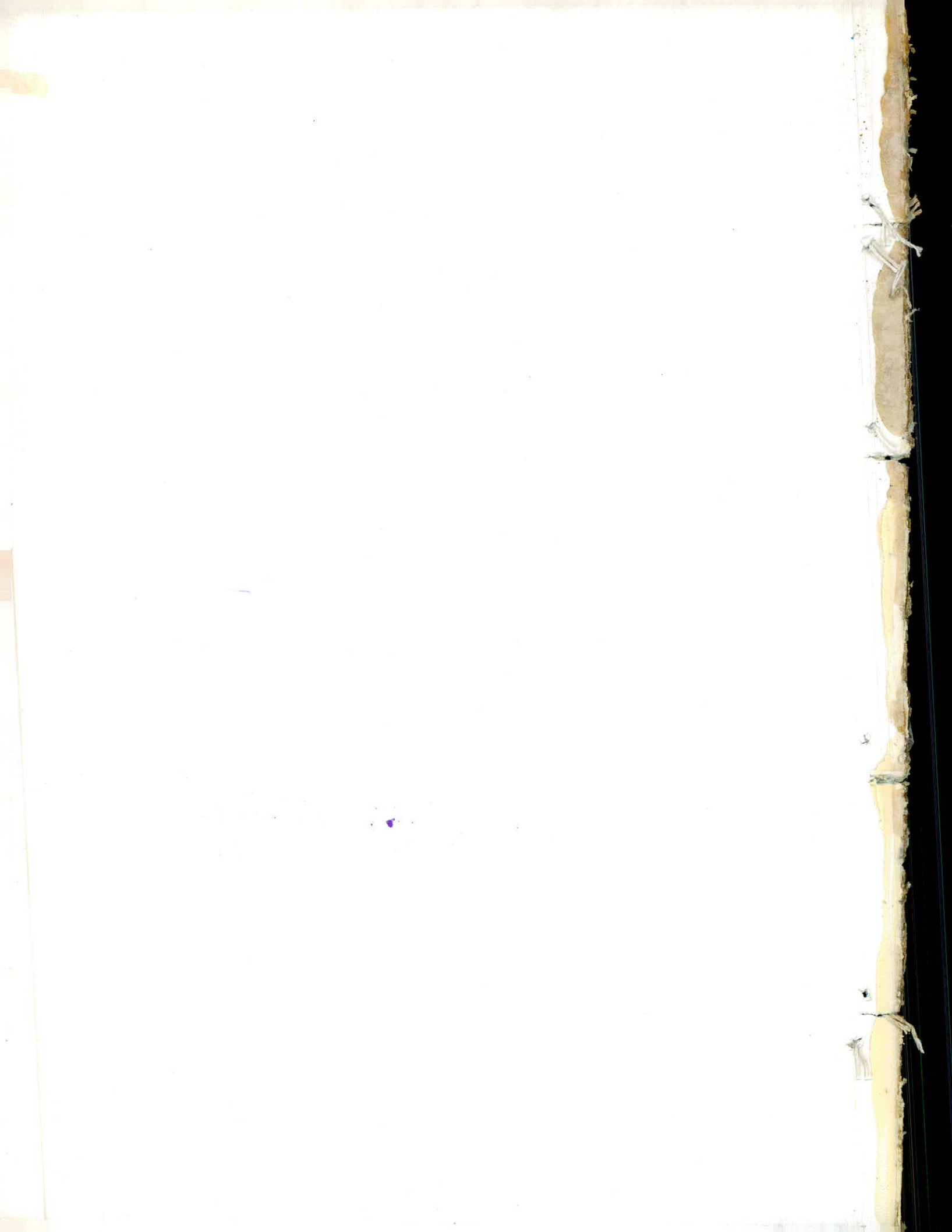


सत्यमेव जयते

**Report of the
Comptroller and Auditor General
of India**

for the year ended March 2003

**Union Government (Railways)
No. 8 of 2004**



AUDIT REPORT

(English)

NO 8 - 15

2004

PAC Branch



Report of the
Comptroller and Auditor General
of India

for the year ended March 2003

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SABHA ON 16 JUL 2004

Union Government (Railways)
No.8 of 2004

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PREFACE

The Report for the year ended 31 March 2003 has been prepared in two volumes (Nos.8 and 9) for submission to the President under Article 151 (1) of the Constitution of India.

This volume (No.8) covers comments arising from audit of the Accounts of Railways for the year 2002-2003 and Appropriation Accounts on Railways Grants for the same year. Other points arising from the test-audit of financial transactions of Railways are also included in Chapters on Earnings, Works and Contract Management, Stores and Assets Management, Establishment Matters and Other Topics.

The audit observations contained in the Report are based on the results of audit conducted during the year 2002-2003 and early part of 2003-2004 as well as the findings of the test-audit conducted in earlier years, which could not be included in the previous Reports. Matters relating to the transactions subsequent to 2002-2003 have been mentioned, where relevant.

OVERVIEW

I. Financial Management

Financial Results: The year 2002-03 ended with a net revenue of Rs.3830.23 crore and a net surplus of Rs.1115.40 crore after providing Rs.2714.83 crore towards dividend payable to General revenues. This was a marked improvement over the financial results of the previous year when the net revenue was Rs.2337.53 crore and net surplus Rs.1000.35 crore after deferring Rs.1000 crore dividend payable to the General Revenues. The net revenue, however, was not sufficient to pay the entire dividend of Rs.2823.30 crore deferred in 2000-01 and 2001-02. Provision for payment of deferred dividend to the extent of only Rs.50 crore was made in 2002-03.

(Paragraph No.1.1)

Passenger Earnings: The passenger earnings of Rs.12575.44 crore during 2002-03 were less than the Budget Estimate (Rs.13450 crore) and Revised Estimate (Rs.12730 crore). The target of earnings for Upper Class was reduced by Rs.715.60 crore in the Revised Estimates as the strategy of Railways to bring in more revenue by reducing the fares of AC First Class failed. Despite introduction of 25 new trains, increase in frequency of 13 trains and extension of 16 train services, number of passengers carried by the Railways reduced from 5169.34 millions in 2001-02 to 5048.15 millions in 2002-03.

(Paragraph No.1.2.1)

Goods Earnings: The goods earnings of Rs.26504.82 crore were more than Budget Estimate by Rs.386.82 crore but fell short of the Revised Estimate by Rs.153.18 crore. The Railways exceeded the originating tonnage target. Railways, however, could not achieve its revenue earnings target as growth of traffic was in the lowest revenue yielding class and as the target for the average distance over which a tonne was to be carried was not achieved.

The POL and Fertiliser traffic declined by 1.57 million tonnes and 0.74 million tonnes, respectively, as compared to 2001-02. While the Railways were able to bring in additional originating Coal traffic, they actually suffered loss of long lead traffic. The average lead for Coal traffic fell from 614 kms in 2001-02 to 601 kms in 2002-03.

(Paragraph No.1.2.2)

Unrealised Earnings: Unrealised earnings increased by Rs.73.43 crore from Rs.1985.18 crore at the end of March 2002 to Rs.2058.61 crore at the end of March 2003. About 84 per cent (Rs.1728.68 crore) of the unrealised earnings were on account of outstanding freight. Northern Railway continued to have the maximum amount of unrealised freight (Rs.1671.80 crore), of which Rs.966.63 crore were due from Badarpur Thermal Power Station managed by the National Thermal Power Corporation. The total amount outstanding against the State Electricity Boards/ Power Houses, which stood at

Rs.1616.45 crore at the end of 2001-02, increased to Rs.1753.87 crore at the end of 2002-03.

(Paragraph No.1.3)

Operating Ratio: The operating ratio (i.e. percentage of working expenses to traffic earnings) which was 96.02 per cent 2001-02, improved to 92.34 per cent in 2002-03.

Even though there is marginal improvement in the operating ratios of all the Zonal Railways in 2002-03, Eastern, North Eastern, Northeast Frontier, Southern Railways and Metro Railway Kolkata are still incurring losses.

(Paragraph No.1.4)

Plan Expenditure: The Railways provided Rs.9330 crore to be met from Central Government support and internal resources in the Budget Estimates, which was increased to Rs.9435 crore in the Revised Estimates. The actual plan expenditure was only Rs.8891.06 crore.

Plan expenditure from budgetary support of Government projected at Rs.4040 crore in the Budget Estimates was increased to Rs.4390 crore but actual expenditure (Rs.4263.74 crore) was less than the Revised Estimate and even the actual expenditure of last year (Rs.4376.89 crore).

Plan Expenditure met from internal resources fell short of the Budget Estimates of Rs.3490 crore by Rs.376.76 crore mainly due to shortfall in expenditure met out of Depreciation Reserve Fund.

(Paragraph No.1.5)

Funds generated through Extra-budgetary resources: Railways proposed an investment of Rs.3000 crore by IRFC during 2002-03 to partly finance the plan outlay. Due to their inability to produce or acquire rolling stock as planned, IRFC was required to invest only Rs.2516.97 crore.

During the year, Railways paid leasing charges of Rs.3270.13 crore to IRFC and firms/ companies under 'Build, Operate, Lease and Transfer' (BOLT) and 'Own Your Wagons' (OYW) schemes. Hence the net inflow of funds from these resources was a negative figure of Rs.753.16 crore.

In the Annual Report 2001-02 of the IRFC, it was estimated that IRFC would save Rs.543.72 crore by restructuring its loans taking advantage of the low interest rate scenario. The leasing contracts entered into with IRFC do not enable Railways to share the benefits accrued to IRFC due to fall in lending rates.

(Paragraph No.1.6)

Undischarged Liabilities: The undischarged liabilities of the Railways to the General Revenues stood at Rs.6207.17 crore on 31 March 2003 which was made up of current deferred dividend liability of Rs.2773.30 crore and moratorium on new lines amounting to Rs.3433.87 crore.

(Paragraph No.1.7)

Railway Funds: Railways operate six funds – Pension Fund, Depreciation Reserve Fund, Development Fund, Capital Fund, Railway Safety

Fund and Special Railway Safety Fund. As the Railways have not been able to generate adequate surplus for appropriation to Capital Fund, the operation of this fund has ceased for the time being.

There was a sharp decline in the expenditure from the Depreciation Reserve Fund and Railway Safety Fund when compared with the Budget Estimates. Against the budgeted expenditure of Rs.2045 crore from Depreciation Reserve Fund, the actual expenditure was only Rs.1464.75 crore. Similarly against a budget provision of Rs.450 crore, Railways could expend only Rs.164.08 crore from the Railway Safety Fund. As the replacement/ renewals of assets and road safety works are recognised as high priority area, Railways may have to analyse the reasons for shortfall in spending to take corrective action.

(Paragraph No.1.8)

Appropriation Accounts: Against the budget provision of Rs.72281.88 crore, the Railways incurred the total expenditure of Rs.69549.97 crore during 2002-03. The saving of Rs.2731.91 crore was the net result of savings (Rs.3056.56 crore) in seventeen Grants and six Appropriations and excess (Rs.324.65 crore) in three Grants and eight Appropriations. Savings exceeded Rs.100 crore in ten Grants. The aggregate excess of Rs.324.65 crore requires regularisation by the Parliament under Article 115 (1) (b) of the Constitution of India.

(Paragraph No.1.9)

II. Selected cases of Losses & Irregularities pointed out in Chapters 2 to 6

Non-revision of siding charges: Non-revision of siding charges in respect of electric locomotives used for placement and removal of wagons resulted in an estimated short-realisation of Rs.32.86 crore.

(Paragraph No.2.1.1)

Loss due to delay in revision of haulage rates: Undue delay in revision of haulage rates recoverable for traffic of CONCOR resulted in loss of revenue amounting to Rs.14 crore.

(Paragraph No.2.1.2)

Loss due to delay in revision of minimum weight condition: Failure of Railway Administration to take early action for revision of MWC of 'mustard oil' and 'bamboo' consignments resulted in loss of revenue amounting to Rs.4.29 crore.

(Paragraph No.2.1.4)

Loss due to haulage of traffic by longer route: Charging of cement traffic by shorter route and carrying it invariably by the longer route resulted in loss of Rs.7.71 crore.

(Paragraph No.2.2.1)

Notification of incorrect distances for charge: Incorrect computation of distances for charging freight in respect of five stations on Eastern Railway led to undercharge amounting to Rs.6.72 crore.

(Paragraph No.2.2.2)

Non-observance of rating/ routing orders: Non-observance of rating and routing instructions issued by Railway Board resulted in undercharge of freight of Rs.1.13 crore during April 2001 to February 2003.

(Paragraph No.2.2.4)

Excessive detention to wagons in Terminal Goods station: Failure of Railway Administration to observe the target of average detention of 16 hours fixed for handling wagons in yard at terminal goods station, Varanasi resulted in detention to wagons in excess of operational requirements and consequential loss of earning capacity of Rs.26.15 crore.

(Paragraph No.2.3.1)

Heavy detention to Oil Tank Wagons at Railways' fuelling installation: Railway Administration's failure to take action for augmentation of storage capacity of Nandurbar fuelling installation resulted in heavy detention to oil tank wagons and consequential loss of earning of Rs.11.74 crore.

(Paragraph No.2.3.2)

Erroneous despatch of wagons to Workshop: The failure of the operating staff to follow the rules for handling the wagons in yards and erroneous despatch of fit wagons, along with wagons due for POH, to Workshop resulted in avoidable detention and consequential loss of earning capacity amounting to Rs.8.71 crore.

(Paragraph No.2.3.3)

Detention to wagons received for POH at CW, PER: Abnormal detention to wagons in the workshop before taking them up for periodical overhaul resulted in delay in releasing them for traffic use and caused loss of earning capacity to the tune of Rs.8.63 crore.

(Paragraph No.2.3.4)

Abnormal detention of wagons and liberal waiver of demurrage charges: Routine waiver of demurrage charges by Railway Administration resulted in customers not adhering to the time limits fixed for loading of wagons which in turn led to abnormal detention and loss of earning capacity of Rs.7.09 crore.

(Paragraph No.2.3.5)

Injudicious formation of POL rakes: Formation and booking of rakes consisting of tank wagon in excess of the unloading capacity of a station resulted in avoidable detention to wagons and consequential loss of earning capacity amounting to Rs.6.25 crore.

(Paragraph No.2.3.6)

Incorrect adoption of working hours at POL sidings: Non-adoption of appropriate working hours for POL sidings as per agreement between the

Ministry of Railways and the Oil Companies resulted in unnecessary detention to stock and loss of earnings to the tune of Rs.4.57 crore.

(Paragraph No.2.3.7)

Detention to wagons moving via Break-of-gauge point: Railway Administration's failure to enforce the conditions stipulated for movement of traffic through Break-of gauge point resulted in detention to wagons and consequential loss of earning capacity amounting to Rs.3.48 crore.

(Paragraph No.2.3.8)

Non-recovery of hire charges for Rolling Stock and Motive Power from KRCL: Railway Administration's failure to effectively pursue the matter regarding recovery of hire charges in respect of Rolling Stock and Motive power hired out to Konkan Railway Corporation Limited led to non-realisation of Rs.42.84 crore.

(Paragraph No.2.4.1)

Loss of traffic due to non-granting/delay in granting of 'station to station' rates: Lackadaisical approach of the Railway Administration and Railway Board in granting 'station to station' rates has caused the Railways loss of assured traffic earning of Rs.27.92 crore per annum.

(Paragraph No.2.4.2)

Loss due to avoidable use of additional loco: Failure of the Railway Administration in making timely provision for engine reversal facility at New Teznanayanpur resulted in loss of Rs.11.61 crore.

(Paragraph No.2.4.3)

Restriction of enhanced carrying capacity of BOXN wagons to only coal and iron ore: Railway Administration's failure to extend the provisions of charging freight on carrying capacity (CC) plus 2 tonnes to other commodities for which the minimum weight condition is CC in BOXN wagons resulted in loss of Rs.5.54 crore.

(Paragraph No.2.4.4)

Non-electrification of a siding: Failure of the Railway Administration to take up electrification of a siding resulted in detention to rolling stock and consequently loss of earning capacity of Rs.2.38 crore.

(Paragraph No.2.4.5)

Delay in cancelling an uneconomic train: Delay in implementation of Board's directives for diverting/ cancellation of passenger trains resulted in loss of Rs.2.19 crore.

(Paragraph No. 2.4.6)

Improper execution of a gauge conversion work: Failure of Southern Railway Administration to consult Military authorities before commencement of gauge conversion work resulted in avoidable diversion and lowering of

track. Consequently, an avoidable expenditure of Rs.2.86 crore and under utilisation of assets created at a cost of Rs.81.82 crore occurred.

(Paragraph No.3.1)

Sanction of an un-remunerative project: Railway Administration's decision to take up the construction work of a new line between Bangalore and Hassan via Shravanabelagola at an estimated cost of Rs.412.91 crore, despite a negative rate of return and subsequent decision to slow down its execution, resulted in an unproductive expenditure of Rs.81.57 crore incurred till February 2003.

(Paragraph No.3.2)

Non-completion of a project due to defective investigation of soil: Failure of the Railway Administration to take cognizance of the change in nature and scope of work warranted due to poor investigation of soil and resultant incorrect assessment of quantity of work led to bridge work remaining incomplete. Due to non-completion of the bridgework, completion and utilisation of new line between Salem and Karur has been held up even as an expenditure of Rs.51.65 crore has been incurred.

(Paragraph No.3.3)

Premature commissioning of Bishrampur Traction Sub-station: Commissioning of a Traction Sub-Station at Bishrampur prior to undertaking the work of extension of line from Bishrampur to Ambikapur in South Eastern Railway resulted in an avoidable expenditure of Rs.12.82 crore

(Paragraph No.3.4)

Restoration of an uneconomic branch line: Railway Administration's decision to restore a closed un-economic branch line between Duraundha, a rail head on the main line and Maharajganj, a small town resulted in an unproductive investment of Rs.7.93 crore in addition to recurring loss every year on operating the branch line on North Eastern Railway.

(Paragraph No.3.5)

Non-realisation of Railway dues towards modifications to Power Line Crossings: South Central Railway Administration's failure to prefer bills/realise the cost of modifications carried out to Power Line Crossings (PLCs) of Andhra Pradesh State Electricity Board (APSEB) during electrification/gauge conversion resulted in non-realisation of Rs.6.25 crore from APSEB.

(Paragraph No.3.6)

Improper planning in connection with creation of a Car Shed: Decision of Eastern Railway Administration to delete, from the initial proposal, provision for a pit wheel lathe at the time of creation of maintenance facilities for Main Line Electric Multiple Unit (MEMU) rakes at Asansol led to an avoidable expenditure of Rs.3.62 crore on empty haulage of rakes to Howrah for wheel turning apart from likely additional expenditure by Rs.1.63 crore due to belated procurement of a Pit Wheel Lathe.

(Paragraph No.3.7)

Avoidable payment of interest charges due to delay in depositing land acquisition cost: Delay by South Western Railway Administration in the payment of the compensation amount before taking possession of the land, as required under the provisions of the Land Acquisition Act 1984, resulted in unnecessary payment of interest of Rs.3.78 crore.

(Paragraph No.3.8)

Failure to safeguard Railway's interest while granting advances to contractors: Failure of South Central Railway Administration to incorporate specific clause, in the agreements, to safeguard the Railway's interests regarding recovery of advances given to the contractors, resulted in non-recovery of Rs.2.83 crore towards principal and interest thereon in respect of the mobilisation/ machinery and plant advances from the contractors

(Paragraph No.3.9)

Blocking up of capital in a financially unviable project: Sanction to gauge conversion of Shimoga Town - Talguppa branch line, especially when the Railway Reforms Committee had recommended closure of a portion of the branch line and its subsequent slow progress, resulted in an amount of Rs.2.35 crore remaining blocked since March 2003 in South Western Railway.

(Paragraph No.3.10)

Delay in construction of an ROB: Construction of a Road Over Bridge as an accommodation work after a delay of over 10 years resulted in avoidable expenditure of Rs.2.03 crore due to cost escalation in South Eastern Railway.

(Paragraph No.3.11)

Non-utilisation of imported Metre Gauge Wheelsets: Railway Administration incurred loss of Rs.16.73 crore due to the Railway Board's inability to comply with the assurance given by it to the Public Accounts Committee on proper utilisation or suitable disposal of imported Metre Gauge Wheel sets lying surplus due to their avoidable import.

(Paragraph No.4.1.1)

Wasteful expenditure on procurement of a machine: Due to unsatisfactory performance of Rail Track Vacuum Suction Cleaning Machine imported at a cost of Rs.9.29 crore, the expected benefits could not materialise. Consequently, the garbage cleaning work is done manually by the conventional method through contractual agencies.

(Paragraph No.4.1.2)

Undue financial accommodation to a firm: Non-adherence to the terms and conditions for escalation and advance payment to the firm resulted in extra expenditure of Rs.3.15 crore.

(Paragraph No.4.1.3)

Loss due to non-observance of terms of contract: Decision of Railway Board to re-fix the delivery schedule led to extra expenditure of Rs.1.91 crore on

account of foreign exchange variation and extension of Letter of Credit besides non-recovery of liquidated damages of Rs.2.52 crore.

(Paragraph No.4.1.4)

Avoidable procurement and inadequate accounting of steel: Improper assessment of steel requirement for wagon manufacture by the Director Railway Stores, Kolkata led to excess procurement of steel worth Rs.147.22 crore. Further, failure to take into account the steel remaining with the wagon builders issued against previous contracts led to excess allotment/ avoidable open market purchase of steel worth Rs.11.16 crore by the wagon builders.

(Paragraph No.4.2.1)

Irregular revision of Rates of Branded Crank Case Lube Oil: Inclusion of price variation clause without providing a well defined formula and basis for ascertaining reasonableness of claims forced the Railways to undertake irregular revision of prices, which resulted in extra expenditure of Rs.30 crore on procurement of Branded Crank Case Lube Oil.

(Paragraph No.4.2.3)

Extra expenditure on procurement of Composite Brake Blocks: Railway Board's failure to provide suitable clause in the contract, in case of lower rates received/ accepted on any subsequent tender, analyse the reasonableness of rates and avail the benefits of lower rates resulted in extra expenditure of Rs.7.10 crore on procurement of Composite Brake Blocks.

(Paragraph No.4.2.4)

Delay in the commissioning of 15 tonne Arc Melting Furnace and consequent blocking up of funds: Failure of Chittaranjan Locomotive Works Administration to anticipate, plan and execute all the necessary infrastructure requirements resulted in non-commissioning of 15 tonne Arc Melting Furnace and blocking of funds of Rs.4.60 crore.

(Paragraph No.4.3.1)

Avoidable procurement of machines: Indiscretion of Jagadhari Workshop authorities to procure Axle Journal Turning and Burnishing Lathes, without proper assessment of demand, resulted in avoidable investment of Rs.2.73 crore.

(Paragraph No.4.3.2)

Extra expenditure due to delay in finalisation of improved design of PSC sleepers: Delay in finalisation of new design by RDSO and late clearance of improved design of Pre-stressed concrete sleepers developed by a private firm for field trials by Railway Board deprived Railways of direct savings of Rs.72.90 crore.

(Paragraph No.4.4.1)

Finalisation of tender at higher rates for procurement of PSC sleepers: Failure to counter offer the updated last purchase rate resulted in extra

expenditure of Rs.30.97 crore on procurement of Pre-stressed concrete sleepers for the period from April 2001 to March 2003

(Paragraph No.4.4.2)

Extra expenditure due to non-counter offering the lowest rates: Due to absence of clear cut guidelines/directives to the Tender Committee for counter offering the lowest rates and failure of Railway Board in counter offering the lowest rate received in the open tenders resulted in Railways foregoing the opportunity to achieve a saving of Rs.24.66 crore.

(Paragraph No.4.4.3)

Extra expenditure due to manufacture of stock items: Failure to discontinue manufacture of Stock items in workshop in view of the fact that purchase of such items from open market was cheaper resulted in an extra expenditure of Rs.2.64 crore.

(Paragraph No.4.4.4)

Unproductive expenditure due to delay in redeployment of surplus staff: Indecisiveness of Railway Board about suitable re-deployment of surplus staff of Diesel Loco Shed, Mughalsarai, Northern Railway led to unproductive expenditure of Rs.3.74 crore.

(Paragraph No.5.1)

Licensing of Railway land: Railway Board's guidelines of September 1985 regarding licensing of Railway lands were impracticable and cumbersome. Based on difficulties reported by field offices, Railway Board issued modified guidelines in August 1995 in supersession of guidelines of 1985. The delay of 10 years in issuance of modified guidelines coupled with resultant disputes over retrospective revision of rates of licence fee and other irregularities like non execution of fresh agreements, non revision of rates, non-preferment of bills and non-implementation of revised guidelines, resulted in non-recovery of Rs.29.38 crore on account of licence fee in six cases besides non-realisation of Rs.0.48 crore on account of cost of staff and other works etc in one of these cases.

(Paragraph No.6.1.1)

Irregular permission for use of Officers' Club premises by catering contractor: The Managing Committee of Railway Club, Mumbai Division, Western Railway allowed, in violation of rules, the contractor of the club to use free of charge a piece of railway land which was valued at Rs.7.06 crore and earmarked for use by the club house.

(Paragraph No.6.1.2)

Non-realisation of engine hire charges: Failure of Railway Administration to execute an agreement with the siding owner, as per extant orders, before hiring out a railway engine for shunting operations and thereafter, ineffective pursuance for realisation of railway dues resulted in accumulation of unrecovered dues of Rs.6.61 crore during May 1998 to January 2003 on East Central Railway

(Paragraph No.6.1.3)

Non-recovery of dues from siding owners: Failure of Western Railway Administration to execute a proper agreement before construction of a siding and pursue the matter effectively resulted in non-recovery of cost of staff amounting to Rs.3.73 crore from Gujrat Electricity Board for the period May 1989 to March 2003.

(Paragraph No.6.1.4)

Non-recovery of interest and maintenance charges: Railway Administration's failure to resolve the issue of Railways' portion of assisted-cum-private siding for levy of interest and maintenance charges and to effectively pursue recovery of Railway dues resulted in accumulation of unrecovered dues of Rs.2.39 crore for the period March 1950 to March 2003 against Food Corporation of India at Sindri, Dhanbad Division, East Central Railway.

(Paragraph No.6.1.5)

Non-recovery of licence fee from catering/ vending contractors: Failure of the Divisional Railway Administrations in Central Railway to revise licence fee and delay in revision of licence fee of catering/ vending contractors resulted in non-recovery of Rs.2.56 crore from catering/ vending contractors in six divisions on Central Railway.

(Paragraph No.6.1.6)

Non-realisation of 'way leave charges': Non-execution of agreement resulted in accumulation of un-realised 'way leave charges' amounting to Rs.2.27 crore pertaining to the period 15 July 1999 to 31 March 2003 on Eastern Railway in addition to non-collection of capitalised cost.

(Paragraph No.6.1.7)

Avoidable excess payment of water charges for domestic purposes: Failure of South Central Railway Administration to take suitable and timely action to renew the agreement with Hyderabad Water Works/ Hyderabad Metropolitan Water Supply and Sewerage Board resulted in an avoidable payment of Rs.7.84 crore towards water charges for domestic consumption at higher rates for the period February 1997 to September 2002.

(Paragraph No.6.2.1)

Loss due to non-segregation of domestic consumption of electricity: Failure of Railway Administration, Rail Coach Factory, Kapurthala in segregating the domestic consumption of electricity in the railway colony, Kapurthala from the combined consumption of electricity of Rail Coach Factory and railway colony, Kapurthala resulted in payment of higher tariff rates for domestic consumption involving an avoidable extra expenditure of Rs.4.49 crore during 1995-96 to 2002-03.

(Paragraph No.6.2.2)

Encroachment of Railway land of the closed sidings: Failure of Railway Administration to protect Railway land of 29 closed sidings against encroachment resulted in 1,51,931.77 sq. metres of land being unauthorisedly occupied at west Kanpur in Allahabad Division and consequential loss to

Railways of Rs.49.28 crore on account of present value of land besides non-recovery of Railway dues of Rs.0.93 crore from the siding owners on account of maintenance charges

(Paragraph No.6.3.1)

Mismanagement of Railway land: Failure of South Eastern Railway Administration to guard its land against encroachments led to unauthorised occupation of an area of 8.78 acres of railway land by its own serving/ retired employees in Kharagpur Division. Railway Administration also failed to take effective and timely action for eviction of unauthorised occupants. The present market value of the land under unauthorised occupation works out to Rs.6.69 crore.

(Paragraph No.6.3.2)

Wasteful consumption of High Speed Diesel Oil: Non-shutting down of coaching locomotives of loco sheds at Puri and Cuttack in South Eastern Railway, not required for traffic purposes at the terminating points and of rear diesel locos of light multiple units in Guntakal Division of South Central Railway resulted in an avoidable extra consumption of 4,514 kilolitres of High Speed Diesel Oil valued at Rs.7.43 crore during 2000-02.

(Paragraph 6.3.3)

CHAPTER 1: FINANCIAL MANAGEMENT

1.1 Financial Results

1.1.1 The financial results of the Indian Railways for the year 2002-03, compared with the Budget Estimates (BE) and Revised Estimates (RE), are shown below:

(Rupees in crore)				
		Budget Estimates 2002-03	Revised Estimates 2002-03	Actuals 2002-03
1	Gross Traffic Receipts	41538.00	40867.00	41068.22
2	(a) Miscellaneous Receipts	2453.65	1734.92	1673.25
	(b) Miscellaneous Expenditure	1164.38	1261.52	885.49
	Net Miscellaneous Receipts	1289.27	473.40	787.76
3	Total Receipts (1 + 2)	42827.27	41340.40	41855.98
4	Ordinary Working Expenses	31160.00	30310.00	29684.34
5	Appropriation to			
	(a) Depreciation Reserve Fund	1978.00	2003.00	2401.41
	(b) Pension Fund	5990.00	5840.00	5940.00
6	Total Expenditure (4 + 5)	39128.00	38153.00	38025.75
7	Net Revenue (3 – 6)	3699.27	3187.40	3830.23
8	Dividend Payable to General Revenues			
	(a) Provision for current year	2679.11	2587.40	2664.83
	(b) Provision for Deferred Dividend of previous years	-	50.00	50.00
	Net Dividend Paid	2679.11	2637.40	2714.83
9	Net surplus available for appropriation (7 – 8)	1020.16	550.00	1115.40
10	Surplus appropriated to			
	(a) Development Fund	550.00	550.00	550.00
	(b) Capital Fund	17.43	-	-
	(c) Railway Safety Fund	452.73	-	-
	(d) Special Railway Safety Fund	-	-	565.40

Major departures from the original budget proposals are discussed below:

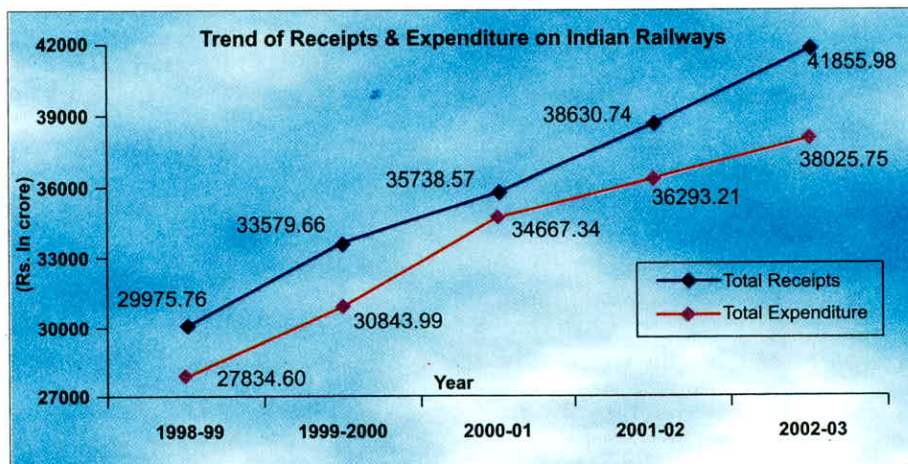
- No proposal to pay the deferred dividend of Rs.2823.30 crore pertaining to the previous years (2000-01 and 2001-02) was made in the BE. Provision of deferred dividend of Rs.50 crore was, however, made in the RE. Without reflecting this provision in the supplementary demands for grants, the Ministry appropriated Rs.50 crore towards deferred dividend. Including this, the final dividend to General Revenues was thus Rs.2714.83 crore.
- The BE provided Rs.17.43 crore and Rs.452.73 crore to be appropriated from the surplus to the Capital Fund and Railway Safety Fund respectively. No amounts were however, appropriated from the surplus to these funds.

- The BE of 2002-03 projected the collection of Safety Surcharge at Rs.860 crore which was to partially finance the Special Railway Safety Fund. The actual collection, however, amounted to only Rs.602.51 crore. To meet the shortfall in collection of surcharge and also to meet the financial needs for carrying out the safety works proposed for 2002-03, Rs.565.40 crore was appropriated from the surplus to the Special Railway Safety Fund.

1.1.2 The financial performance of the Indian Railways for the period from 1998-99 to 2002-03 is shown below:

		(Rupees in crore)				
		1998-99	1999-00	2000-01	2001-02	2002-03
1	Total Receipts	29975.76	33579.66	35738.57	38630.74	41855.98
2	Total Expenditure	27834.60	30843.99	34667.34	36293.21	38025.75
3	Net Revenue (1 - 2)	2141.16	2735.67	1071.23	2337.53	3830.23
4	(a) Dividend payable to General Revenues for current year	1742.08	1889.78	2130.94	2337.18	2664.83
	(b) Provision for payment of deferred dividend	-	-	-	-	50.00
	(c) <i>Less</i> Dividend deferred	-	-	1823.30	1000.00	-
5	Net Dividend paid	1742.08	1889.78	307.64	1337.18	2714.83
6	Net Surplus available for appropriation (3 - 5)	399.08	845.89	763.59	1000.35	1115.40

The trend of growth in receipts and expenditure on Indian Railways is depicted in the following chart:



The net revenue, which was Rs.2141.16 crore in 1998-99 and Rs.2735.67 crore in 1999-2000, declined sharply to Rs.1071.23 crore in 2000-01. Due to shortfall in net revenue, the Railways had to defer payment of dividend of Rs.1823.30 crore in 2000-01. Net revenue registered a growth in 2001-02, but was not adequate to meet the requirements of other funds and the dividend liability for the year. Railways, therefore, decided to defer dividend of Rs.1000 crore in 2001-02. Though the financial results of 2002-03, showed a marked improvement over previous years, the net revenue was not sufficient to entirely set off the deferred dividend of the previous years.

1.2 Gross Traffic Receipts

The detailed break-up of the traffic receipts of Railways for the years 2002-03 along with the details of BE, RE and actuals of previous year's receipts is shown below:

(Rupees in crore)

Traffic Earnings	Actuals 2001-02	Budget Estimates 2002-03	Revised Estimates 2002-03	Actuals 2002-03
(1)	(2)	(3)	(4)	(5)
Passenger	11196.45	13450.00	12730.00	12575.44
Goods	24845.40	26118.00	26658.00	26504.82
Other Coaching	872.24	920.00	950.00	987.95
Sundries including Suspense	923.50	1050.00	529.00	1000.01
Total	37837.59	41538.00	40867.00	41068.22

Results of the review of Railways performance are discussed in the succeeding paragraphs.

1.2.1 Passenger Earnings

1.2.1.1 The passenger earnings target was fixed at Rs.13450 crore in the BE. The target was, however, scaled down by Rs.720 crore in the RE to Rs.12730 crore. The actual passenger earnings were Rs.12575.44 crore. Passenger earnings, thus fell short of both the BE and RE projections. The earnings, however, registered a growth of about 12.32 per cent as compared to 2001-02.

An analysis of the downward revision of targets by Rs.720 crore at RE revealed that Rs.715.60 crore (99.39 per cent) was on account of estimated shortfall in Upper Class passenger earnings targets. Reduction of fares for AC First Class were announced in the Budget for 2002-03 with a view to improve the utilisation of this service and make the fares more competitive with Air travel. The reduction in the targets in RE for the Upper Class earnings would indicate that the strategy of reducing the fares to bring more revenue failed.

The class-wise passenger earnings have so far not been made available to audit. In view of the fact that the Railways did not even meet the revised targets, it would appear that even the reduced estimates of Upper Class earnings could not be achieved.

Earnings from passenger services on Northern, Western, South Central, Eastern and Central Railways fell short of BE by Rs.262.75 crore, Rs.243.96 crore, Rs.155.82 crore, Rs.121.53 crore and Rs.97.69 crore, respectively.

1.2.1.2 The trends in passenger earnings, the average lead and the average rate per passenger kilometre are shown in the following table:

Year	Passenger Earnings (Rupees in crore)	No. of Passengers (in Millions)	Passenger Kilometres (in Millions)	Average Lead per Passenger (in Kilometres) Col. (4)/(3)	Average Rate per Passenger Kilometre (in Paise) Col. (2)/(4) x100
(1)	(2)	(3)	(4)	(5)	(6)
1998-99	8549.96	4468.50*	404605	90.55	21.13
1999-2000	9581.07	4640.70*	431394*	92.96	22.21
2000-01	10515.07	4903.34*	457680	93.34*	22.97
2001-02	11196.45	5169.34*	491625*	95.10*	22.77*
2002-03	12575.44	5048.15	515772	102.17	24.37

* Figures of previous years have been modified based on changes communicated by the Railway Board.

In 2002-03, 25 new trains were introduced besides increase in frequency of 13 trains and extension of run on 16 train services. There was however, a reduction in number of passengers carried by the Railways as compared to 2001-02. The passenger kilometres (PKMs) registered a growth of 4.91 per cent (24147 million PKMs) over 2001-02 mainly on account of increase in average lead per passenger. The average rate per passenger kilometre increased from 22.77 paise in 2001-02 to 24.37 paise in 2002-03

1.2.2 Goods Earnings

1.2.2.1 The following changes were made through the budget proposals of 2002-03:

- The freight structure for Base Class-100 was rationalised by modifying the taper to provide a smooth reduction in rate per kilometre with increase in distance.
- Existing 59 classes for charging freight were brought down to 32. Class-90 and Class-300 became the lowest and highest class respectively. Keeping in view the essential nature of certain commodities of common use such as Edible Salt, Fruits, Vegetables, Gur, Jaggery, Shakkar, certain items of Edible Oils, Food Grains, Pulses, Organic Manures, Urea, Fodder and Dry Grass were placed in the lowest Class-90.
- There was a marginal increase in freight rates of key commodities like Coal, Iron Ore and Raw Materials to Steel Plants etc. The freight rates for Iron & Steel, Pig Iron, Cement, most of the Petroleum products and many other commodities were made marginally lower.

1.2.2.2 The actual performance against the projections in the budget were as follows:

- Earnings from goods traffic were estimated to yield Rs.26118 crore in the BE and Rs.26658 crore in the RE. The actual earnings of Rs.26504.82 crore were more than BE by Rs.386.82 crore but fell short of the RE by Rs.153.18 crore.

- The originating revenue earning goods traffic was projected at 510 million tonnes for 2002-03. This was increased to 515 million tonnes in RE. Railways actually lifted 518.74 million tonnes of revenue earning goods thereby exceeding the targets.
- The target for volume of revenue earning goods traffic was projected at 334213 million net tonne kilometres (NTKMs) which was increased to 357163 million NTKMs in RE. The actuals during 2002-03 was 353194 million NTKMs, which was more than BE by 18981 million NTKMs but less than the RE by 3969 million NTKMs.

Thus as can be seen from above, though the originating tonnage targets were exceeded, the Railways failed to achieve the revenue earnings target due to non achievement of NTKMs target. The average lead target of 694 kms fell short by 13 kms.

As compared to the performance of 2001-02, the NTKMs increased from 333228 million to 353194 million in 2002-03 and the average lead from 677 kms to 681 kms in 2002-03.

An analysis of the statistics reveals that the shortfall in earnings as compared to the target could be on account of:

- growth of traffic in 90 class – the lowest revenue yielding class, and
- shortfall in achieving the average lead.

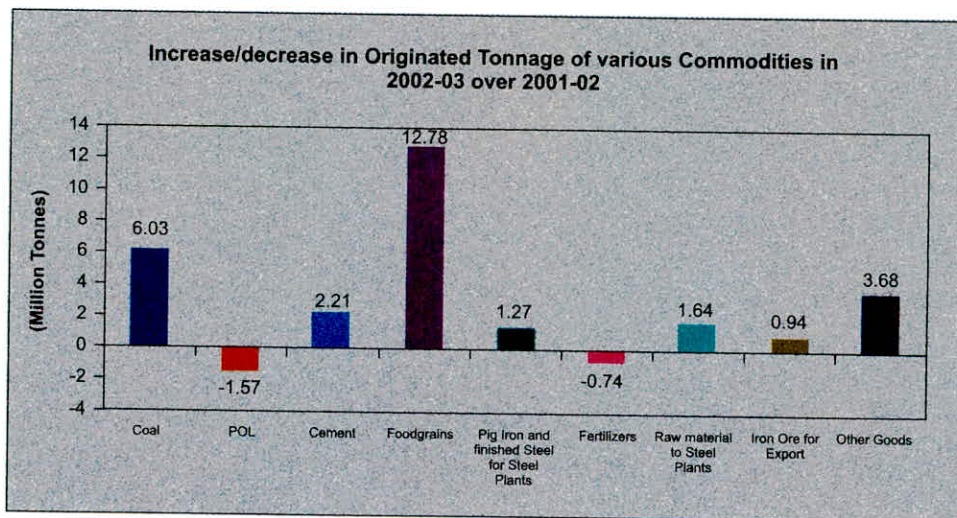
1.2.2.3 The trend of Goods traffic carried by the Railways during the last five years in terms of NTKMs, goods earnings and the average rate per tonne kilometre during the last five years (1998-99 to 2002-03) and the percentage of average annual growth in the years from 1998-99 to 2002-03 over their respective previous years (1997-98 to 2001-02) in volume (NTKMs), goods earnings and the rate per tonne kilometre is shown in the following table:

Year	Net Tonne Kilometres (Million)	Earnings (Rupees in crore)	Rate (Paise per NTKM) Col. (3)/(2)	Percentage of average annual growth over previous years		
				Volume	Earnings	Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998-99	281513	19960.39	70.90	-0.96	0.47	1.45
1999-2000	305201	22060.99	72.28	8.41	10.52	1.95
2000-01	312371	23305.10	74.61	2.35	5.64	3.22
2001-02	333228	24845.40	74.56	6.68	6.61	-0.07
2002-03	353194	26504.82	75.04	5.99	6.68	0.64

1.2.2.4 Comparative position of various commodities carried in terms of tonnage/ NTKMs and earnings therefrom during 2001-02 and 2002-03 is given in the following table:

Commodity	Tonnage Originating (Millions)		Net Tonne Kilometres (Millions)		Earnings (Rupees in crore)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Coal	229.82	235.85	141091	141724	11241.32	11480.79
POL.	35.62	34.05	19772	19216	2745.64	2754.61
Cement	44.04	46.25	24778	24819	2036.89	2038.13
Food grains	32.82	45.60	42034	65912	1826.33	2929.06
Pig Iron & Finished Steel	12.36	13.63	12429	13254	1313.22	1397.20
Fertilizers	27.20	26.46	22841	22606	1177.52	1220.29
Raw Materials to Steel Plants	39.35	40.99	14673	13370	1030.73	1020.16
Iron Ore for Export	15.72	16.66	8287	8595	602.55	631.55
Other Goods	55.57	59.25	47323	45698	2612.59	2759.66
Misc. Goods Earnings	-	-	-	-	258.61	273.37
Total	492.50	518.74	333228	353194	24845.40	26504.82

The increase / decrease in originating tonnage of various commodities in 2002-03 over 2001-02 is shown in the following chart:



1.2.2.5 A comparison of the originating tonnage and NTKMs achieved this year with previous year revealed that:

- The offering of 'POL' and 'Fertilizer' declined by 1.57 million tonnes and 0.74 million tonnes respectively, as compared to the actuals of 2001-02.
- The average lead for coal traffic, which was 614 kms in 2001-02, had decreased to 601 kms in 2002-03. Thus, while the Railways have been able to bring in additional coal traffic, they have actually suffered loss of long lead traffic at the cost of short lead traffic.

1.2.2.6 Performance vis-à-vis budget projections of 2002-03 show:

- There was a shortfall in goods earnings from 'Other Goods' (Rs.409.63 crore), 'Iron Ore for Export' (Rs.155.07 crore), 'POL' (Rs.148.81

crore), 'Cement' (Rs.147.77 crore), 'Fertilizers' (Rs.59.91 crore), 'Miscellaneous Goods' (Rs.26.63 crore) and 'Raw Material for Steel Plants' (Rs.3.63 crore).

- There was a shortfall in originating tonnage in respect of 'Other Goods', 'POL', 'Fertilizers', 'Iron Ore for Export' and 'Cement' by 4.75 million tonnes, 2.55 million tonnes, 2.04 million tonnes, 1.84 million tonnes and 0.25 million tonnes, respectively.

1.2.2.7 Amongst the Zonal Railways, which could not achieve the budgeted goods earnings, South Central Railway had the maximum shortfall of Rs.90.31 crore. The shortfall on Western, North Eastern and Southern Railways was Rs.73.12 crore, Rs.60.91 crore and Rs.30.67 crore respectively.

1.3 Unrealised Earnings

1.3.1 The BE 2002-03 projected clearance of Rs.50 crore from the unrealised earnings. The RE 2002-03, however, projected further accumulation of unrealised earnings by Rs.417 crore. Against these projections, the unrealised earnings (exclusive of Demands Recoverable) actually increased by Rs.73.43 crore, bringing the balance to Rs.2058.61 crore at the end of 2002-03, from Rs.1985.18 crore at the end of 2001-02.

1.3.2 About 84 per cent (Rs.1728.68 crore) of the unrealised earnings (Rs.2058.61 crore) was on account of outstanding freight. Northern Railway continued to have the maximum amount of unrealised freight (Rs.1671.80 crore), which is nearly 97 per cent of the total unrealised freight. Of this Rs.966.63 crore were due from Badarpur Thermal Power Station (BTPS) managed by the National Thermal Power Corporation (NTPC). This non-payment amounts to interest free loan to the Power Sector when the Railways themselves are not even able to pay interest at 7 per cent on the Capital borrowed from General exchequer.

1.3.3 The total amount outstanding against the State Electricity Boards/ Power Houses which stood at Rs.1616.45 crore at the end of 2001-02, increased by Rs.137.42 crore (8.5 per cent) bringing the balance to Rs.1753.87 crore at the end of 2002-03.

Union Cabinet, in August 1996 decided that with effect from 1 October 1996, the Railways would transport coal to Power Houses only on pre-payment of freight. As regards old outstanding, it was decided that the outstandings would be set off against recoveries from the Central Plan Assistance to the State Governments. In reply to Paragraph 1.4 of Railway Audit Report for the year 2000-01, the Ministry had stated in their Action Taken Note that they had introduced the system of adjustment of freight with the traction bills to avoid the increase in outstanding dues. It was, however, noticed that the management of freight collection from the Power Houses/ State Electricity Boards continues to be highly ineffective. The outstanding dues against the main defaulting Power Houses/ State Electricity Boards was as under:

(Rupees in crore)				
Sl. No.	Name of State Electricity Board/ Power House	Outstanding dues as on 31 March 2002	Outstanding dues as on 31 March 2003	Increase in dues during the year
1.	Badarpur Thermal Power Station	957.61	966.63	9.02
2.	Punjab State Electricity Board	325.31	424.05	98.74
3.	Delhi Vidyut Board	160.86	179.88	19.02
4.	Rajasthan State Electricity Board	105.75	109.92	4.17
5.	Uttar Pradesh State Electricity Board	8.27	27.36	19.09
6.	Damodar Valley Corporation	4.75	7.94	3.19
7.	West Bengal State Electricity Board	4.21	8.11	3.90
8.	Madhya Pradesh State Electricity Board	2.99	6.29	3.30

Figures indicate that neither the Cabinet's directives regarding prepayment of freight were followed nor could the Railways device a mechanism to ensure that the outstanding dues against the Power Houses/ State Electricity Boards are liquidated.

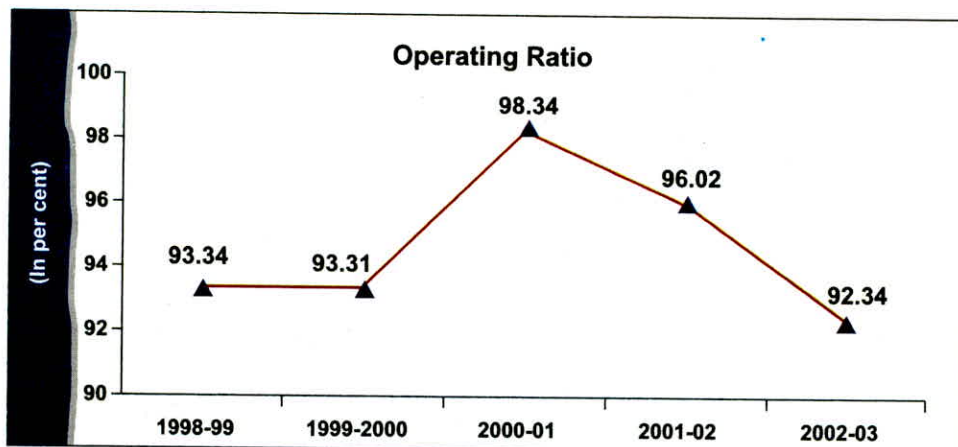
1.3.4 Demands Recoverable

The Demands Recoverable, which represent outstandings in respect of (i) rent/ lease charges for letting out Railway land and buildings and (ii) interest and maintenance charges from siding owners, increased by Rs.6.08 crore (5.77 per cent), from Rs.105.38 crore at the end of March 2002 to Rs.111.46 crore at the end of March 2003.

1.4 Operating Ratio

The Operating Ratio represents the percentage of working expenses (including the expenses not yet paid) to traffic earnings (including the earnings not yet realised). The operating ratio, which was 96.02 per cent in 2001-02, improved to 92.34 per cent (by 3.68 per cent) in 2002-03 for the Railways as a whole.

The operating ratio of Indian Railways during the last five years is shown in the following chart:



The operating ratio of Zonal Railways and Metro Kolkata during the last three years is shown in the following table:

Sl. No.	Railways	Operating Ratios			Improvement (+)/ Deterioration (-) in 2002-03 over 2001-02
		2000-01	2001-02	2002-03	
1.	Central	92.55	84.50	81.14	3.36
2.	Eastern	121.38	121.29	120.96	0.33
3.	Northern	90.08	89.86	86.05	3.81
4.	North Eastern	156.56	153.99	152.26	1.73
5.	Northeast Frontier	208.19	175.29	173.75	1.54
6.	Southern	120.80	124.98	119.15	5.83
7.	South Central	86.35	88.45	87.90	0.55
8.	South Eastern	78.51	76.12	71.61	4.51
9.	Western	88.69	87.71	83.12	4.59
10.	Metro Kolkata	281.50	260.48	259.21	1.26

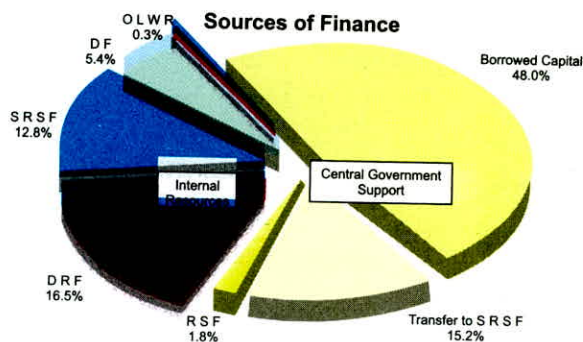
Even though there is marginal improvement in the operating ratios of all the Zonal Railways, Eastern, North Eastern, Northeast Frontier, Southern Railways and Metro Railway Kolkata are still incurring losses.

1.5 Plan Expenditure

1.5.1 Details of the plan expenditure met from Central Government support and internal resources during 2002-03 were as follows:

(Rupees in crore)					
Sl. No.	Sources of Finance	Actual Expenditure 2001-02	Budget Estimate 2002-03	Revised Estimate 2002-03	Actual Expenditure 2002-03
1	Central Government Support				
	(i) Budgetary Support				
	(a) Borrowed Capital from General Revenues	4376.89	4040.00	4390.00	4263.74
	(b) Transfer to Special Railway Safety Fund	1000.00	1350.00	1350.00	1350.00
	(ii) Contribution from Central Road Fund to Railway Safety Fund	140.28	450.00	264.00	164.08
	Total Central Government Support	5517.17	5840.00	6004.00	5777.82
2	Internal Resources				
	i) Depreciation Reserve Fund	1569.61	2045.00	1886.00	1464.75
	ii) Development Fund	449.47	550.00	550.00	483.86
	iii) Capital Fund	-	-	-	-
	iv) Special Railway Safety Fund #	434.28	860.00	960.00	1136.31
	v) Open Line Works – Revenue	31.53	35.00	35.00	28.32
	Total Internal Resources	2484.89	3490.00	3431.00	3113.24
	Grand Total of Plan Funds (1+2)	8002.06	9330.00	9435.00	8891.06

Expenditure borne out of the SRSF financed by levy of safety surcharge and from Railways allocation to the fund from its own resources.



1.5.2 The Tenth Plan proposed an outlay of Rs.49809.50 crore for Railway infrastructure during 2002-07 and Rs.12330 crore in the annual plan (2002-03). As against this, Railways had provided Rs.9330 crore in the BE and Rs.9435 crore in the RE to be financed from Central Government support and through internal generation of resources. Actual expenditure however fell short of these estimates and was only Rs.8891.06 crore. In addition, Railways had proposed to meet Rs.3000 crore of the plan expenditure from market borrowings. This aspect has been discussed in detail in paragraph 1.6.

1.5.3 The budgetary support provided by the Government was increased to Rs.4390 crore at the RE stage. Additional funds of Rs.350 crore were allotted for financing Udampur – Srinagar – Baramula New Lines project. The actual expenditure (Rs.4263.74 crore) was less than the RE (Rs.4390 crore) and even the plan expenditure of last year (Rs.4376.89 crore).

1.5.4 As compared to 2001-02, there has been an increase in the Plan Expenditure met from internal resources. Against an expenditure of Rs.2484.89 crore incurred during 2001-02, Railways expended Rs.3113.24 crore from their own internal resources during 2002-03. This expenditure, however, fell short of the BE by Rs.376.76 crore. The noticeable deviation from budget was in respect of expenditure met out of DRF, discussed in detail in paragraph 1.8.2.

1.5.5 The distribution of Plan expenditure met from borrowed capital and internal resources during the years 1998-99 to 2002-03 under the main Plan Heads is shown in the following Table:

Plan Heads	(Rupees in crore)				
	1998-99	1999-2000	2000-01	2001-02	2002-03
New Lines (Construction)	388.02	513.05	700.87	860.01	1314.57
Gauge Conversion	672.51	543.07	454.04	686.43	811.52
Doubling	446.74	554.57	524.10	600.07	577.94
Rolling Stock	1047.70	569.79	742.23	881.30	961.81
Track Renewals	1391.33	1588.75	1702.10	1885.06	2495.93
Electrification Projects	328.07	319.16	302.22	269.47	250.24
Signalling & Telecommunication	309.88	369.28	350.37	369.12	551.35
Passenger Amenities	90.56	115.14	136.36	168.72	174.89
Others	965.51	1565.85	1585.55	2281.38	1752.81
Total	5640.32	6138.66	6497.84	8002.06	8891.06

As compared to 2001-02, there was a general increase in expenditure under all main plan heads except 'Doubling' and 'Electrification Projects' where there

was a decline by Rs.22.13 crore and Rs.19.73 crore respectively. There was also decrease in expenditure in 'others' category, which include items like Machinery and Plants etc by Rs.528.57 crore as compared to the previous year.

The Tenth Plan provided Rs.610 crore for Signalling and Telecommunication (S&T) works during 2002-07. The annual plan for 2002-03, however, estimated the expenditure on S &T works at Rs.725 crore i.e. Rs.115 crore in excess of the targets for the entire plan period. The RE provided Rs.673.75 crore while the actual expenditure on S&T during 2002-03 was Rs.551.35 crore representing 90.4 per cent of the Tenth Plan targets.

1.5.6 The accumulated Capital-at-charge for which dividend is payable to the General Revenues stood at Rs.40709.26 crore as on 31 March 2003 as against Rs.36757.52 crore on 1 April 2002. The accumulated assets created out of Capital Fund remained at Rs.10389.83 crore as on 31 March 2003.

1.6 Funds generated through Extra-budgetary resources

1.6.1 Railways have resorted to acquiring Rolling Stock on lease from 'Indian Railway Finance Corporation' (IRFC) since 1987-88 as internal generation of resources has been inadequate to meet their requirements. Railways have also entered into agreements with firms/ companies for acquisition of Rolling Stocks under 'Build, Operate, Lease and Transfer' (BOLT) and 'Own Your Wagon' (OYW) schemes. Conventionally the Railways have been recognising the amounts incurred for acquisition of Rolling Stock through IRFC/ BOLT/ OYW as expenditure towards meeting plan targets whereas the Railways are only paying lease charges, which are met out of the revenue heads. As the assets have actually been taken on lease and as ownership of the assets do not vest with the Railways, inclusion of these amounts against plan targets would not be correct.

1.6.2 Railways proposed an investment of Rs.3000 crore by IRFC during 2002-03 to partly finance the plan outlay. Due to their inability to produce or acquire rolling stock as planned, IRFC was required to invest only Rs.2516.97 crore.

1.6.3 The leasing charges paid on market borrowings from IRFC and on investments to firms/ companies under BOLT and OYW schemes during 2002-03 amounted to Rs.3270.13 crore. As against this the total extra-budgetary resources mobilised during 2002-03 were Rs.2516.97 crore. Hence the net inflow of funds from these resources was a negative figure of Rs.753.16 crore.

1.6.4 The Annual Report 2001-02 of the IRFC stated that:

- The IRFC would be saving about Rs.392.72 crore over the remaining life of existing outstanding term loans, by taking advantage of the low interest rate scenario;
- The IRFC would be saving about Rs.146 crore, through re-structuring the existing lease with ICICI Ltd, over the remaining lease tenors; and

- The IRFC had also negotiated and reduced the interest cost from 3.08 per cent to 2.28 per cent per annum amounting to Rs.5 crore on the existing foreign currency loan.

In the Annual Report 2002-03 also, IRFC stated that by taking advantage of lower interest rates, considerable savings were achieved through early retirement of loans.

The leasing contracts entered into with IRFC do not enable Railways to share the benefits accrued to IRFC due to fall in lending rates.

1.7 Undischarged liabilities

1.7.1 The Railways are required to pay dividend at a fixed rate on the Capital advanced by the Government of India. The Railway Convention Committee (RCC) of Parliament determines the rate of dividend payable by the Railways to the General Revenues periodically. In accordance with the recommendation of the RCC:

- A moratorium is given on the payment of interest (dividend) on investments made on new lines out of borrowed capital during the period of construction and for five years after a line is opened to traffic. The cumulative liability on this account is payable when the line shows surplus after meeting the current dividend. The liability is written off, if not paid within 20 years of opening of a line, to traffic.
- Any shortfall in the payment of current dividend, when the net revenue is not adequate to meet current dividend, is treated as deferred dividend liability.

1.7.2 The undischarged liabilities on these accounts stood at Rs.6207.17 crores as on 31 March 2003 as discussed below:

- The liability on payment of dividend in respect of new lines, which was Rs.2965.91 crore as on 31 March 2002 further increased by Rs.467.96 crore. This increase was made up of Rs.532.97 crore accrued during the year reduced by payment of deferred dividend liability to the extent of Rs.65.01 crore. The outstanding deferred dividend liability stood at Rs.3433.87 crore on 31 March 2003.
- The deferred dividend liability of the Railways due to shortfall in the payment of current dividend of previous years stood at Rs.2823.30 crore as on 31 March 2002. During 2002-03, the Railways provided Rs.50 crore towards payment of deferred dividend bringing the cumulative total on this account to Rs.2773.30 crore as on 31 March 2003.

1.8 Railway Funds

1.8.1 Pension Fund: The balances in the Pension Fund for the last five years are shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
1998-99	930.32	3527.07	4144.03	313.36*
1999-2000	315.46*	3782.31	4021.63	76.14*
2000-01	88.12*	5045.92	5102.05	31.99*
2001-02	34.56*	5816.98	5384.36	467.18
2002-03	467.18	6192.10	5653.57	1005.71

* Differences between closing and opening balances are due to transfer from contributory Provident Fund Account on 1 April of each year.

The Fund, constituted in 1964 for meeting expenditure on pensionary benefits to retiring Railway employees, was to be financed based on actuarial calculations so that the fund had adequate balance to meet the estimated liability on this account. After 1974, there was no actuarial assessment and the contribution to the fund was made on an adhoc basis. The Rakesh Mohan Committee in its Report estimated that shortfall in appropriation to the Pension Fund was Rs.40000 crores as on 1 April 1999. Appropriation to the fund without assessing the liability as per actuarial calculations has a direct effect on the operating ratio of the Railways.

Railway-wise analysis of the Pension Fund balances on 31 March 2003 has revealed that the following Railways had adverse (debit) balances in the fund:

(Rupees in crore)

Sl. No.	Name of Railway	Amount
1.	Eastern	2933.78
2.	Southern	1375.12
3.	Central	839.55
4.	North Eastern	737.91
5.	South Central	709.76
6.	Northern	81.79

It implies that these Railways have not appropriated to the fund, the amount needed to meet their pensionary charges. These Railways have, thus, been able to depict a better/ improved operating ratio over the years.

On the other hand, Northeast Frontier, South Eastern, Western Railways, Metro Railway Kolkata and all the Railway Production Units have appropriated more to the fund than the amount required for meeting the pensionary charges of 2002-03.

1.8.2 Depreciation Reserve Fund: For replacement and renewal of assets, the Railways maintain Depreciation Reserve Fund (DRF) financed by transfers from Revenue.

The balances in DRF for the last five years is shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
1998-99	1434.27	1276.39	2033.94	676.72
1999-2000	676.72	1795.23	2421.14	50.81
2000-01	50.81	2429.25	2402.02	78.04
2001-02	78.10	2124.49	1569.61	632.98
2002-03	632.90	2585.30	1464.75	1753.45

Note 1: Difference between closing balance of 2000-01 & 2001-02 and opening balance of 2001-02 & 2002-03 amounting to Rs.0.06 crore and Rs.0.02 crore respectively is due to transfers made between DRF and Capital Fund.

2. Accretion includes interest on the balance in the fund.

Appropriation to DRF was projected at Rs.1978 crore in BE 2002-03, which was increased to Rs.2003 crore in the RE. Actual appropriation made to DRF was Rs.2401.41 crore.

There was a sharp decline in the expenditure from the fund in the year 2001-02 which was commented upon in the last Audit Report. The reduced spending from DRF persisted in 2002-03 also. Against an expenditure of Rs.2045 crore budgeted from the fund, the actual expenditure was only Rs.1464.75 crore – a shortfall of Rs.580.25 crore. The reduced expenditure could be on account of (a) transferring a number of works to SRSF and to be financed through IRFC leaving fewer assets requiring replacement from DRF and/or (b) the inability of the Railways to replace assets to the extent planned. Railways may have to analyse the reasons for shortfall in spending to take corrective action.

1.8.3 Development Fund: This fund is financed by appropriation from surplus and/ or loans from General Revenues to the extent required to meet expenditure on works relating to amenities for users of Railway transport, labour welfare works, safety works and unremunerative operating improvement works.

Appropriation from surplus to Development Fund (DF) was projected at Rs.550 crore in the BE and RE. Ministry actually appropriated Rs.550 crore as planned to this fund.

The balances in DF for the last five years is shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
1998-99	0.39	395.89	395.87	0.41
1999-2000	0.42	497.02	496.99	0.45
2000-01	0.45	744.98	518.11	227.32
2001-02	0.52	449.51	449.47	0.56
2002-03	0.62	553.85	483.86	70.61

Note: Difference between closing balance of 1998-99 and opening balance of 1999-2000 is due to rounding off while difference between closing balance of 2000-01 and opening balance of 2001-02 is due to transfer of Rs.226.84 crore to Railway Safety Fund and transfer of Rs.0.04 crore from Capital to DF. Difference between closing balance of 2001-02 and opening balance of 2002-03 is due to transfer of Rs.0.06 crore from Capital and DRF.

1.8.4 Capital Fund: This fund was created with effect from 1 April 1993 to finance the Capital works of the Railways. The balance amount of surplus left after appropriation to Development Fund is credited to this fund. Since the Railways have not been able to generate adequate surplus for appropriation to Capital Fund, the operation of Capital Fund has ceased for the time being.

Appropriation from surplus to Capital Fund (CF) was projected at Rs.17.43 crore at the BE stage. In the RE there was no proposal to appropriate any surplus into the fund. An amount of Rs.0.94 crore was credited to the fund as interest at 7 per cent per annum on the fund balance during the year 2002-03.

The balances in CF for the last five years is shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
1998-99	1200.63	52.71	990.46	262.88
1999-2000	262.88	358.50	600.25	21.13
2000-01	21.55	282.23	282.38	21.40
2001-02	21.56	249.62	257.71	13.47
2002-03	13.47	0.94	0	14.41

Note: Difference between closing balance of 1999-2000 & 2000-01 and opening balance of 2000-01 & 2001-02 amounting to Rs.0.42 crore and Rs.0.16 crore respectively is due to transfer between Capital and Capital Fund.

1.8.5 Railway Safety Fund: This fund was created with effect from 1 April 2001 to finance works relating to Road Safety works viz. (i) manning of unmanned level crossings and (ii) conversion of level crossings into road over/under bridges. The fund is to be funded from three sources viz. (i) contribution from Central Road Fund, (ii) Railway surplus left after payment of dividend and (iii) contribution which is made by the Ministry of Railways to the Railway Safety Works Fund (maintained by the Ministry of Finance) out of the Dividend payable to General Revenues. During the year 2002-03, the Ministry received an amount of Rs.264 crore from the Central Road Fund and Rs.2.74 crore being contribution payable to Railway Safety Works Fund. The BE provided Rs.452.73 crore to be appropriated from the surplus during 2002-03. However no amounts were appropriated from the surplus to the fund.

The balance in Railway Safety Fund (RSF) is shown in the following table:

(Rupees in crore)

Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2001-02	226.84	305.47	140.28	392.03
2002-03	392.03	266.74	164.08	494.69

Note: The opening balance of Rs.226.84 crore represents the transfer from DF on 1 April 2001.

This year again the Railways were unable to incur expenditure on Rail Safety Works as budgeted. During 2002-03, Railways could expend Rs.164.08 crore on road safety works against the budget provision of Rs.450 crore and RE of Rs.264 crore. In spite of recognising this area as a high priority area due to

high level of accidents occurring on the Railways at unmanned and busy level crossings, Railways were unable to plan and execute these works. Special attention in this area is, therefore, warranted.

1.8.6 Special Railway Safety Fund: A new fund, namely Special Railway Safety Fund (SRSF) was set up in 2001-02, to wipe out the arrears of replacements/ renewals of vital safety equipment on Railways in fixed time schedule of 5 to 7 years. This fund was to be financed partly through Railway Revenues by levy of safety surcharge (Rs.5000 crore) and balance (Rs.12000 crore) through additional financial assistance (dividend free Capital) from General Revenues. During the year 2002-03 this fund received Rs.1350 crore by transfer from Capital and appropriation of Rs.1167.91 crore (inclusive of Rs.602.51 crore of safety surcharge receipts) from Revenue. The outgo on account of plan expenditure chargeable to this fund amounted to Rs.2486.31 crore leaving a balance of Rs.52.42 crore in the fund on 31 March 2003.

The balance in SRSF is shown in the following table:

(Rupees in crore)				
Year	Opening Balance	Accretion during the year	Withdrawals during the year	Closing Balance
2001-02	--	1455.10	1434.28	20.82
2002-03	20.82	2517.91	2486.31	52.42

1.9 Comments on Appropriation Accounts

1.9.1 The Summary of Appropriation Accounts (Railways) for the sums expended during the year ended 31 March 2003, compared with the sums authorised in the Demands for Grants for expenditure of Central Government on Railways and passed under Articles 114 and 115 of the Constitution of India, is given in Appendix - 1. The position is briefly summed up as follows:

(Rupees in crore)					
	Original Grant/ Appropriation	Supple- mentary	Total	Actual Expenditure	Saving (-)/ Excess (+)
I. Revenue					
Voted	50378.59	-	50378.59	48948.40	(-) 1430.19
Charged	23.80	17.80	41.60	37.34	(-) 4.26
Total	50402.39	17.80	50420.19	48985.74	(-) 1434.45
II. Capital	Assets Acquisition, Construction and Replacement (Expenditure met from Loan Capital, Depreciation Reserve Fund, Development Fund, Railway Safety Fund, Special Railway Safety Fund and Open Line Works -Revenue)				
Voted	21303.91	546.04	21849.95	20549.98	(-) 1299.97
Charged	7.34	4.40	11.74	14.25	(+) 2.51
Total	21311.25	550.44	21861.69	20564.23	(-) 1297.46
Total Voted	71682.50	546.04	72228.54	69498.38	(-) 2730.16
Total Charged	31.14	22.20	53.34	51.59	(-) 1.75
Grant Total	71713.64	568.24	72281.88	69549.97	(-) 2731.91

The overall savings (unspent provisions) of Rs.2731.91 crore (Appropriations Rs.1.75 crore and Grants Rs.2730.16 crore) constituted 3.78 per cent of the

total provision of Rs.72281.88 crore. The saving was the net result of savings in seventeen grants* and six appropriations and excess in three grants and eight appropriations.

1.9.2 Savings under Grants and Appropriations

1.9.2.1 There was an aggregate saving (unspent provisions) of Rs.3056.56 crore in seventeen grants and six appropriations. The savings ranged from Rs.2.66 crore (Grant No. 1) to Rs.632.96 crore (Grant No.16 – Railway Funds). In ten grants, the savings was more than Rs.100 crore, details of which are given below:

(Rupees in crore)

Sl. No.	Particulars	Amount
1.	Grant No.4 – Repairs and Maintenance of Permanent Way	179.88
2.	Grant No.5 – Repairs and Maintenance of Motive Power	129.39
3.	Grant No.6– Repairs and Maintenance of Carriages & Wagons	183.63
4.	Grant No.7– Repairs and Maintenance of Plant & Equipment	109.21
5.	Grant No.8 – Operating Expenses – Rolling Stock & Equipment	185.72
6.	Grant No.9 – Operating Expenses – Traffic	309.98
7.	Grant No.13 – Provident Fund, Pension and Other Retirement Benefits	340.51
8.	Grant No.16 – Capital	465.93
9.	Grant No.16 – Railway Funds	632.96
10.	Grant No.16 – Railway Safety Fund	285.93

1.9.2.2 Savings exceeding Rs.100 crore occurred in the following Minor Heads:

(Rupees in crores)

Plan Head	Original	Supple- mentary	Total Sanctioned Grant	Actual Expenditure	Saving (-)
Grant No. 9 – Operating Expenses – Traffic					
Other Misc. Expenses	3620.58	--	3620.58	3400.41	(-) 220.17
Grant No. 10 – Operating Expenses – Fuel					
Electric Traction	3910.10	--	3910.10	3806.78	(-) 103.32
Grant No. 13 – Provident Fund, Pension and Other Retirement Benefits					
Superannuation and Retiring Pension	3205.12	--	3205.12	3010.94	(-) 194.18
Commuted Pension	855.27	--	855.27	706.11	(-) 149.16
Grant No. 14 – Appropriation to Funds					
Appropriation to RSF	452.73	--	452.73	--	(-) 452.73
Grant No. 16 – Assets, acquisition, construction and replacement – Capital					
Stores Suspense	5122.28	--	5122.28	4913.48	(-) 208.80
Manufacture Suspense	5798.33	--	5798.33	5515.69	(-) 282.64

*

Railways operate 16 Grants (15 Revenue Grants and one Capital Grant). Capital Grant No. 16 has five segments; reappropriation of funds is not permissible between the five segments. As such the total number of Grants has been taken as twenty.

(Rupees in crores)

Plan Head	Original	Supple- mentary	Total Sanctioned Grant	Actual Expenditure	Saving (-)
Grant No. 16 – Assets, acquisition, construction and replacement – Railway Funds					
Track Renewals	1855.50	*	1855.50	1290.92	(-) 564.58
Grant No. 16 – Assets, acquisition, construction and replacement – RSF					
Road Safety Works – Road over/under Bridges	325.00	**	325.00	82.12	(-) 242.88
Grant No. 16 – Assets, acquisition, construction and replacement – SRSF					
Signaling & Telecommunication Works	505.00	--	505.00	353.40	(-) 151.60

* Represents Supplementary Grant of Rs.10 thousand & ** represents Supplementary Grant of Rs.44 thousand.

1.9.2.3 The savings above indicate defective budgeting. More serious is the fact that savings in some of the grants/appropriations referred to above occurred after obtaining supplementary grants.

- In respect of the following grants/ appropriations, the supplementary provisions were wholly unutilised

(Rupees in crores)

Sl. No.	Grant/ Appropriation No.	Supple- mentary Provision	Saving
1.	Grant No. 16 – Capital	400.00	465.93
2.	Appropriation No. 16 – Open Line Works (Revenue)	0.14	0.14
3.	Appropriation No. 16 – Special Railway Safety Fund	0.01	0.01

- In respect of the following grants/ appropriations, the supplementary provisions were partially utilised:

(Rupees in crores)

Sl. No.	Grant/ Appropriation No.	Supple- mentary Provision	Saving
1.	Appropriation No. 12 – Miscellaneous Working Expenses	39.68	27.65
2.	Appropriation No. 10 – Operating Expenses – Fuel	0.04	0.03

1.9.3 Excess under Grants and Appropriations

1.9.3.1 There was an aggregate excess of Rs.324.65 crore in three Grants (two Revenue and one Capital) and eight Appropriations (seven Revenue and one Capital). Details of which are given below:

- Expenditure under the following Grants/ Appropriations exceeded the sanctioned provisions even after obtaining supplementary provisions:

(Rupees in thousand)

Sl. No.	Grant/ Appropriation No.	Supplementary Provision	Excess Expenditure
1.	Appropriation No. 3 – General Superintendence and Services	297	43
2.	Appropriation No. 4 – Repairs and Maintenance of Permanent Way and Works	6514	5692
3.	Appropriation No. 7 – Repairs and Maintenance of Plant and Equipment	132	423
4.	Appropriation No. 8 – Operating Expenses – Rolling Stock and Equipment	325	207
5.	Appropriation No. 11 – Staff Welfare and Amenities	137	14
6.	Appropriation No. 16 – Assets, Acquisition, Construction and Replacement – Capital	42467	28542
7.	Grant No. 16 – Assets, Acquisition, Construction and Replacement – Special Railway Safety Fund	1460333	915109

- The other Appropriations/ Grants where there was excess expenditure are:

(Rupees in thousand)

Sl. No.	Grant/ Appropriation No.	Excess Expenditure
1.	Appropriation No.6–Repairs and Maintenance of Carriages & Wagons	487
2.	Appropriation No. 9 – Operating Expenses – Traffic	1481
3.	Grant No. 14 – Appropriation to Funds	2111538
4.	Grant No. 15 – Dividend to General Revenues	182979

All the excesses referred to above require regularisation by Parliament under Article 115(1)(b) of the Constitution of India.

1.9.3.2 Excess expenditure of more than Rs.100 crore was incurred under the following Minor Heads:

(Rupees in crore)

Minor / Plan Head	Original	Supplementary	Total Sanctioned Grant	Actual Expenditure	Excess
Grant 12 – Miscellaneous Working Expenses					
Suspense	28.45	--	28.45	160.28	131.83
Grant 13 – Provident Fund, Pension and Other Retirement Benefits					
Leave Encashment Benefits	--	--	--	169.17	169.17
Grant 14 – Appropriation to Funds					
Appropriation to DRF	1978.00	--	1978.00	2401.41	423.41
Appropriation to SRSF	860.00	--	860.00	1167.91	307.91
Grant 16 – Assets, acquisition, construction and replacement – Railway Funds					
Rolling Stock	381.64	*	381.64	490.39	108.75
Grant 16 – Assets, acquisition, construction and replacement – SRSF					
Track Renewals	1661.00	146.03	1807.03	2006.67	199.64

* Represents Supplementary Grant of Rs.2 thousand.

1.9.4 Surrender of Funds

Against the aggregate savings of Rs.3056.56 crore referred to in paragraph 1.9.2.1 above, the amount surrendered at the final modification stage was Rs.2429.30 crore. Some cases of injudicious surrenders are as under:

1.9.4.1 In the following cases, funds were surrendered but the actual expenditure exceeded the total sanctioned provision:

(Rupees in crore)

Particulars	Total Sanctioned Grant	Actual Expenditure	Excess	Amount Surrendered	Excess (after Surrender)
Grant No.14	9858.16	10069.32	211.16	495.16	706.32
Grant No. 15	2696.53	2714.83	18.30	59.14	77.44

1.9.4.2 In the following cases, funds exceeding the actual savings were surrendered at the final modification stage, resulting in excess over the final modified grant/ appropriation:

(Rupees in crore)

Particulars	Total Sanctioned Grant	Actual Expenditure	Savings	Amount Surrendered	Excess (after Surrender)
Grant No.1	67.74	65.08	2.66	2.77	0.11
Grant No. 5	1743.72	1614.33	129.39	158.55	29.16
Grant No. 10	7513.49	7419.27	94.22	108.61	14.39

1.9.5 Reappropriations

The reappropriation of funds between Plan Heads (Minor Heads) under Works Grant No. 16 was not according to the requirements in a number of cases indicating defective budgeting. These are detailed below:

1.9.5.1 In the following cases, the sanctioned provision was supplemented by reappropriation, but the actual expenditure was less than the sanctioned provisions. Thus the reappropriation proved entirely unnecessary.

(Rupees in crore)

Minor / Plan Head	Original	Supple-mentary	Reappro-riation	Final Allotment	Actual Expenditure	Savings
Appropriation No. 16 – Assets, acquisition, construction and replacement – Capital						
<i>New Lines</i>	2.79	0.50	0.94	4.23	2.81	(-) 1.42
Grant No. 16 – Assets, acquisition, construction and replacement – Capital						
Workshops including Production Units	148.47	--	10.41	158.88	143.87	(-) 15.01
Grant No. 16 – Assets, acquisition, construction and replacement – Railway Funds						
Other Electrical Works	71.36	--	1.25	72.61	59.01	(-) 13.60
Staff Quarters	29.99	--	1.84	31.83	29.11	(-) 2.72
Amenities for Staff	42.97	--	3.41	46.38	41.85	(-) 4.53
Grant No. 16 – Assets, acquisition, construction and replacement – OLWR						
Computerisation	2.00	--	0.25	2.25	1.39	(-) 0.86
Machinery & Plant	7.00	--	0.57	7.57	4.83	(-) 2.74

Of the cases mentioned above, in respect of New Lines even the amount of supplementary provision sought was on the higher side. The reappropriation of further amounts was, therefore, unwarranted.

1.9.5.2 On the other hand, funds from the following Plan Heads were withdrawn, but finally the actual expenditure exceeded the provision left after reappropriation:

(Rupees in crore)

Minor / Plan Head	Original	Supple- mentary	Reappro- -p-riation	Final Allotment	Actual Expenditure	Excess
Appropriation No. 16 – Assets, acquisition, construction and replacement – Capital						
Workshops including Production Units	0.68	2.22	(-) 0.81	2.09	2.14	0.05
Grant No. 16 – Assets, acquisition, construction and replacement – Capital						
New Lines	887.88	400.00	(-) 52.21	1235.67	1314.11	78.44
Gauge Conversion	861.05	--	(-) 28.30	832.75	846.82	14.07
Bridge Works	1.00	--	(-) 0.96	0.04	0.23	0.19
Grant No. 16 – Assets, acquisition, construction and replacement – OLWR						
Traffic Facilities	4.00	--	(-) 0.96	3.04	3.15	0.11
Railway Research	1.00	--	(-) 0.45	0.55	0.60	0.05
Passenger Amenities	1.00	--	(-) 0.11	0.89	1.19	0.30
Grant No. 16 – Assets, acquisition, construction and replacement – SRSF						
Rolling Stock	280.00	--	(-) 31.78	248.22	321.95	73.73
Machinery & Plant	9.00	--	(-) 7.73	1.27	3.17	1.90

1.9.5.3 In the following two cases funds were withdrawn and reappropriated to other Plan Heads, where there was no sanctioned provision:

(Rupees in crore)

Plan Head	Original	Reappro- -p-riation	Final Allotment	Actual Expenditure	Excess/ Savings
Grant No. 16 – Assets, acquisition, construction and replacement – Railway Funds					
Gauge Conversion	--	(-) 0.22	(-) 0.22	(-) 0.23	(-) 0.01
Doubling	--	(-) 0.42	(-) 0.42	(-) 0.24	0.18

1.9.5.4 In the following cases, expenditure was incurred without any sanctioned provision:

(Rupees in crore)

Minor/ Plan Head	Original	Reappro- -p-riation	Final Allotment	Actual Expenditure	(-) Savings/ (+) Excess
Appropriation No.16–Assets, acquisition, construction and replacement – Capital					
<i>Electrification Projects</i>	--	0.13	0.13	0.13	-
<i>Amenities for Staff</i>	--	*	*	0.05	0.05
<i>Manufacture Suspense</i>	--	0.09	0.09	0.01	(-) 0.08
<i>Miscellaneous Advance</i>	--	0.07	0.07	2.83	2.76
Appropriation No.16–Assets, acquisition, construction and replacement–Railway Funds					
<i>Track Renewal</i>	--	0.03	0.03	0.06	0.03

- Rs. 31,000 only

1.9.6 Recoveries in reduction of expenditure

The demands for grants/ appropriations are for the gross amount of expenditure, inclusive of recoveries arising from use of stores, etc. procured in the past or expenditure transferred to other Departments or Ministries. The excess and shortfall in recoveries also indicate defective budgeting. In Revenue section, against the estimated (revised) recoveries of Rs.6357.73 crore, actual recoveries were Rs.6272.58 crore. In Capital section, against estimated (revised) recoveries of Rs.15508.33 crore, actual recoveries were Rs.14922.18 crore.

APPENDIX - I

(Reference Paragraph No.1.9)

Grand Summary of Appropriation Accounts 2002-03

(In units of Rupees)

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)
1	Revenue – Railway Board				
Voted	67,74,00,000	–	67,74,00,000	65,07,79,722	(-) 2,66,20,278
2	Revenue – Miscellaneous Expenditure (General)				
Voted	193,00,00,000	–	193,00,00,000	180,83,42,424	(-) 12,16,57,576
3	Revenue – Working Expenses – General Superintendence and Services				
Charged	--	2,97,000	2,97,000	3,39,583	(+) 42,583
Voted	1563,47,00,000	--	1563,47,00,000	1532,68,35,448	(-) 30,78,64,552
4	Revenue – Working Expenses – Repairs and Maintenance of Permanent Way and Works				
Charged	--	65,14,000	65,14,000	1,22,05,681	(+) 56,91,681
Voted	3156,58,94,000	--	3156,58,94,000	2976,71,07,739	(-) 179,87,86,261
5	Revenue – Working Expenses – Repairs and Maintenance of Motive Power				
Charged	--	--	--	--	--
Voted	1743,71,60,000	--	1743,71,60,000	1614,32,63,430	(-) 129,38,96,570
6	Revenue - Working Expenses – Repairs and Maintenance of Carriages and Wagons				
Charged	--	--	--	4,87,252	(+) 4,87,252
Voted	3333,79,63,000	--	3333,79,63,000	3150,16,88,083	(-) 183,62,74,917
7	Revenue - Working Expenses – Repairs and Maintenance of Plant and Equipment				
Charged	--	1,32,000	1,32,000	5,55,077	(+) 4,23,077
Voted	1740,34,88,000	--	1740,34,88,000	1631,13,74,230	(-) 109,21,13,770
8	Revenue - Working Expenses – Operating Expenses – Rolling Stock and Equipment				
Charged	--	3,25,000	3,25,000	5,32,459	(+) 2,07,459
Voted	2824,19,50,000	--	2824,19,50,000	2638,47,89,567	(-) 185,71,60,433
9	Revenue - Working Expenses – Operating Expenses – Traffic				
Charged	10,00,000	--	10,00,000	24,80,779	(+) 14,80,779
Voted	6779,98,22,000	--	6779,98,22,000	6469,99,85,227	(-) 309,98,36,773
10	Revenue - Working Expenses – Operating Expenses - Fuel				
Charged	1,00,000	3,80,000	4,80,000	2,61,421	(-) 2,18,579
Voted	7513,49,33,000	--	7513,49,33,000	7419,26,88,531	(-) 94,22,44,469
11	Revenue - Working Expenses – Staff Welfare and Amenities				
Charged	--	1,37,000	1,37,000	1,51,231	(+) 14,231
Voted	1300,03,56,000	--	1300,03,56,000	1246,12,58,858	(-) 53,90,97,142

(In units of Rupees)

Number and name of the Grant/ Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Excess (+)/ Savings (-)
12	Revenue - Working Expenses – Miscellaneous Working Expenses				
Charged	22,66,23,000	17,02,16,000	39,68,39,000	34,69,56,641	(-) 4,98,82,359
Voted	1579,62,46,000	--	1579,62,46,000	1552,04,38,004	(-) 27,58,07,996
13	Revenue - Working Expenses – Provident Fund, Pension and Other Retirement Benefits				
Charged	1,02,92,000	--	1,02,92,000	94,58,532	(-) 8,33,468
Voted	6027,89,61,000	--	6027,89,61,000	5687,39,10,041	(-) 340,50,50,959
14	Revenue - Appropriation to Funds – Depreciation Reserve Fund, Development Fund, Pension Fund, Capital Fund				
Voted	9858,16,46,000	--	9858,16,46,000	10069,31,83,616	(+) 211,15,37,616
15	Dividend to General Revenues, Repayment of Loans taken from General Revenues and Amortisation of Over-Capitalisation				
Voted	2696,53,54,000	--	2696,53,54,000	2714,83,32,566	(+) 18,29,78,566
16	Assets – Acquisition, Construction and Replacement - Open Line Works – Revenue				
Charged	--	14,08,000	14,08,000	0	(-) 14,08,000
Voted	35,00,00,000	--	35,00,00,000	28,33,53,330	(-) 6,66,46,670
	Assets – Acquisition, Construction and Replacement - Other Expenditure – Capital				
Charged	6,75,00,000	4,24,67,000	10,99,67,000	13,85,09,193	(+) 2,85,42,193
Voted	16343,35,96,000	400,00,12,000	16743,36,08,000	16277,43,13,197	(-) 465,92,94,803
	Assets – Acquisition, Construction and Replacement – Other Expenditure – Railway Safety Fund				
Charged	--	--	--	--	--
Voted	450,00,00,000	44,000	450,00,44,000	164,07,09,388	(-) 285,93,34,612
	Assets–Acquisition, Construction and Replacement–Other Expenditure–Special Railway Safety Fund				
Charged	--	1,24,000	1,24,000	0	(-) 1,24,000
Voted	1249,30,00,000	146,03,34,000	1395,33,34,000	1486,84,41,948	(+) 91,51,07,948
	Assets – Acquisition, Construction and Replacement - Other Expenditure - Railway Funds				
Charged	59,00,000	--	59,00,000	40,10,358	(-) 18,89,642
Voted	3226,25,28,000	28,000	3226,25,56,000	2593,29,66,506	(-) 632,95,89,494
	Grand Total				
Charged	31,14,15,000	22,20,00,000	53,34,15,000	51,59,48,207	(-) 1,74,66,793
Voted	71682,49,97,000	546,04,18,000	72228,54,15,000	69498,37,61,855	(-) 2730,16,53,145
Grand Total					
Charged+Voted	71713,64,12,000	568,24,18,000	72281,88,30,000	69549,97,10,062	(-) 2731,91,19,938

CHAPTER 2: EARNINGS

2.1 Incorrect application/ non-observance of rules

2.1.1 South Eastern Railway: Non-revision of siding charges

Non-revision of siding charges in respect of electric locomotives used for placement/ removal of wagons resulted in short-realisation of Rs.32.86 crore

A comment about the non-revision of siding charges in respect of electric locomotives used for placement and removal of wagons in case of 17 colliery sidings resulting in short recovery of Rs.24.67 crore was made in Para 2.1.1 of the Report of the Comptroller and Auditor General of India (Railways) for the period ended 31 March 2001.

Further scrutiny of records revealed that Railway Administration has initiated action to revise and recover the siding charges in respect of these sidings based on All India Engine Hour Cost (AIEHC) applicable for electric locos used for placement and removal of wagons. They, however, failed to revise the siding charges in respect of three more colliery sidings viz. Old Kusmunda, Rajnagar R.O. and New Rajnagar siding electrified and commissioned between November 1997 and April 1998. The siding charges were being recovered at the rates fixed for diesel locomotives.

The siding charges in respect of these 3 sidings based on AIEHC for electric locomotive as assessed by Audit works out to Rs.35.66 crore for the period January 1998 to December 2002.

The matter was brought to the notice of Railway Administration in April 2003 and Railway Board in September 2003. During discussion held on 9 October 2003, the Railway Administration stated that the siding charges at Electric Engine rate have since been levied with effect from 1 November 2002 in respect of old Old Kusumunda and from 1 August 2002 in respect of New Rajinder and Rajnagar R.O. siding. Consequently, the revised assessed loss works out to Rs.32.86 crore for the period January 1998 to October 2002. Reply from Railway Board has not been received (February 2004).

2.1.2 Northern and Western Railways: Loss due to delay in revision of haulage rates

Undue delay in revision of haulage rates recoverable for traffic of CONCOR resulted in loss of revenue amounting to Rs.14 crore

A comment on 'loss of revenue due to delay in revision of haulage charges recoverable for CONCOR traffic' was made in paragraph 3.1.9 of the Report of Comptroller and Auditor General of India - Union Government (Railways) for the year ended 31 March 1999. In the Action Taken Note (ATN), Railway Board stated that pricing policy being a complex and market sensitive issue, various relevant factors such as what the market can bear, CONCOR's competitiveness with road, rail freight hike, costing parameters, escalation

factors etc., have to be taken into account. In order to take a well-balanced decision, they have to consult all concerned directorates of the Railway that causes the delay. Audit vetted ATN with the remarks that since the haulage charges are revised from a pre-determined date, related activities should be programmed in such a way that the revisions could be effected from the due date.

Audit scrutiny of records of Railway Board revealed that the process of revision of haulage rates for the year 2002-03 was started in January 2002. The proposal for revision of rates remained under consideration with Freight Marketing, Traffic Transportation, Commercial and Finance Directorates of the Railway Board till 16 July 2002 when the rates were finalised and put up for approval of the Member Traffic (MT). The MT did not agree with the rates concurred by Finance and forwarded his views to Finance Commissioner. The matter was further delayed for about 4 months and ultimately a notification for revising the rates provisionally was issued on 22 November 2002.

Since the Railway Board was unable to take a decision on the revision of rates before due date i.e. 1 April 2002, provisional rates should have been notified immediately instead of doing so after lapse of eight months from the due date. The delay in notifying the provisional rates resulted in loss of Rs.14.00 crore on two Railways alone (Rs.3.57 crore on Western Railway and Rs.10.43 crore on Northern Railway) during 1 April 2002 to 21 November 2002.

The matter was brought to the notice of Northern and Western Railway Administrations in April 2003 and May 2003 respectively. Northern Railway stated in September 2003 that reply for delay in revision could be given only by Railway Board. The matter was brought to the notice of Railway Board in October 2003. They stated in December 2003 that there was no increase in the Railway's freight rates and also that when the matter of revision of haulage rates was under review, CONCOR had requested not to increase the rates for the year 2002-03. Moreover, certain technical factor like 'marshalling and wagon turn round' which affect the full distributed cost were involved. The reply is not tenable because even after delay of about eight months the haulage rates were fixed provisionally by adopting the pre-determined formula of recovering fully distributed cost plus profit margin.

2.1.3 Northern Railway: Non-recovery of haulage charges

Failure of the Railway Administration to recover haulage charges from CONCOR in respect of containers hauled empty along with loaded rakes resulted in a loss of Rs.1.38 crore for the period April 2000 to October 2002
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Rates of haulage charges to be recovered from Container Corporation of India (CONCOR) for movement of container traffic both in loaded and empty directions are notified by the Railway Board every year.

A review by Audit of Train Summaries for the period from April 2000 to October 2002, prepared by CONCOR in respect of Kharia Khangarh and Gotan stations of Northern Railway revealed that out of 19098 TEUs (twenty feet equivalent units) received at these stations for loading, 15520 TEUs were

loaded and the remaining 3578 TEUs were despatched empty to Tughlakabad along with the loaded units. A further scrutiny indicated that out of these empty TEUs, 1316 units were not loaded due to defects in the containers and 643 units were not loaded because these were positioned outside the platform. The reasons for not loading the remaining 1619 TEUs were not on record.

The haulage charges of Rs.1.38 crore in respect of 3578 TEUs hauled empty were not recovered from CONCOR.

The matter regarding non-recovery of haulage charges was brought to the notice of the Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

2.1.4 North Western and: *Loss due to delay in revision of minimum weight condition*
Northeast Frontier Railways

Failure to revise the Minimum Weight Condition of 'Mustard Oil' and 'Bamboo' consignments resulted in the loss of revenue amounting to Rs.4.29 crore

As per Indian Railway Conference Association, Goods Tariff, commodities are subjected to certain minimum chargeable weight per four wheeled wagon depending upon their loadabilities. Rule-164 (2) provides that when commodities for which minimum weight condition (MWC) is 180 quintals and below per four wheeled wagon, MWC of the same commodity when loaded in BCX/BCN/ BCNA (8-wheeler) wagons should be twice that prescribed for a four-wheeled Broad Gauge (BG) wagon. MWC for 'Mustard Oil' and 'Bamboo cuts, chips and splints' is 110 quintals per four-wheeled BG wagon and 220 quintals per 8-wheeled BCX/BCN/BCNA wagon.

In November 1984, Railway Board instructed the Zonal Railways that there should not be any undue delay in processing the case for upward revision of MWC if it comes to their notice that the commodity could be loaded to a weight much higher than the prescribed MWC. Pending revision of the weight condition, Zonal Railways were also required to instruct the loading stations to levy freight charges on the basis of actual weight arrived at by either weight or computation.

(i) North Western Railway:

Audit scrutiny of records of Bharatpur station (now in West Central Railway) revealed (November 2002) that there was regular booking of 'mustard oil' in tins loaded in BCN/BCNA wagons. It was noticed that against the prescribed MWC of 220 quintals, in 98 percent cases (447 out of 455), the eight wheeled wagons were loaded with weight ranging from 225 quintals to 383 quintals thereby establishing the fact that the MWC prescribed in the Goods Tariff was very much on the lower side. As the prescribed MWC was only 220 quintals, most of the consignors were loading the wagons only up to 220 quintals thereby not utilising them to the optimal capacity resulting in loss of revenue through wastage of space. Though the matter was brought to the notice of local Railway Administration in November 2002, North Western Railway

(NWR) Administration took almost six months to revise tentatively the MWC of 'mustard oil' for six months to 160 quintals for 4 wheel BG wagon (320 quintals for eight wheel wagons) with effect from 15 June 2003.

Failure of Railway Administration to take early action to revise the MWC resulted in under utilisation of capacity of wagons and consequential loss of Rs.2.74 crore during April 2001 to March 2003 in respect of 'mustard oil' traffic booked from Bharatpur, Alwar and Kanakpura stations.

The matter was brought to the notice of Railway Administration in May 2003 and Railway Board in August 2003. WC Railway Administration stated (September 2003) that they had revised the MWC with effect from 1 September 2003 and requested Railway Board for notification. During discussion on the para (October 2003), NWR Administration stated that their Railway came into existence only from October 2002 and that MWC has been revised provisionally from 15 June 2003. The replies are not tenable because Railway Administrations are yet to conduct test weighments and recommend finally to Railway Board for revision of MWC so that further loss on other Railways can be avoided.

(ii) Northeast Frontier Railway:

Scrutiny of records in audit revealed that paper mill sidings served by Jagiroad were in regular receipt of traffic of Bamboo cuts, chips and splints, booked on the basis of senders' declared weight. Though a weighbridge is provided at Rangapani (RNI), an enroute station, the wagons of this traffic were never weighed and the destination station was accepting the weight on the basis of Railway Receipts (RRs). A reference to records maintained by Hindustan Paper Corporation (HPC) siding, however, revealed that the weight loaded per 8 wheel wagon (as received by the party) was ranging from 222 quintals to 279 quintals. This indicated that the loadability of commodity Bamboo cuts, chips and splints was much more than the prescribed MWC and required upward revision.

Examination of records of six other stations [Sorbhog (SBE), Pathshala (PBL), Basugaon (BSGN), Barpeta Road (BPRD), Gosalgaoon Hat (GOGH) and Chaprakata (CPQ)] also revealed that weighment facility was not available with booking stations and senders' declared weight was being accepted for charging freight.

In this connection, the following comments arise:

- (a) As is evident from the records of M/s. HPC siding, the weight loaded in most of the wagons was much more than the MWC of 220 quintals per 8 wheel wagon. Since the Railway was recovering freight on the basis of senders' declared weight, which was limited to MWC of wagon, the Railway was being deprived of the freight for the weight loaded and carried over and above 220 quintals.
- (b) As the actual loadability of 8 wheel wagon is much more than the prescribed MWC, there was an ample scope for revising the same.

Had the MWC of commodity Bamboo cuts, chips and splints been revised to 240 quintals, Railway Administration could have avoided loss of Rs.1.55 crore during April 2000 to March 2003.

The matter was brought to the notice of Railway Administration in May 2003 and Railway Board in September 2003. Railway Administration stated (November 2003) that they had conducted extensive surveys and test-weighments of Bamboo-Chips, Cuts and Splints traffic during 1978 onwards upto 1988-89 to fix reasonable MWC for this commodity booked from this Railway.

The reply is not tenable. Audit findings suggest the need for conducting fresh surveys and test-weighments to refix the MWC and avoid recurring loss to Railways.

Reply from Railway Board has not been received (February 2004).

2.1.5 Eastern Railway: Non-declaration of trains as 'superfast'

Non-inclusion of trains in the category of 'superfast' trains in spite of their fulfilling the prescribed criteria led to loss of revenue of Rs.1.57 crore

Railway Board instructed (September 1993) all Zonal Railways that the average speed of minimum 55 kmph on Broad Gauge (BG) and minimum 45 kmph on Metre Gauge (MG), separately in both directions, would be the criteria to categorise a train as 'superfast' for levy of supplementary charge on passenger tickets. The average speed is to be calculated by dividing the end to end distance by the total journey time taken. In September 1998 the Railway Board empowered the Zonal Railways to declare themselves the train as 'superfast' if it fulfilled the above criteria under intimation to Railway Board. Further, the Railways were directed to send a detailed proposal giving justification if they did not find it desirable to classify a train fulfilling the speed criteria as 'superfast' for consideration of Railway Board.

A review by Audit revealed that the average speed of four trains, viz. Santiniketan Express, Agnibina Express, Black Diamond Express and Coal Field Express which originate from Howrah station is more than 55 kmph in both directions.

No action has, however, been taken by Railway Administration to declare these trains as 'superfast' to enable them to levy supplementary charges on passenger tickets of these trains. Detailed justification for not classifying these trains (which fulfilled the speed criteria) as 'superfast' was also not sent for consideration of Railway Board.

An assessment in audit revealed that Eastern Railway Administration could have earned Rs.1.57 crore by levying supplementary charges on passenger tickets sold for reserved accommodation alone in respect of trains at Sl. Nos. 1 to 3 from April 2001 to March 2003 and in respect of train at Sl. No.4 from July 2001 to March 2003. In respect of trains at Sl. Nos. 1 to 3 the earnings could have been more for the earlier period also since they were running at the speed of more than 55 km per hour in both the directions even before April 2001. The Railway will continue to incur loss till corrective action is taken.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and September 2003 respectively and their reply has not been received. (February 2004).

2.1.6 Southern Railway: Failure to adopt actual tare weight

Failure of the Railway Administration to follow the directives of Railway Board to take into account the variation in tareweight found on actual weighment and the tareweight stencilled on the wagons resulted in undercharges of Rs.1.34 crore

Iron and Steel consignments are normally transported in BOXN, BRN, BRH and BOX wagons. In terms of Rate Advice No.9 of 2001 of Southern Railway, the permissible carrying capacity of these wagons for iron and steel consignments is the marked carrying capacity (CC) plus 2 tonnes in respect of BOXN, BRN and BRH wagons and marked CC plus 3 tonnes in respect of BOX wagons.

CC of the wagons, together with the tareweight, is stencilled on the wagons. Rule 2.4.2 of Indian Railways Conference Rules Part III requires the Railways to correct the tareweight of wagons of other Railways at any station equipped with a weighbridge, when the difference between the actual and marked tareweight of the wagon is 0.2 tonnes or more. Since the marked CC is arrived at by deducting the tare weight from the gross load of a wagon, changes in tareweight of the wagons cause a corresponding change in the marked CC. This would also affect the freight to be charged on consignments having minimum weight condition as CC.

The Board permitted (August 1987) the steel plants to tareweigh empty wagons supplied to them for loading. The permission was extended from time to time and the last such extension conveyed (September 2002) was for the period upto August 2003.

Cases involving levy of freight charges without taking into account the lower tare weight noticed in weighments made by the steel plants were taken up in 1994 and 1998 with the Railway Administration. The Railway Administration had contended (March 1996/ January 2001) that:

- (i) The matter had been referred to Chief Mechanical Engineer, Madras and Chief Commercial Managers of other Zonal Railways for necessary corrective action.
- (ii) The Board had been addressed in the matter.

In July 2001, the Railway Board directed the Railways to take into account the variation in tare weight while arriving at the payload of loaded wagons.

Railway Receipts (RRs) pertaining to iron and steel consignments received at six stations viz., VSPT, SAIT, BYPL, TPGY, CSAS and PLMD on Southern Railway during 2000-01 to 2002-2003 were reviewed. It was observed that though the RRs contained details of stencilled CC, stencilled tareweight and the actual tareweight the charges were levied on the basis of the marked

tareweight only resulting in loss of Rs.1.34 crore during 2000-01 to 2002-03. The loss would be more if the position on other stations is taken into account.

The matter was brought to the notice of the Railway Administration in June 2003 and Railway Board in September 2003. Railway Administration, with the approval of the Railway Board accepted (December 2003) the audit contention that failure to utilise the actual tare weight particulars available in invoices had resulted in the non-recovery of charges amounting to Rs.1.34 crore. It was also stated that action was being taken to advise the stations on Southern Railway to assess the undercharges and arrange for realisation thereafter.

2.1.7 Central Railway: Loss due to delay in realisation of freight

Failure of the Railway Administration to observe the rules for booking of paid traffic and realisation of freight has resulted in loss of Rs.1.82 crore due to non-levy of 'To Pay' surcharge

As per provisions of para 1451 of the Indian Railway Commercial Manual, Volume-II, Railway Receipts (RRs) should be prepared as soon as freight and other charges have been collected and given to the sender when the loading is completed to the satisfaction of the Railways. There should not be any undue delay in the issue of RRs to the consignors and these must be made over to them on the very day on which the consignments have been booked and loaded. At large stations where it is not feasible to do so, the Divisional Commercial Superintendent may permit the issue of RRs not later than the day following the day of acceptance of loading of goods.

In October 1998, Railway Board had clarified that in cases, where the freight charges on traffic offered for booking on prepayment basis were not paid by the consignor in time, Railway Staff should issue 'To Pay' RRs and levy the applicable surcharge.

Audit scrutiny of records of Bharat Petroleum Siding, Trombay revealed (December 2002) that the consignments of POL traffic were accepted for booking on freight prepayment basis. The RRs were, however, not being issued on the same day as the freight was not paid. There was delay of 1 day to 19 days in issue of RRs and collection of freight. Despite delay in payment of freight by the consignors, the station staff was neither issuing 'To Pay' RRs nor levying surcharge as required in Board's orders of October 1998.

The failure of the Railway Administration to observe the rules for booking of paid traffic and realisation of freight has resulted in loss of Rs.1.82 crore due to non-levy of 'To Pay' surcharge for the period April 2000 to March 2003.

The matter was brought to the notice of Railway Administration in May 2003. In their reply given November 2003, they stated that the RRs were issued only after completion of loading and in some cases, due to non-supply of requisite number of wagons the loading was not treated as complete till the message regarding non-availability of remaining wagons was received from operating department and the rake was moved. The reply is not tenable because in the cases pointed out by Audit, despite the fact that loaded rakes had already been

moved, the RRs were not issued due to non-payment of freight immediately on completion of loading.

The matter was brought to the notice of Railway Board in September 2003 and their reply has not been received (February 2004).

2.1.8 Northern Railway: Non-recovery of Military Traffic dues

Delay in revision of special contract rates in respect of military traffic and failure in raising arrear bills resulted in non-realisation of Rs.1.31 crore

As per Rule 102 of the Indian Railway Military Tariff No.6 Volume I, contract rates are special rates chargeable to the Ministry of Defence. These rates are fixed by Railway Board on yearly basis and are given effect from 1st day of April every year.

The revised special contract rate effective from 1st of April for the years 1999-2000, 2000-01 and 2001-02 were notified by Railway Board on 11 August 1999, 12 September 2000 and 6 September 2001 respectively. Copies of notifications of revised rates were duly endorsed to Traffic Accounts office.

These revised rates at the Railway booking points were given effect from the dates of their issue. Bills on account of arrears representing difference between the rates chargeable from 1 April 1999 to 10 August 1999, 1 April 2000 to 11 September 2000 and 1 April 2001 to 5 September 2001 and the rates actually charged during these periods were to be preferred by Traffic Accounts Office.

A review by Audit (December 2001) of records in Traffic Accounts Office relating to Military Traffic booked to and from 14 stations/ sidings of Northern Railway revealed that bills on account of arrears for the above mentioned periods had not been preferred by the Traffic Accounts office against the Ministry of Defence.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and September 2003 respectively.

The Railway Administration, with prior approval of Railway Board, stated (January 2004) that:

- As per Military Tariff No.6, Vol.I, Rule No.126(3), adjustments of undercharges arising out of errors in rates or calculations in respect of Military Traffic can be made by Accounts Department.
- An amount of Rs.45.78 lakh (Rs.0.46 crore) has already been billed (including Rs.0.14 crore billed during internal check). An amount of Rs.67.74 lakh (Rs.0.68 crore) has been referred to other Railways for verification and necessary recovery.

The reply is not tenable because:

- The arrears in question did not arise out of any error in rates/ calculations at the booking points. It was an arrear arisen out of delay in notifying the revised rates effective retrospectively from 1 April every year and should have been recovered by Accounts Department by reviewing the rate circulars. Out of Rs.1.31 crore pointed by Audit, Accounts Department detected only Rs.0.14 crore during internal check. Delay in notification of

revised rates could result in such arrears again. Avoiding such delays in notification of revised rates effective from 1 April each year may be considered by Railway Board.

- Reply does not mention whether any amount has been recovered from the amount billed (Rs.0.46 crore) against Defence Department or referred to other Railways for verification (Rs.0.68 crore). The para is silent about the balance Rs.0.17 crore.

2.2 Routing/ distances

2.2.1 *North Eastern and Northern Railways* *Loss due to haulage of traffic by longer route*

Charging of cement traffic by shorter route and carrying it invariably by longer route resulted in loss of Rs.7.71 crore

Rule 125 (1) of Goods Tariff Pt.I (Vol.I) provides that unless there are specific instructions in writing from the sender or his authorised agent to the contrary, goods would be despatched by the route operationally feasible and freight charged by the shortest route.

Deoria Sadar (Goods) is a station in Varanasi Division of North Eastern Railway. There is a regular flow of cement to this station from Keymore siding, Maihar cement siding, Hinota Ramvan, Turki Road etc. on Central Railway. The route from these originating stations to Deoria Sadar via Naini – Kanpur – Barabanki is longer by 387 to 422 kms. than the route from these stations via Naini – Varanasi – Bhatni. The line capacity utilisation of the longer route was upto 158 per cent against 85 per cent line capacity utilisation of the shorter route. The longer route was, therefore, more congested than the shorter route.

During audit of accounts (May 2001) of Deoria Sadar, it was noticed that while 100 per cent of cement traffic from these stations to Deoria Sadar was being booked and charged for by the shorter route via Naini – Varanasi – Bhatni, it was actually being carried over the longer route via Naini – Kanpur – Barabanki. This was resulting in considerable loss to Railways.

When the matter was taken up (April 2002), the North Eastern Railway Administration admitted (March 2003) that all the 332 cement rakes (100 per cent) were booked and charged via the shorter route but were actually carried by longer route. However, they argued that cement traffic was being carried by the longer route by Central and Northern Railways. A further query by Audit revealed (October 2003) that the cement traffic in question was being diverted after Naini to longer route via Kanpur – Barabanki by Northern Railway.

Thus, failure of Northern Railway to route through traffic by the booked shorter route and of North Eastern Railway to point out the serious irregularity resulted in avoidable extra cost of Rs.7.71 crore on extra haulage of cement

traffic over longer route for the period April 2000 to March 2003. The loss will continue occurring till the irregularity is rectified.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

2.2.2 Eastern Railway: Notification of incorrect distances for charge

Adoption of incorrect chargeable distances in respect of five stations on Eastern Railway led to undercharge amounting to Rs.6.72 crore

Local Distance Table of Eastern Railway in force from 1 January 1995 contained distances for charging goods traffic in local booking only, between stations on Eastern Railway system, except for five stations viz. Sealdah, Chitpur, Cossipore Road, Ultadanga Junction and Kidderpore (KP) Dock, for which the distances between Howrah were to apply. Traffic booked to these five stations from any station beyond Bardhaman of Eastern Railway is carried through the shortest route via Howrah-Bardhaman chord upto Dankuni and from Dankuni to these stations through Dum Dum Junction (avoiding Howrah). The length of the portion between Dankuni and Howrah (not traversed) is 15 kms., while the distances actually traversed to reach these destinations from Dankuni to Sealdah/Chitpur/Cossipore Road/ Ultadanga Junction is 22 kms and Dankuni to KP Dock is 36 kms.

While the freight was charged for the shortest distance (i.e. for Howrah via Dankuni), in respect of traffic to these stations, the distances actually traversed to reach the five destinations were more than the distances charged. Thus, there was an undercharge for a distance of 7 kms. [22 (-) 15] each in respect of traffic booked to Sealdah, Chitpur, Cossipore Road and Ultadanga Junction and for a distance of 21 kms. [36 (-) 15] in respect of KP Dock.

Review of local traffic booked to the above five stations from different stations of Eastern Railway beyond Bardhaman revealed that during January 1996 to December 2002, 71,81,699.83 MT of different consignments (Stone chips, Coal, Steel, Cement) were booked to these stations involving undercharge of Rs.6.72 crore due to incorrect chargeable distances.

When the matter was taken up in March 2001 and in May 2002, the Railway Administration issued (10 December 2002) an erratum revising the Local Distance Table in force from January 1995 and Junction Distance Table No.3 in force from 1 April 1990. The Railway Administration also instructed the station staff to add 7 kms/ 21 kms respectively to the distance to and from Howrah for distances to and from stations mentioned above with effect from 11 December 2002 thereby vindicating the audit point.

Had the erratum been issued soon after the matter was brought to the notice of Railway Administration in March 2001, undercharge of at least Rs.1.51 crore for the period April 2001 to 10 December 2002 could have been avoided.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and July 2003 respectively and their reply has not been received. (February 2004).

2.2.3 Eastern Railway: Incorrect charging of distance and non-realisation of special detention charges

Failure of Railways to include longer route in the rationalisation scheme and realise special detention charges led to a loss of Rs.1.45 crore

(A) Railway Board directed (May 1999) Eastern Railway to restore Petrapole-Benapole Broad Gauge (BG) Railway line between Eastern Railway (India) and Bangladesh Railway. The Divisional Railway Manager, Sealdah informed (June 1999) the Chief Commercial Manager, Eastern Railway that all goods traffic towards Bangladesh via Petrapole would be moved through Ranaghat-Bongaon section instead of via shorter route of Dum Dum-Bongaon section in order to complete formalities of customs clearance at Ranaghat. He, therefore, requested to refer the matter to Railway Board for its inclusion under rationalisation scheme before issuing rate circular for Bangladesh traffic. Despite this, a circular was issued (December 1999) showing the chargeable distance via Bongaon-Petrapole-Benapole as per the shorter route (i.e. Dum Dum Junction-Barasat-Bongaon-Petrapole). The above section was reopened for movement of goods traffic from 4 July 2000. The traffic to Petrapole via Ranaghat involved an additional distance of 31 kms over the charged distance (Dum Dum Junction-Barasat-Bongaon-Petrapole).

Audit scrutiny of records revealed that failure of Railway Administration to get this longer route included in the rationalised scheme resulted in undercharging of freight leading to loss of revenue to the tune of Rs.0.73 crore during the period July 2000 to March 2003. The Railway will continue to incur loss till remedial measures are taken.

(B) Para 11 (b) of commercial circular issued (December 1972) for booking and receipt of traffic to and from Bangladesh, stipulated that a special detention charge should be levied on consignments detained by Customs Authorities beyond a specified period on account of the party's fault to fulfil the customs formalities and recovered at the customs checking station itself.

Scrutiny of records revealed that Naihati was a nominated customs checking station. In February 1996, the Railway Administration informed all concerned about the decision of Commissioner of customs, West Bengal, to shift custom operations from Naihati to Ranaghat Railway station with effect from 1 March 1996. The Railway Administration, however, failed to make necessary arrangement for collecting the special detention charge at Ranaghat. The consignments were being released without realisation of special detention charges due from the parties at fault. As there was no goods office at Ranaghat, the particulars of special detention charges were being intimated to Naihati goods office from time to time by the office of Train Examiner, Ranaghat. These charges were being accounted for in the station balance sheet of Naihati goods office. It was noticed from the balance sheet of Naihati goods office that out of Rs.1.09 crore billed for as special detention charges upto January 2003, Rs.0.16 crore were realised and Rs.0.21 crore were waived leaving a balance of Rs.0.72 crore. There is little scope for realisation of the same from the parties as the consignments had long ago been released to Bangladesh.

Thus, Railway Administration's failure to include longer route in the rationalised scheme and realise special detention charges at the customs checking station led to a loss of Rs.1.45 crore [Rs.0.73 crore (+) Rs.0.72 crore].

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

2.2.4 Northern Railway: Non-observance of rating/routing orders

Non-observance of rating and routing instructions of Railway Board resulted in undercharge of Rs.1.13 crore during April 2001 to February 2003

According to General Order No.1 of 2000 (effective from 1 December 2000) issued by Railway Board, food grains traffic from stations of Northern Railway to stations on Chheeki-Jabalpur section of Central Railway was to be booked, routed and charged via Chheeki while traffic to stations reached via New Katni-Bilaspur, Bilaspur-Rourkela, Bilaspur-Gondia and Bilaspur-Vizianagaram (excluding) sections of South Eastern Railway was to be booked, routed and charged via Chheeki-Katni. Similarly, traffic for stations of South Eastern Railway reached via Kharagpur-Waltair section and Cuttack was to be booked, routed and charged via Mughalsarai-Gomoh section and Barang-Kapilas Road bye-pass avoiding Cuttack respectively.

A review by Audit of outward traffic of 36 stations on Northern Railway, inspected from time to time, revealed that food grain traffic from these stations to various stations on Central and South Eastern Railways during April 2001 to February 2003 had not been booked and charged by the routes specified in the above mentioned General order.

Thus, failure of the station staff to observe rating and routing instructions issued by Railway Board resulted in short collection of revenue amounting to Rs.1.13 crore during April 2001 to February 2003.

The matter was brought to the notice of Railway Administration in May 2003.

The Railway Administration in their reply of September 2003 and during discussion held in October 2003 stated that:

- (i) Out of undercharge of Rs.1.13 crore pointed out by Audit, an undercharge of Rs.0.22 crore had already been pointed out by Inspectors of Commercial Branch and advised to Accounts Office.
- (ii) The remaining undercharges had been/were being advised to the concerned Railways for recovery.

The reply is not tenable because Railway Administration did not furnish to Audit details of undercharge stated to have been detected by Inspectors of Commercial Branch and of those advised to the concerned Railways for recovery. Railway Administration also did not spell out whether there was any system in place to monitor and ensure recovery of such undercharges advised to the concerned destination Railways.

The matter was brought to the notice of Railway Board in September 2003 and their reply has not been received (February 2004).

2.3 Demurrage/ detention

2.3.1 Northern Railway: Excessive detention to wagons in Terminal Goods station

Failure of the Railway Administration to avoid excessive detention to wagons beyond detention targets fixed on operational requirements resulted in loss of earning capacity of wagons to the tune of Rs.26.15 crore

One of the most important parameters for judging the efficiency of a yard or a terminal goods station is the effectiveness of control over detention to wagons at various levels of operations. Detention to wagons beyond reasonable operational requirements leads to delays in loading, unloading and despatch of wagons/ rakes and consequential adverse effect on productivity of wagons. With a view to minimising the detention to wagons, the detention targets, beyond which detention to wagons should not exceed, are fixed by Railways and approved by Railway Board.

The target fixed by General Manager, Northern Railway for average detention to "All Wagons" handled in the terminal Goods Station (TGS), Varanasi (BSB) was 16 hours per wagon (reckoned from the time of receipt of a wagon into the yard to the time of its despatch from the yard).

An audit scrutiny of records of Operating Branch about detention targets fixed and achieved in respect of terminal goods station Varanasi revealed that the percentage of wagons detained was very high. Out of 1,36,611 wagons handled during 1998-99 to 2002-03 (January 2003), 1,29,406 wagons (94.72 percent) were detained beyond the permissible hours. The average detention per wagon during this period of 5 years was 49.77, 45.92, 37.85, 33.11 and 32.03 hours respectively. Although, the average detention per wagon decreased from 49.77 hours (1998-99) to 32.03 hours (2002-03), the average detention in 2002-03 was still 100 percent more than the permissible average limit of 16 hours per wagon. These 1,29,406 wagons suffered a detention of 31,89,911 hours (1,32,912 days) in excess of permissible. All wagon' detention target.

The matter of abnormal detention leading to loss of earning capacity of Rs.26.15 crore was taken up with the Divisional Railway, Lucknow (November 2002). The Divisional Railway, stating (December 2002) that the efforts would be made to minimise the detention attributed it to delay in arranging power & crew and poor condition of track between Varanasi station and the siding of Food Corporation of India (FCI).

The reply is not tenable because:

- (i) The detention targets are fixed after taking in to consideration all the above aspects. Delays in providing power and crew leading to abnormal detention to wagons reflects poor co-ordination and management by the Operating and Mechanical Departments.
- (ii) The volume of FCI traffic dealt with between Varanasi station and FCI siding was insignificant (11,274 wagons during June 1999 to February 2003).

The matter was brought to the notice of Railway Administration in May 2003 and Railway Board in September 2003 but their reply has not been received (February 2004).

2.3.2 Western Railway: Heavy detention to Oil Tank Wagons at Railways' fuelling installation

Failure of Railway Administration to take action to augment storage capacity of Nandurbar fuelling installation resulted in heavy detention to oil tank wagons and consequential loss of earning of Rs.11.74 crore

Considering the difficulties in piecemeal movement of tank wagons and abnormal detention, Railway Board directed all Zonal Railways (July 1994) to undertake a review of the existing diesel loco fuelling installations and draw up a time bound action plan for augmentation of the storage capacities of fuelling installations where the requirement of HSD oil was sizeable so that at least half a rake can be unloaded at a time. As per existing orders, a standard rake contains 70 four wheeled tank wagons.

Audit scrutiny of Nandurbar fuelling installation of Mumbai Division, Western Railway revealed (March 2002) that the daily requirement of HSD Oil at this installation was approximately 70 kilolitres (KL). The total storage capacity since April 1995 was 560 KL. A four wheeled tank wagon contains about 22 to 23 KL. Thus at a time 24 to 25 wagons can be unloaded provided there is no fuel in the storage tanks. Rakes consisting of 22 to 47 HSD oil tank wagons containing HSD oil ranging from 506 KL to 1081 KL were regularly received at this installation. Due to non-availability of sufficient storage capacity and also due to the fact that despatch of wagons to this installation was not prudently regulated, almost all the wagons were suffering detention. However, no action was taken to augment the storage capacity as desired by Board in 1994. During the period May 2000 to March 2003, 116 rakes suffered a total detention of 51164 days (excluding 5 hours free time) resulting in loss of earning capacity of Rs.11.74 crore.

Thus, the failure of Railway Administration to take action for augmentation of storage capacity at Nandurbar fuelling installation resulted in heavy detention to oil tank wagons and consequential loss of earning of Rs.11.74 crore.

The matter was taken up with the Railway Administration and Railway Board in May 2003 and September 2003 respectively. Railway Administration with the approval of Railway Board stated in January 2004 that the augmentation of storage capacity of HSD oil was not considered because of impending work of electrification of Udhna – Jalgaon section. Moreover, considering other economics of rake movement, full rakes of HSD oil tank wagons were supplied instead of restricting the rake size to 9 wagons to match the decanting capacity at Nandurbar. The reply is not based on facts. In fact the oil was not being supplied in full rakes and, therefore, the so called economical advantage of supplying full rakes was not being achieved. Moreover, the supply was not regulated as per requirement and most of the times, fresh supplies were received even when the wagons received previously were yet to be decanted.

2.3.3 Western Railway: Erroneous despatch of wagons to Workshop

The failure of the operating staff to follow the rules for handling the wagons in yards and erroneous despatch of fit wagons to Workshop resulted in avoidable detention and consequential loss of earning capacity amounting to Rs.8.71 crore

Wagons requiring heavy repair which can not be attended to in the sick line in a yard as also wagons due for Periodical Overhauling (POH)/ Routine Overhauling (ROH) are sent to Workshops earmarked for these activities. No wagons other than the wagons requiring repair/POH/ROH should be sent to workshop. In order to facilitate proper identification of wagons due for POH, next due date of POH is marked on each and every wagon. Carriage & Wagon Staff (CWS) and Train examination (TXR) staff are required to mark the wagons due for POH as also the wagons requiring repair for sending them to the nearest nominated workshop. The operating staff segregates such wagons from the rest and despatches them to the Workshop.

Audit scrutiny of records of Wagon Repair Workshop, Kota on Western Railway revealed (November 2002/ February 2003) that out of 20230 wagons received in the Workshop during 2000-01 to 2002-03 (January 2003), 4420 wagons (21.85 per cent) were neither due for POH/ROH nor required any repair. Hence these wagons were returned for traffic use after detention from 1 to 161 days in the Workshop. The despatch particulars in respect of 3593 wagons made available to Audit revealed that these wagons suffered avoidable detention of 19393 days and consequential loss of earning capacity of Rs.8.71 crore besides unnecessary to and fro haulage which could not be worked out for want of sufficient details.

The matter having been taken up with the Workshop authorities in January 2003, it was stated by them in March and May 2003 that operating staff was sending all the wagons, irrespective of whether the same were marked for POH/ROH or repair, to the Workshop to avoid shunting.

The matter was taken up with Railway Administration in May 2003 and with Railway Board in August 2003. Railway Administration with the approval of Railway Board stated (December 2003) that due to closure of marshalling yards, reformation of rakes after detaching wagons due for POH has become difficult. It was also stated that due to non-availability of loop lines at most of the stations, detachment of wagons due for POH from the rakes would involve use of main lines and result in detention to trains and loss of earnings. Railway Administration with the approval of Railway Board again stated in December 2003 that in a number of cases it is operationally disruptive to carry out shunting to form rakes of wagons due for POH and thus in the interest of efficient operations, rakes sent to Workshops also contain wagons not due for POH. The argument is not tenable because with an ostensible view to avoid detention to trains on mainline, for which adequate evidence has not been provided, Railway Administration in fact caused heavy detention to fit wagons at the workshop.

2.3.4 Southern Railway: Detention to wagons received for POH at CW, PER

Abnormal detention to wagons at CW/PER, before being taken up for POH resulted in delay in their release for traffic use and caused loss of earning capacity of Rs.8.63 crore

One of the major activities of Carriages and Wagons Workshop/ Perambur (CW/ PER) is the POH of wagons. Wagons (Broad Gauge), terminating on Southern Railway and found due for POH are sent to CW/ PER.

In Paragraph No.7 (g) of Chapter V of Report No.10 of 1995 of the Comptroller and Auditor General of India, a comment was made on the detention to wagons in excess of three days before they are taken up for POH. In their Action Taken Note, the Ministry of Railways (Railway Board) had stated (August 1995) that steps had been initiated which should help in controlling the detention of rolling stock prior to POH.

Review in audit indicated that the claims made by the Railway Board had not fructified and abnormal detention to wagons before being taken up for POH at CW/ PER was continuing. This ultimately delayed their release for traffic use and caused loss of earning capacity. During the period 1999-2000 to 2002-2003, 627 wagons suffered abnormal detention of 37,921 wagon days (after allowing 3 days for waiting before being taken up for POH) at CW/ PER before POH, causing loss of earning capacity of Rs.8.63 crore.

When the matter was taken up with the Railway Administration (April 2003), they elaborated the infrastructural limitations in the workshop causing detention to wagons prior to their being taken up for POH. The matter was also taken up with Railway Board (September 2003). The Railway Administration, with the approval of Railway Board, replied (November 2003) that steps were taken to minimise detentions and that the shop's ineffective percentage was below the Railway Board's target. The complacency regarding achieving the Railway Board's target does not belie the fact of abnormal detentions to wagons and the resultant loss of earning capacity.

2.3.5 South Central Railway: Abnormal detention of wagons and liberal waiver of demurrage charges

Routine waiver of demurrage charges by Railway Administration resulted in customers not adhering to the time limits fixed for loading of wagons which in turn led to abnormal detention and loss of earning capacity of Rs.7.09 crore

As per rules, the normal free time allowed for loading the wagons in cement sidings is 9 hours (plus additional free time allowed for placement, removal etc.). Detention of wagons beyond this free time will attract levy of demurrage at the rates prescribed by Zonal Railways as a deterrent against detentions of Railway's Rolling stock. The demurrage levied can be waived by officers at different levels as per powers delegated to them, duly taking into account the factors for its accrual.

M/s. India Cement Ltd. siding served by Kalamalla station is situated on Gooty-Nandalur section of Guntakal Division. In May 1996 a Joint Time and

Motion Study was conducted by Railway Administration and the siding authorities to assess the infrastructural facilities available at Kalamalla siding and average time taken for loading activities. Railway Administration granted an additional free time of 5 hours for loading a 40 BCN rake and 4 hours for less than 40 BCN rake and other type of wagons.

Audit scrutiny of records at India Cement siding indicated that despite granting additional free time of 5/4 hours, during April 2000 to January 2003, out of 62,408 wagons, 61,323 wagons suffered detentions beyond the permissible free time. A total amount of Rs.1.46 crore was levied as demurrage charges out of which, an amount of Rs.0.99 crore (67.79 per cent) was waived.

When the matter was taken up with the Railway Administration in September 2001, the Railway Administration stated that demurrage charges were not a source of revenue and those charges were levied only as a deterrent for discouraging detentions to rolling stock. Further, the waivers were granted in exceptional circumstances as per rules in force after taking into account the reasons furnished by the cement company.

The arguments are not tenable. The deterrent effect of demurrage charges is completely lost due to liberal waivers. In fact, liberal and routine waiver on stereotyped reasons like voltage drops, non-availability of labour etc. encourage customers to view wagon detentions as a non-serious issue. The Public Accounts Committee (PAC) in its Hundred and forty eighth Report (1974-75) pointed out that large amount of accruals (21 to 27 per cent) and waiver of demurrage charges are indicative of serious malaise, which needs to be curbed more vigorously. The PAC also felt that the existing deterrents were not having the desired effect and hence there was need for more vigorous steps for curbing this evil which was as high as 67.79 per cent.

Similar scrutiny of records at Indian Cements Limited, Yerraguntla and Orient Paper & Industries Limited, Mandamari indicated that during April 2000 to January 2003, 39,821 wagons out of 40,120 suffered detentions beyond the permissible free time. A total amount of Rs.1.55 crore was levied as demurrage charges. Out of this, an amount of Rs.1.12 crore (72.26 per cent) was waived liberally by the Administration under the powers of officers at different levels.

Thus, routine waiver of demurrage charges resulted in customers not adhering to the time limits fixed for loading of wagons, which in turn led to abnormal detentions and loss of earning capacity of Rs.7.09 crore during April 2000 to January 2003. The demurrage waived alone amounted to Rs.2.11 crore.

When the matter was taken up (June 2003) with Railway Administration, it was contended (September 2003) that:

- (i) to retain the cement traffic, Railways are allowing the concessions and waiver of demurrage is also a concession given to the party; and
- (ii) the waivers are granted not liberally but after careful consideration of inevitable reasons and in conformity with the guidelines laid down by the Railway Board.

The above contentions are not tenable because

- (i) The levy of demurrage is intended to act as a deterrent to customers from detaining the rolling stock and not as an incentive/concession. Volume Discount Scheme, Station to station rates rebate on freight etc. are the incentive schemes/ concessions to retain and improve the level of traffic
- (ii) Although demurrage charges are levied as per rules, the waivers are granted to the extent of 70 per cent clearly indicating that the entire process has become routine.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

2.3.6 Central Railway: Injudicious formation of POL rakes

Formation and booking of rakes consisting of tank wagon in excess of the unloading capacity of a station resulted in avoidable detention to wagons and consequential loss of earning capacity amounting to Rs.6.25 crore

Less detention of rolling stock improves its turn round and increases its earning capacity. Thus, it is imperative on any Railway system that the available stock is utilised in such a manner that detention is minimised.

Bhadli Station of Central Railway is open for booking of certain stream of traffic and also for receiving POL tank wagons in full rake loads. As per existing rules, parties are allowed the benefit of train load rates if they indent for 70 tank wagons and load all the wagons supplied subject to a minimum of 65.

Audit scrutiny of records of Bhadli station revealed that there is only one line on which goods of parties are handled. In order to handle POL traffic, Railway Administration has provided sumps to accommodate 65 tank wagons at a time. Rakes consisting of tank wagons ranging from 64 to 73 are being booked to this station as the same has been declared capable of handling full rake load of POL traffic. As the line accommodates only 65 tank wagons and there is no other line, the balance wagons are carried to Bhusaval station, which is at a distance of 15 kms. When the first lot of wagons is released after unloading by the parties the same is hauled to Bhusaval station yard where it is stabled till the balance wagons of the rake are placed for unloading and released by the parties. In the process 137 rakes (92.56 per cent) out of 148 suffered detention ranging from 2 hours to 426 hours beyond permissible free time of 10 hours. Total detention suffered by 137 rakes during April 2001 to March 2003 was for 35965 days thereby resulting in loss of earning capacity of Rs.6.25 crore. When the matter was taken up with the local Administration in March 2003, they stated in July 2003 that there is a proposal for remodeling of the Bhadli yard and the problem of detention will be over after the yard is remodelled.

Railway Administration took no action either to increase the unloading capacity of the line to accommodate a standard rake or to advise the booking

Railways to form rakes of 65 wagons for traffic meant for Bhadli station. The Railways could have saved a lot of expenditure incurred on movement of locomotives for hauling the wagons to and fro Bhusaval yard and avoided detention to wagons if either of the steps were taken.

Thus, formation and booking of rakes consisting of tank wagon in excess of the unloading capacity of a station resulted in avoidable detention to wagons and consequential loss of earning capacity amounting to Rs.6.25 crore.

The matter was brought to the notice of Railway Administration in May 2003 and Railway Board in August 2003. Railway Administration with the approval of Railway Board stated in December 2003 that by loading full rake from starting point to destination, full advantage can be taken by the Railway of the operating resources such as hauling power, sectional capacity etc. The reply is not tenable because the fact remains that all the rakes suffered heavy detention at the unloading point nullifying the advantage gained at the loading point.

2.3.7 South Central Railway: Incorrect adoption of working hours at POL sidings

Non-adoption of appropriate working hours for POL sidings as per agreement resulted in unnecessary detention to rolling stock and loss of earnings to the tune of Rs.4.57 crore

In order to maximise the utilisation of tank wagons, the Railway Board, in consultation with the Oil Companies, decided (February 1998) to divide sidings into three categories, based on the number of rakes received per month. It was agreed that the unloading hours would depend upon the number of rakes being handled per month by the sidings. In case of sidings handling rakes upto 10 BTPN rakes/ 16 four wheeler rakes per month, the unloading hours were to be from sunrise to sunset (06 hours to 18 hours); in cases where 11 - 21 BTPN rakes/ 17 - 31 four wheeler rakes were being handled per month, the unloading hours were to be from 06 hours to 22 hours and in cases where 22 or more BTPN rakes/ 32 or more four wheeler rakes were being handled per month, the unloading hours were to be round the clock.

Zonal Railways were also directed to categorise the different sidings based on the average number of rakes received at each siding during the last six months. The details were to be advised to Board by 2 March 1998 so that a consolidated list could be given to the Oil Industry for implementation.

For sidings handling 11 rakes and above per month, the Oil Companies had agreed to provide the required infrastructure like lighting, fire fighting, manpower etc. by 15 December 1998.

This decision was circulated to all the Railways on 13 February 1998.

Review of the position at six POL sidings viz., Surareddipalem, Charlapalli, Sanathnagar, Warangal, Guntakal and Cuddapah revealed that though they were handling more than 10 rakes per month, the working hours followed by the siding were only 6 hours to 18 hours. The Railway Administration failed to advise the Board as required in their letter of February 1998 or take up with

the Oil Companies to arrange for the infrastructure like lighting, fire fighting, manpower etc. As a result, the Railway Administration was unable to increase the working hours (06 hours to 22 hours). This resulted in avoidable detention to 1253 rakes for 30,362 wagon days during April 2000 to March 2003, causing loss of earnings of Rs.4.57 crore.

The matter was brought to the notice of Railway Board in August 2003. South Central Railway, with the approval of Railway Board, stated (October 2003) that:

- (i) The POL siding has never dealt with more than 10 BTPN rakes per month and the level of POL traffic at Cherlapalli was less than 11 BTPN rakes per month. The other locations at Warangal, Guntakal and Cuddapah are not classified as private sidings but are only part and parcel of respective station goods sheds. Hence, the criteria for classifying POL terminals as prescribed by the Railway Board in 1998 is not applicable for these locations.
- (ii) In the various co-ordination meetings held with oil industry, Railways have categorically emphasised the need to commence unloading as per extended hours.

These arguments are not tenable because:

- (i) Based on Railway Board's letter of 17 April 1998 equating the 4-wheelers to BTPNs for categorisation, the level of traffic at all these six sidings justified introduction of extended working hours. The fact that the Railway Administration has been holding meetings with the oil industry also confirms the applicability of orders regarding extended working hours.
- (ii) The matter of upgrading facilities and extending working hours in these sidings was not taken up with the oil companies at the appropriate level, viz., Railway Board.

2.3.8 Western Railway: Detention to wagons moving via Break-of-gauge point

Railway Administration's failure to enforce the conditions stipulated for movement of traffic through Break-of-gauge point resulted in detention to wagons and consequential loss of earning capacity of Rs.3.48 crore

The Break-of-gauge transshipment point at Ratlam station, Western Railway was closed in 1993. On receipt of proposals from various parties for special arrangements for movement of traffic from stations on one gauge to destinations on another gauge through a dump at the Break-of-gauge point, the Board delegated powers to Zonal Railways (July 1994) for introducing such special arrangement with the approval of Associated Finance. As per conditions laid down by Board, the parties were to load their consignments from the originating Metre Gauge (MG) stations and unload them in the dump at the Break-of-gauge point. The reloading into Broad Gauge (BG) wagons at Break-of-gauge point was to be done from the dump. As per orders of the Board, such special arrangement would not confer any right on the party to

claim relaxation in levy of demurrage/ detention charges as per normal rules. Accordingly Western Railway Administration permitted various cement companies to move their traffic via Break-of-gauge dump.

Audit scrutiny of records of Ratlam transshipment point carried out in April 2002 revealed that cement traffic booked by three MG stations of Western Railway viz. Ranapratap Nagar, Nimbahera and Jawad Road was being shifted directly from MG wagons to BG wagons instead of unloading the wagons and storing the contents in dumps for reloading. As a minimum of 3 MG rakes were required to complete loading of one BG rake and there was considerable time gap between the arrival of the first rake and the last rake of MG wagons, most of the BG wagon rakes suffered detention. Audit scrutiny revealed that out of 245 rakes of BG wagons received at Ratlam during April 2000 to March 2003, 147 rakes suffered detention ranging from 1 hour to 226 hours beyond the permissible free time of 9 hours. Demurrage/ detention charges of Rs.1.05 crore recoverable as per normal rules were not levied at all.

Thus, failure of the Railway Administration to force the parties to unload and store the contents of MG wagons in dumps resulted in detention to BG wagons and consequential loss of earning capacity of Rs.3.48 crore during April 2000 to March 2003. Demurrage charges, which are levied as a deterrent measure to prevent detention, were neither levied nor recovered.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and August 2003 respectively and their reply has not been received (February 2004).

2.4 Miscellaneous

2.4.1 Southern and South: *Non-recovery of hire charges for Rolling Stock and Motive Power from KRCL*

Failure of the Railway Administrations to pursue the matter regarding recovery of hire charges for use of Railways' rolling stock with the Konkan Railway Corporation Limited led to non-realisation of Rs.42.84 crore

Konkan Railway Corporation Limited (KRCL) was incorporated on 19 July 1990 as a Public Limited Company under Indian Companies Act, 1956. KRCL was set up on Built, Operate and Transfer (BOT) concept for construction and operation of KRCL Line connecting Roha and Mangalore. The Railway Board decided (June 1996) that KRCL should not purchase any Rolling Stock and the Indian Railways instead would provide these. KRCL would pay hire charges for the Rolling Stock remaining on its system on the same basis as applied for Inter Railway Financial Adjustments for utilisation of Rolling Stock by any Zonal Railways.

In November 1998, KRCL, requested the Railway Board to defer the hire charges for Rolling Stock and Motive Power for a period of three years.

The Railway Board, taking into account the financial position of KRCL and finance assistance extended by Indian Railways to KRCL, agreed (August

1999) to the proposal and deferred the payment of hire charges for a period of three years (1997-98 to 1999-2000).

In August 2000, the Railway Board asked the KRCL to pay the hire charges for the year 2000-2001 and also the outstanding dues by 31 March 2001, as there was no justification for further deferment. The Board again reiterated (January 2001) its decision to all Zonal Railways and KRCL to withdraw deferment of hire charges and asked KRCL to pay the dues up to 2000-01.

Audit scrutiny of the position of recovery of hire charges of Rolling Stock and Motive Power provided by the Southern and South Central Railways to KRCL revealed the following:

- Despite instructions issued by the Board in August 2000, reiterated in January 2001, to clear the dues by 31 March 2001, KRCL did not clear the outstanding amount. An amount of Rs.15.62 crore as wagon hire charges for the period April 1998 to September 1999 and Rs.15.12 crore on account of coaching and loco hire charges as on 31 March 2003 was to be recovered by Southern Railway. The KRCL, held (April 2002) that the wagon hire charges amounted to Rs.1.41 crore only, though bills for Rs.15.62 crore had been raised after reconciliation with KRCL in December 1999. In spite of meetings held between KRCL and Southern Railway, the issue remains unresolved and the dues continue to be outstanding.

The matter was brought to the notice of the Southern Railway Administration in May 2003 and their reply has not been received (December 2003).

- South Central Railway raised bills for Rs.24.36 crore for loco and coaching hire charges till September 2002. Out of this, Rs.12.26 crore for the period from 2000-01 to 2002-03 (upto September 2002) had been paid by the KRCL. Out of the balance of Rs.12.10 crore, an amount of Rs.9.73 crore pertaining to 1995-96 to 1999-2000 is outstanding and Rs.2.36 crore pertaining to the period 1999-2000 to 2002-2003 is disputed.

Thus, failure to effectively pursue the matter and resolve the pending issues has resulted in the non-recovery of Rs.42.84 crore against hire charges of Rolling Stock and Motive Power.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

2.4.2 Central Railway: Loss of traffic due to non-granting/delay in granting of 'station to station' rates

Lackadaisical approach of the Railway Administration and Railway Board in granting 'station to station' rates caused the Railways to lose assured traffic earnings of Rs.27.92 crore per annum

As per existing rules, Railway Administration may quote 'station to station' (STS) rates between specific pairs of stations provided the traffic offered by a party is either in addition to what was being carried by rail before giving concessional STS rates or is a new traffic. Zonal Railways were required to

obtain technical clearance for quotation of STS rates from Board till April 1999 when this stipulation was removed and they were permitted to allow 10 per cent concession in rates to traffic chargeable up to class 100 and above. In June 2001, Railway Board (RB) further relaxed the conditions and permitted Zonal Railways to allow 10 per cent, 15 per cent and 20 per cent concession in rates to commodities chargeable at class 105 to 140, above 140 to 180 and above 180 respectively. Rules also provide that before quotation of STS, a firm commitment with regard to offer of specified quantity of traffic may be obtained in writing.

Audit scrutiny of records of Commercial and Accounts departments at Central Railway Zonal Headquarters in September and October 2002 revealed the following:

1. M/s. Ispat Industries Limited, Navi Mumbai requested Central Railway (CR) in May 2000 to grant 25 per cent concession in 'train load rates' for movement of their traffic of finished steel products in HR Coils or HR sheets from Nagothane to Ghaziabad public siding. The party had stated that their plan was to despatch around 25000 tonnes of finished products per month to Ghaziabad from May 2000 and out of this at least 15000 tonnes per month would move by Railways.

The Commercial Department examined the proposal and felt that 25 per cent concession was competitive with road rates and was expected to bring additional earning of Rs.2 crore per month. The Finance Department, however, proposed grant of 15 per cent concession on the tariff rates. The proposal was sent to Railway Board for grant of STS in June 2000. RB informed CR in November 2000 that the proposal has not been agreed to and keeping in view the changes in road rates due to hike in diesel prices, the proposal may be re-examined and revised proposal with fresh commitment may be sent to RB. CR re-examined the proposal and sent the same to RB on 26 December 2000 with the recommendation that the rates after allowing 15 per cent concession were competitive with road rates and party had agreed for offering 15000 tonnes of HR coils per month, which will fetch additional earning of Rs.22.45 cores per annum to the Railway.

Review of RB's file revealed that on receipt of revised proposal, RB called for enclosures to their letter of 26 December 2000. Though the enclosures were sent to RB in February 2001, further action taken by RB on this proposal was not available on records.

In the meantime, the party, in anticipation of favourable STS rates, had started offering HR coils traffic and despatched 52,197 tonnes giving additional revenue of Rs.8.69 core during May 2000 to September 2000. They stopped offering this traffic as no decision was communicated to them.

On receipt of revised guidelines for quoting STS rates and RB's directions of August 2001, CR took some steps to capture the steel traffic. These steps were not adequate as no specific proposals were made to the party.

Thus assured traffic earning of a minimum of Rs.22.45 crore per annum was lost due to Railway's indecisiveness on arriving at acceptable STS rates.

2. M/s. Associated Cement Companies Limited (ACC) was moving its cement traffic from Wadi, a Broad Gauge (BG) station, to Miraj a Narrow Gauge (NG) station, via Kurduwadi transshipment point. As Kurduwadi to Pandharpur NG section was to be closed for booking due to gauge conversion work from 15 April 1999, M/S. ACC requested CR to grant them STS rates for moving their traffic from Wadi to Miraj via all BG route which was longer by 274 kms on the same rate as they were paying for this traffic via BG-cum-NG route. The proposal was examined by CR and sent to RB for approval as the concession in rates involved was up to 22 per cent, which was beyond the power of Zonal Railways. RB communicated their approval on 20 July 1999 with the stipulation that party should offer and load a minimum of 10000 tonnes of cement as committed and this concession was limited till the gauge conversion was completed and section opened for traffic. CR issued the notice on 17 November 1999 and party started loading of Cement traffic under STS rates. Total of loading of cement traffic till March 2001 was 198822 tonnes of cement which fetched net revenue of Rs.8.95 crore

As the gauge conversion work of Kurduwadi -Pandharpur section was to be completed by June 2001, M/S. ACC again requested CR in March 2001 to extend the STS rates and allow them to move their traffic via all BG route as no transshipment facilities were being provided at Pandharpur. CR, however, did not finalise this proposal till 1 July 2001 when the section between Kurduwadi and Pandharpur was opened to traffic. In the absence of STS rates party stopped offering traffic from 1 July 2001. CR ultimately recommended to RB in December 2001 that STS rates with 22 per cent concession may be approved to retain this traffic. RB, however, took another three months and the STS rates were approved on 22 March 2002. In the meantime party had engaged an agency for transportation of their traffic by road at cheaper rates and did not show any interest in moving their traffic by Rail. The delay in taking a decision for granting STS rates caused the Railway to lose traffic of 10000 tonne per month and loss of revenue of Rs.5.47 crore per annum.

Thus, the lackadaisical approach of the Railway Administration and RB has caused the Railways loss of assured traffic earnings of Rs.27.92 crore per annum.

The matter was brought to the notice of Railway Administration in April 2003. Railway Administration stated (July 2003) that STS rates are granted only if it is financially viable and that Railway Administration can not function as per the terms dictated by the party. The reply is not tenable because, in the case of M/s. Ispat Industries, the proposal for granting 15 per cent concession was made by the Railway after considering the financial viability and the party had also accepted this with the same traffic commitment. No action was, however, taken either to accept or reject the proposal. In the case of M/s. ACC, the Railway Administration was aware that transshipment facilities at Pandharpur were not being provided and this would cause inconvenience to the party to resume traffic even after gauge conversion of the Kurduwadi - Pandharpur section. Thus, the decision of RB not to extend the STS rates already in force led to loss of assured traffic earnings.

The matter was brought to the notice of RB in September 2003. The Railway Administration with the approval of RB reiterated, in October 2003, their earlier stance, which is not tenable.

2.4.3 Northeast Frontier Railway: Loss due to avoidable use of additional loco

Failure of Railway Administration to make timely provision for engine reversal facility at New Teznarayanpur resulted in loss of Rs.11.61 crore

Katihar (KIR) – Manihari (MHI) – Teznarayanpur (TNPR) is a single line Metre Gauge (MG) section (32.58 kms.) in KIR division of Northeast Frontier Railway. The terminal station viz. TNPR was completely washed out on 14 September 1997 due to heavy flood and train services were suspended from 14 September 1997 to 17 September 1997 beyond MHI. The terminal station was shifted to Katakosh and renamed as New Teznarayanpur (NTNPR) and train services were resumed beyond MHI with effect from 18 September 1997. Due to non-availability of engine reversing facilities at NTNPR, an extra loco was provided at MHI station and was being attached in the rear of the Dn trains to NTNPR. From NTNPR, the rear engine functioned as train engine for Up trains upto KIR. On arrival at MHI, the rear engine of the Up train was being detached and kept at MHI for repeating the system for the next Dn train.

A team was constituted (May 1999) to study the reasons for un-remunerativeness and suggest ways and means for improving the viability. In their report submitted in September 1999, the study team recommended reconstruction of TNPR station with engine reversing facilities to save one diesel engine which was being utilised for banking purposes between MHI and TNPR and also to avoid shunting at TNPR as there was no terminating facility.

The work for construction of halt station including the engine reverse facilities at TNPR was proposed from July 1999 onwards but the work for construction of halt station was approved only during 2002-03 at a cost of Rs.19.38 lakh. Newly constructed engine escape line at TNPR was certified fit to run and handed over for traffic use with effect from 11 January 2003 and single loco was running on the line since 11 January 2003. Failure to provide these facilities resulted in loss of Rs.11.61 crore for the period October 1999 to December 2002.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and September 2003 respectively. Railway Administration with the approval of Railway Board stated (December 2003) that due to frequent change of course of the river Ganga, they had no other alternative than to wait for stabilisation of embankment which started taking place in 2001. Thereafter, they proposed to construct an engine reversal line at Katakosh (NTNPR).

The reply is not convincing and appears to be an afterthought as no reference to this problem has been made by the study team that recommended reconstruction of the station with engine reversing facilities. Moreover, the

Railway Administration has been proposing inclusion of this work from July 1999 onwards to Railway Board.

2.4.4 South Central Railway: Restriction of enhanced carrying capacity of BOXN wagons to only coal and iron ore

Failure to extend the enhanced carrying capacity (CC) of CC plus 2 tonnes in the case other commodities, as allowed in the case of coal and iron ore, resulted in loss of Rs.5.54 crore

Rules provide that commodities for which the notified minimum weight condition is carrying capacity (CC), the minimum weight for charge for such commodities in BOI, BRS, BRH, BOX, BCN, BOBS and BOBX wagons will be marked CC plus 2 tonnes. BOXN wagons are improved version of BOX wagons and this enhanced minimum weight of CC plus 2 tonne in these wagons is not applicable to commodities other than coal and iron ore for which separate orders were issued from time to time.

Some commodities like Dolomite, Limestone, Cement Clinker, Barytes are transported from different sidings on South Central Railway in BOXN wagons to various destinations. Though these commodities can also be loaded to the extent of CC plus 2 tonnes in BOXN wagons on par with coal and iron ore, they were being loaded to the extent of only carrying capacity of the wagons and charged for accordingly.

Review in audit revealed that due to non-application of enhanced minimum weight condition in respect of these commodities, the Railways sustained loss in freight of Rs.5.54 crore during the period April 2000 to February 2003 in respect of 16,223 BOXN wagons loaded in five sidings viz. SAIK, Karepalli, Visakhapatnam Steel Plant Siding, Jagayyapeta, L&T Siding, Awarpur, Rajashree Cement Siding, Malkhaid Road and Koduru.

The matter was brought to the notice of the Railway Administration in May 2003 and Railway Board in October 2003. In their reply Railway Administration, with the approval of the Railway Board stated (November 2003) that Railway Board has permitted the loading and charging of coal upto CC plus 2 tonne and permitted Zonal Railways to load and charge Iron ore keeping in view the feasibility of doing so. CC plus 2 tonnes condition was not extended to other commodities as it was felt that the density of these commodities is much higher and in the absence of weighment facilities, traders may load these commodities even more than CC plus 2 tonne thereby endangering the safety of wagons. The reply is not tenable because in the absence of weighment facilities the overloading can be done even in the existing circumstances.

2.4.5 Northern Railway: Non-electrification of a siding

Indecisiveness on the part of both Central Organisation for Railway Electrification and Northern Railway Administration resulted in non-electrification of a siding and consequential loss of earning capacity of Rs.2.38 crore on account of detention to the rolling stock

As per Railway Board's orders of 14 September 1994, sidings on sections under electrification or planned for electrification shall be wired at Railways' cost, if found justified. Hindustan Petroleum Corporation Limited (HPCL) siding taking off at Amausi is connected to Lucknow (LKO) – Kanpur (CNB) section of Northern Railway.

In July 1998, Railway Board sanctioned a detailed estimate for electrification of LKO – CNB section. No provision for electrification of this siding was included in the estimate on the ground that the work was to be taken as a deposit work at the cost of the siding owner.

In October 1998, when the electrification of the LKO - CNB section was about to commence, Senior Divisional Operations Manager, LKO brought to the notice of the Central Organisation for Railway Electrification, Allahabad (CORE) that non-electrification of the HPCL siding would lead to detention of POL traffic and requested for its simultaneous electrification. Again in July 1999, he reiterated the proposal by inviting their attention to Railway Board's orders of September 1994. CORE, however, neither responded nor pursued the matter with Northern Railway. The electrification of LKO-CNB was completed (July 2000) but the HPCL siding at Amausi was not electrified.

In September/ October 2000, Railway Board clarified that the existing sidings where Rate of Return was at least 14 per cent based on the traffic offered during the previous 24 months should be electrified at Railways' cost.

Later, the matter was reviewed at the instance of Chief Operations Manager, Lucknow and a detailed estimate of Rs.53.34 lakh for electrification of this siding was prepared (February 2001). In June 2001, the Sr. Divisional Operation Manager, Lucknow requested M/s. HPCL to deposit the estimated cost of Rs.53.34 lakh so that the work could be executed. M/s. HPCL pleaded (July 2001) that as per the Railway Board's orders, the cost of electrification of existing sidings should be borne by the Railways. No decision has, however, been taken by Northern Railway Administration in this regard so far (August 2003).

Consequently, the HPCL siding continued to be non-electrified. This resulted in detention to locos and tank wagons at CNB on account of change of traction leading to consequential loss of earning capacity.

The matter was taken up with the CORE authorities in November 2001 and December 2002. In reply, they stated (May 2003) that Northern Railway was required to send a proposal for electrification of the HPCL siding at Amausi, duly approved by the General Manager but no such proposal had been received despite repeated requests by the latter.

Thus, lack of co-ordination and indecisiveness on the part of both CORE and Northern Railway led to detention of locos and tank wagons at Amausi and consequential loss of earning capacity of Rs.2.38 crore for the period July 2000 to April 2003.

The matter was brought to the notice of Railway Administration in June 2003. The Railway Administration stated (July 2003) that

- (i) As per existing orders of Railway Board, no private siding can be electrified under Railway Electrification Railway plan head unless it is found financially viable. Party has not yet accepted the proposal of electrification of siding at their expense.
- (ii) It has been presumed in audit that the detention in both Up and Dn directions would be the same which is not factually correct.

The Railway Administration's reply is not tenable because:

- (i) The annual earnings ranging from Rs.35.56 crore to Rs.44.28 crore from HPCL siding Amausi were substantial and merited electrification at Railways' cost as per Railway Board's existing orders. Moreover, the projected annual saving of Rs.0.95 crore assessed by CORE (Rs.0.87 crore per annum assessed by Audit on actual basis) on account of avoidance of detention to traffic was more than a one time expenditure of Rs.0.53 crore on electrification. The party is insisting on electrification at Railways' cost as per the existing orders and would not therefore, agree to bear the cost.
- (ii) CORE itself had recognised detention in both Up and Dn directions while calculating saving on account of avoidance of detention. Further, the Assistant Operation Manager (GMC/ CNB) has confirmed that almost equal detention occurs in Up and Dn direction.

Railways have already suffered an avoidable loss of Rs.2.38 crore and would continue suffering a recurring loss of about Rs.0.87 crore per annum (assessed by Audit) due to their insistence on electrifying the siding at party's expense contrary to the existing orders of Railway Board. The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

2.4.6 Southern Railway: Delay in cancelling an uneconomic train

Delay in implementation of Railway Board's directives for diverting/cancellation of trains resulted in loss of Rs.2.19 crore

The new lines between Penukonda (PKD) - Sri Sathya Sai Prashanti Nilayam (SSPN) and SSPN - Dharmavaram (DMM) were commissioned in November 2000 and February 2002 respectively. A bypass line between Pendekallu (PDL) and Gooty (GY) was inaugurated during December 2001.

The train service (6503/ 6504) between SSPN - PKD - Bangalore City (SBC) with seven coaches was commenced in November 2000. However, due to

poor patronage, the composition of the train was reduced to four coaches in June 2001.

In view of availability of bypass line between PDL and GY which would enable diversion of trains from Secunderabad via SSPN and poor patronage of train No.6503/6504 even after reduction of the composition of coaches to four, Southern Railway, in consultation with South Central Railway, proposed to Railway Board in February 2002 diversion of four trains to run via SSPN and cancellation of train No.6503/6504.

Though the proposals were approved by the Railway Board in April 2002, the Southern Railway Administration cleared the cancellation of train No.6503/6504 and diversion of train Nos.433/434 to run via SSPN only in October 2002. The Southern Railway Administration failed to take prompt action and freeze in April 2002, the Advance Reservation beyond June 2002 (60 days from April 2002). Instead, the Railway Administration communicated the freezing of Advance Reservation beyond 22 August 2002 only.

Failure of the Railway Administration to either cancel the train No.6503/6504 or to freeze Advance Reservation beyond June 2002 resulted in loss of Rs.2.19 crore, after providing two months from April 2002 for Advance Reservation period.

When the matter was brought to the notice of the Railway Administration and Railway Board in April 2003 and August 2003 respectively, the Railway Administration, with the approval of Railway Board, stated (November 2003) that it was very clear from Railway Board's orders that the event of cancellation of train No.6503/ 6504 should follow the event of diversion of train No.433/ 434. The diversion of trains could not be done earlier as an early date for inauguration of the new line by the Chief Minister of Andhra Pradesh and other high dignitaries could not be fixed due to security reasons.

Delay in inauguration by high dignitaries cannot be used as a reason for incurring loss.

2.4.7 Eastern Railway: Non-realisation of shunting charges

Non-preparation of agreement, tracing plan and non-execution of final agreement with Calcutta Electric Supply Corporation resulted in non-realisation of shunting charges of Rs.1.54 crore

Interchange point of any private siding is the running line upto which railway engine goes to leave the loaded rake and draws out the empty rake. From the said point, the siding owner should draw out loaded rakes for their siding and leave the empty rakes. As per existing rules, fixation of interchange point is extremely necessary for levying of shunting charges. The shunting charges are levied from the time the railway engine leaves the point of interchange and enters the private portion of the siding till its return to the point of interchange.

Calcutta Electric Supply Corporation's (CESC) Power generating station siding was opened in October 1998 at a distance of 7 kms from the serving

station Budge Budge. Necessary shunting charges were to be levied against the siding owner as per notification issued in 1998 since the railway engine was required to work within private portion of sidings.

Review of records revealed that there was a dispute on the realisation of shunting charges from the siding owner as there was no demarcated interchange point for the siding. The siding owner had deposited a lumpsum amount of Rs.0.30 crore in August 1999 on Railway's Administration assurance for an early final decision on the dispute from their Headquarters.

In July 2001, the Railway Administration recast the bill for Rs.1.07 crore for the period October 1998 to December 2000. The siding owner, however, did not pay the balance of Rs.0.77 crore (Rs.1.07 crore – Rs.0.30 crore).

In August 2002, Chief Commercial Manager, Eastern Railway requested Divisional Railway Manager, Sealdah to settle this issue immediately since a sizable amount was outstanding due to dispute over interchange point.

The interchange point had not been decided so far due to non-preparation of agreement, tracing plan and non-execution of final agreement with the siding owner. The Railway Administration failed to realise the balance amount for the period ended December 2000 from the siding owner. Besides, no bill for shunting charge was preferred since January 2001.

Audit assessed Rs.0.77 crore (calculated on the basis of average shunting hours per rake during 2000) towards shunting charge in respect of 1140 rakes sent to CESC siding from Budge Budge yard during January 2001 to January 2003.

Thus, due to non-preparation of agreement, tracing plan and non-execution of final agreement with the siding owner, Railway Administration could not resolve dispute over the interchange point and consequently, an amount of Rs.1.54 crore remained unrealised.

The matter was brought to the notice of the Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

2.4.8 North Eastern Railway: Non-collection of shunting charges

Non-collection of shunting charges for shunting operations by railway engine in two sidings of M/s. Indian Oil Corporation resulted in loss of Rs.1.03 crore

As per codal provisions, where Railway engine goes beyond the point of interchange for shunting in the siding, shunting charges are recoverable for the period Railway engine remains in the siding. Non-recovery of shunting charges in respect of 2 sidings on North Eastern Railway aggregated to Rs.1.03 crore as discussed below:

- (i) An assisted siding of M/s. Indian Oil Corporation (IOC) for traffic of petroleum products with serving station at Raxaul was opened on 16 October 1995. No agreement was executed with the siding owner.

As the siding had no engine of its own, Railway engine was being used for shunting operations beyond the point of interchange.

Audit scrutiny (December 2000) of records of Raxaul station revealed that the shunting charges for shunting operations by Railway engine in the siding were not being collected from M/s. IOC.

On this irregularity being pointed out by Audit (January 2001), the Railway Administration stated (March 2001) that the point of interchange for the siding was not fixed. Siding charges per trip being collected cover the total time from the middle of the Goods Shed of serving station to the dead end of the siding and, thus, the siding charges cover the shunting charges also. The reply is not tenable in view of the following:

- The point of interchange is clearly marked on the yard plan.
- Assistant Commercial Manager/ Rates, North Eastern Railway in his note of July 1996 had clearly mentioned that length for which the siding charges were/ are being recovered covers the distance from the middle of the serving station to the point of interchange.
- Rate circular No.11 of 2001 in respect of this siding clearly mentioned that shunting charges for the shunting operation performed by Railway engine beyond the line of interchange (Transfer line) would be recoverable in addition to the siding charges.

The shunting charges recoverable from the siding for the period from December 1995 to November 2002 aggregated Rs.0.72 crore.

(ii) Similarly, during audit of accounts of Indian Oil Refinery Siding/ Barauni (December 2002), it was noticed that shunting charges for shunting operations by a railway engine in the siding beyond the point of interchange were not being levied and collected. Non-levy of shunting charge for the shunting operations performed by Railway locomotives during July, 2001 to 15 January, 2003, resulted in loss of revenue to the extent of Rs.0.31 crore.

The matter was brought to the notice of Railway Administration and Railway Board in April 2003 and October 2003 respectively and their reply has not been received. (February 2004).

2.4.9 North Eastern Railway: Supply of unfit tank wagons

Supply of unfit tank wagons for loading of POL traffic resulted in loss of freight of Rs.1.40 crore besides avoidable expenditure of Rs.0.28 crore on their empty haulage

For loading Petroleum Oil and Lubricants (POL) traffic in the siding at Barauni of Indian Oil Corporation (IOC), the empty rakes, as per indents, are supplied by Carriage and Wagons Depot at Garahara.

Scrutiny by Audit of records of goods shed, IOC siding revealed that during 2000-01 to 2002-03, 20,524 tank wagons (281 rakes) were placed in the siding

for loading. Of these, 811.5 tank wagons (in terms of 4 wheelers) were rejected by the siding authorities on the grounds that they contained black sludge, hard sludge, defective filling pipe etc. Further audit scrutiny revealed that facilities like steam cleaning and chemical cleaning to remove black sludge and hard sludge contained in tank wagons have not been provided at the Carriage and Wagons Depot, Garahara.

Failure of Railway Administration to arrange for cleaning of 811.5 tank wagons at Carriage and Wagons Depot, Garahara before despatch to the IOC siding led to their rejection by the siding authorities and consequential loss of freight to the tune of Rs.1.40 crore besides avoidable cost of Rs.0.28 crore on empty haulage of these unfit empty wagons.

The matter was brought to the notice of Railway Administration in May 2003 and Railway Board in October 2003 but their reply has not been received (February 2004).

CHAPTER 3: WORKS AND CONTRACT MANAGEMENT

3.1 Southern Railway: *Improper execution of a gauge conversion work*

Failure to consult Defence authorities before commencement of gauge conversion work resulted in an avoidable expenditure of Rs.2.86 crore and under utilisation of assets created at a cost of Rs.81.82 crore

Indian Railways code for Engineering Department provides that the characteristics of the project area including any possible objections by local military authorities should be examined before taking up any project for execution.

Chengalpattu (CGL) – Arakkonam (AJJ) line is a branch line (62.96 kms) connecting two main lines between Chennai Central - Arakkonam - Jolarpettai Junction and Chennai Beach - Chengalpattu - Villupuram Junction - Tiruchirappalli. The proposal for gauge conversion and electrification of CGL-AJJ line had been made in 1993. The Gauge conversion of CGL – AJJ section was sanctioned (September 1997) as a material modification to the Madras - Tiruchirappalli BG conversion scheme at a cost of Rs.59.72 crore and the work was taken up in September 1998. The electrified main lines, to which this branch line is connected, necessitated electrification of this branch line also for smooth movement of traffic.

There is a Naval Air station at Arakkonam. The Naval Air Station authorities objected (April 1999) to the gauge conversion already carried out and the proposed electrification of the line between Takkolam and Arakkonam. The objection was raised on account of the following reasons:

- The BG track alignment was at a distance of about 120 metres from the beginning of runway of the Naval Air station and ran perpendicular to the direction of runway.
- As per the extant instructions pertaining to the Air Routes and Aerodromes, High Tension (HT) lines are not permitted within 3,000 metres of the point of take off. The electrification of Railway track within 120 metres of the beginning of runway would infringe the movement of Naval aircrafts.

A meeting was held in October 1999 with the Naval Air station authorities, Arakkonam and the issues raised by them were discussed. Finally, it was decided in the meeting to lower the BG track by 2 metres in this stretch. This was, however, a temporary arrangement, as it would have created some problems in drainage of Railway track. As a permanent measure, it was agreed to divert the BG line for a length of 9.6 kms between Takkolam and Arakkonam on deposit terms.

The electrification of this section was commenced by Central Organisation for Railway Electrification (CORE) in the year 2000 without consulting the Zonal

Railway. By June 2001, the electrification was completed upto Kancheepuram, a station on CGL-AAJ section. In July 2001, General Manager, Southern Railway, requested the Railway Board to issue necessary instructions to CORE to put the work of electrification beyond Kancheepuram on hold, till the Ministry of Defence agreed to bear the cost of diversion.

Later, in August 2002, the Naval Air station authorities agreed to bear the entire cost of the diverted portion of BG track with electrification, including land acquisition, if any. The estimate for the work sanctioned by the Railway Board in February 2003 was Rs.25.73 crore. The Ministry of Defence agreed to bear the cost and deposited an amount of Rs.11.88 crore in April 2003. The work is expected to be completed by January 2007.

In this connection, the following points arise:

- (i) Due to failure of the Railway Administration to consult Defence authorities before commencement of the work, (a) gauge conversion was carried out in the original alignment, resulting in problems for aircraft movement and an avoidable expenditure of Rs.2.23 crore (b) the lowering of track by 2 metres was necessitated at an avoidable cost of Rs.0.63 crore and (c) a detour also became necessary which will take around 3 1/2 years more for completion.
- (ii) On the CGL-AJJ section, electrification has been partly done, creating an isolated non-electrified section. The electrification done so far could not be put to optimal use for through-traffic. EMUs are running on electric traction only between Chennai Beach and Kancheepuram. This resulted in gross under utilisation of CGL - AJJ section, constructed at a cost of Rs.81.82 crore. The operational constraints like change in traction etc., which the electrification project was supposed to overcome, will continue till the detour is completed.

When the matter was taken up (June 2003), the Railway Administration stated (August 2003) that the lowering of track was done at the instance of Naval Air station authorities. Though the initial cost was borne by Railways, the same would be debited to the Ministry of Defence for which a deposit of Rs.11.88 crore had already been received.

This argument is not tenable because the updated Abstract Estimate for Rs.25.78 crore (pruned down to Rs.25.73 crore by the Railway Board in their sanction) prepared by the Railway Administration was for the detour of the BG line only. Against this estimate, the Ministry of Defence had deposited Rs.11.88 crore. The cost of lowering the track has not been included either in the estimate or in the Railway Board's sanction. Moreover, the reply is silent about the avoidable expenditure of Rs.2.23 crore on laying of the track between Takkolam-Arakkonam as per original alignment and under utilisation of the asset created at a cost of Rs.81.82 crore.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

3.2 Southern Railway and: Sanction of an un-remunerative Railway Board project

Construction of a new line between Bangalore and Hassan via Shravanabelagola at an estimated cost of Rs.412.91 crore, despite a negative rate of return and subsequent slowing down its execution resulted in Rs.81.57 crore incurred so far lying blocked

Guidelines have been issued from time to time by the Railway Board detailing various requirements to be fulfilled before submission of investment proposals to the Planning Commission, Expanded Board for Investment on Railways and the Cabinet Committee on Economic Affairs (CCEA). According to the guidelines, all the major works involving an investment of Rs.50 crore and above (Rs.100 crore from 26 September 2002) require to be appraised by the Planning Commission, considered by the Expanded Board and approved by the CCEA.

Two Railway lines (now in South Western Railway), along two routes connect Bangalore and Hassan; the first being via Arsikere is 212.34 km. and the other route via Mysore is 257.97 kms. In September 1996, the then Prime Minister of India forwarded a request of the Chief Minister of Karnataka for examining the feasibility and prospects for the construction of a third line between Bangalore and Hassan via Shravanabelagola. The proposal was discussed in the Railway Board and the Southern Railway was asked (October 1996) to conduct surveys for construction of the proposed new Railway line.

Southern Railway conducted preliminary Engineering cum Traffic Survey for the new BG line between Bangalore and Hassan via Shravanabelagola and submitted a report to the Railway Board in November 1996. The estimated cost, assessed at Rs.295.77 crore with a Rate of Return (ROR) of 4.793 per cent, was well below the 14 per cent prescribed for taking up a new project.

In January 1997, Railway Board sent the proposal for construction of this line to Planning Commission stating therein that although the line was un-remunerative, its construction was essential for the speedy economic development of the backward tribal area proposed to be served by this line. They also stated that they had already included the provision in the Supplementary Demands for Grants for 1996-97, which was passed by the Parliament. While submitting the proposal to the Parliament, they had stated that the work on the project would be commenced after obtaining the necessary clearances from the Planning Commission, Expanded Board and CCEA.

The Planning Commission advised (January 1997) the Board not to take up the project till the reprioritisation exercise was completed and the throw forward in new lines became manageable. However, the CCEA approved this project (February 1997). Thereafter, in April 1997, the Railway Board issued directives to Southern Railway to complete the final location survey on priority and call for tenders simultaneously for earthwork and bridges. In June 1997, the foundation stone for the work was laid with the completion period of 3 years. The Board sanctioned a part estimate of Rs.110.69 crore

(August 1997) for a distance of 97 kms. i.e. 51 kms. from Bangalore side and 46 kms. from Hassan side.

Based on the final location survey, an estimate of Rs.408.56 crore for a total length of 166.79 kms was submitted by the Southern Railway in February 1999. ROR based on the vetted Capital cost of Rs.408.56 crore worked out to (-) 0.78 per cent. The detailed estimate was revised to Rs.417.38 crore in November 2000. The Detailed Estimate of Rs.417.38 crore was pruned down to Rs.412.91 crore and sanctioned by the Board in January 2001.

A review of records by Audit revealed that:

- (a) No justification existed for the Railway Board to pursue and obtain the approval of CCEA for the project, which had neither been approved by the Planning Commission nor even seen by the Expanded Board.
- (b) The actual expenditure till February 2003 was Rs.81.57 crore with a physical progress of a poor 20 per cent, 6 years after commencement of the work. The project, started with a great sense of urgency in April 1997 and scheduled to be completed within a period of 3 years, remains incomplete with very slow progress and with no benefit accruing from the investments made so far. On the other hand, a dividend liability of Rs.20.47 crore has accrued on the expenditure upto 31 March 2002.

When the matter was taken up (June 2003), the Railway Administration stated (July 2003) that:

- (i) The project was sanctioned keeping in view the distinct advantages of (a) the connectivity to important tourist places, (b) provision of an alternative shorter route between Bangalore and Hassan, and (c) dispensation of the reversal of engines at Ariskere.
- (ii) Allotment of budget grant is done by Railway Board keeping in view the overall development of the Railway network and completion of the project was planned according to availability of funds. The expenditure incurred so far cannot be termed as unproductive since it is expected to be completed by March 2004.

These arguments are not tenable because:

- (i) The original justification for the project had taken into account all the advantages as brought out by Railway Administration. Still the ROR based on the updated Capital cost worked out to (-) 0.78 per cent.
- (ii) The budgetary constraints were known to the Board. The Planning Commission also had been repeatedly emphasising the need to reprioritise and complete the on going/ existing projects first, which was ignored by the Board. The expectation, that the project would be completed by 31 March 2004, is well nigh impossible as only an amount of Rs.26 crore has been provided in the budget for the year 2003-04 out of a total requirement of Rs.331.34 crore.

When the matter was brought to the notice of Railway Board in September 2003, the Railway Administration, with the approval of the Railway Board reiterated (January 2004) their earlier stand.

3.3 Southern Railway: Non-completion of a project due to defective investigation of soil

Failure of the Railway Administration to take cognizance of the change in nature and scope of work warranted due to poor investigation of soil and resultant incorrect assessment of quantity of work led to non-completion of bridgework after incurring expenditure of Rs.1.48 crore. Consequently, the new line project between Salem and Karur has also been held up after incurring expenditure of Rs.51.65 crore

A contract for construction of a new bridge across river Cauvery for the new line project between Salem - Karur via Namakkal was awarded to a contractor at a cost of Rs.8.29 crore in March 1999, with a currency period of 2 years.

The Soil Investigation Report, based on trial bores conducted at site by a private agency, indicated hard rock profile at a depth of 20 to 25 metres and drawings were prepared and quantity of work assessed. Since the piling had to be terminated only on reaching hard rock plus 1.5 metres, the contract provided for about 21.5 metres to 26.5 metres of pile depth.

During the execution stage, hard rock strata were encountered (April 2000) by the contractor at depths varying from 8 metres to 12 metres, resulting in considerable reduction in the quantity of pile work. On Mohannur end, rock had been exposed at the surface itself requiring adoption of open foundation for 5 to 6 piles. In September 2001, stating that due to variations related to nature and scope of the whole work, the quoted rates had become unreasonable or inapplicable, the contractor requested for foreclosure of the contract without liability on either side or re-fixation of the rates.

The Engineering Department felt (January 2002) that the best option would be to go in for foreclosing the agreement without any liability on either side and calling for fresh tender with revised quantities. But, the Associate Finance (January 2002) invited reference to Clause 24(g) of the Special conditions of contract which clearly states that the drawings referred to in the tender were intended only to give a rough and general idea of the location and rough details of work to be done and no claim whatsoever would be admissible in respect of any alteration/ addition/ deletion/ change in the type of works and did not agree with the proposed foreclosure.

The Chief Engineer/ CN/ West informed (April 2002) the contractor that the reasons furnished by him for delayed progress were not based on facts and gave him one more opportunity with the currency of contract extended up to 30 October 2002. However, the Railway Administration knew even in January 2002 that the contractor had removed his machinery and establishment from site and there was no work for the past one year.

The contract was finally rescinded in July 2002 at the risk and cost of the contractor.

In this connection, the following comments arise:

- (i) The contractor pointed out in April 2000, during execution of contract, that the test borings conducted originally were totally incorrect. This

had created substantial variation in quantities and the contractor pointed out (September 2001) that the original rates had become unworkable. Yet, the Railway Administration failed to take suitable action in this regard. This resulted in non-completion of the bridgework and delays to the new line project, which was to be completed by 31 March 2001. While expenditure incurred on the bridgework is Rs.1.48 crore, the expenditure on the new line project held up is Rs.51.65 crore (January 2003).

- (ii) The inaction of the Railway Administration also led to unnecessary litigation and claim of Rs.5.85 crore by the contractor.
- (iii) Following termination of the contract under risk and cost in July 2002, the risk tender was floated in February 2003 and was yet to be finalised (September 2003). Recovery on this account is remote as the defaulting contractor had already been paid amounts due to him and the Bank Guarantee submitted by him (valid up to June 2001) had not been encashed. Further, as the scope of the risk tender was different, the risk and cost may not be enforceable.

When the matter was taken (April 2003), the Railway Administration stated (September 2003) that:

- (i) The classification during trial bores was mostly subjective since the boring was done through chestling and the rock strata (both hard rock and soft rock) came in pieces and sometimes lead to faulty conclusion. The actual strata could be known only during execution. The soil investigation has certain limitations regarding results.
- (ii) General Conditions of Contract provides for variation in quantities for foundation, without any limit. The contractor was also aware of the position before quoting for the work. He cannot make any claim on this account. In the instant case risk tender would be enforced and contractor's claim would be duly defended with proper justification.

These arguments are not tenable because:

- (i) The purpose of soil test is to have a clear idea about the soil strata and rock profile. This forms the basis for preparation of drawings, giving description of work in the tender documents and finally concluding the rates. Hence, the need for conducting a scientific and thorough soil test cannot be overemphasised.
- (ii) The change in the drawings had totally changed the scope of work and the scope of the risk tender floated in February 2003 was based on revised foundation drawings and the risk clause may not be enforceable. Moreover, the bank guarantee submitted by the contractor has since expired. The contractor has also removed the machines, materials etc. from the site. Therefore, there is no security available with the Railway Administration to cover the losses.

The matter was brought to the notice of Railway Board in September 2003. The Railway Administration, with the approval of the Railway Board reiterated (February 2004) their earlier stand. They also stated that action is

on hand to withhold the amount of bank guarantee from the other works/agreements of the contractor.

3.4 South Eastern Railway: *Premature commissioning of Bishrampur Traction Sub-station*

Commissioning of Bishrampur (BSPR) Traction Sub-Station prior to undertaking the work of extension of a line from BSPR to Ambikapur resulted in an avoidable expenditure of Rs.12.82 crore

A Traction Sub-station (TSS) on 2X25 KV system was installed and commissioned at BSPR in April 1995, primarily with a view to supplying traction power for the proposed extension of broad gauge line from BSPR to Ambikapur. The Railway Administration entered into an agreement on 28 March 1995 with Madhya Pradesh Electricity Board (MPEB) for supply of electrical energy at BSPR TSS with a Contract Demand (CD) of 500 KVA from the date of commencement of the agreement and 3000 KVA after three months from the date of commencement of the agreement.

A review of records revealed that the TSS, since its commissioning, was being utilised as a floating sub-station for most of the periods as the work of extension of Broad Gauge (BG) line from BSPR had not commenced. It served as a standby source in the exigencies of breakdowns, accidents/ failures and also as an alternative feeding source in the event of shutdowns of power from Udalkachar TSS during routine maintenance of OHE and PSI installations. Even with this utilisation, the level of energy consumption was very low as compared to CD of 3000 KVA of BSPR TSS. The utilisation of power during January to October 1999 were only for 246 hours out of which 57 hours were due to breakdowns and 189 hours for maintenance.

Keeping in view the negligible utilisation of the TSS and the fact of non-commencement of the work of extension of line from BSPR to Ambikapur, the Divisional Railway Manager (DRM), Bilaspur proposed (November 1999) temporary closure of the TSS and assessed a net saving of about Rs.3 crore per year. However, the Railway Administration, instead, approached (25 January 2000) the MPEB to reduce the CD from 3000 KVA to 100 KVA to keep the transformers in good health till completion of Bishrampur-Ambikapur line.

The MPEB, however, did not agree (May 2000) to reduce the CD to less than 1000 KVA. In view of MPEB's unwillingness to accept the proposed reduction in CD to 100 KVA, the Railway Administration, in June 2000, requested MPEB to treat their letter of 25 January 2000 as three months notice for temporary closure of BSPR TSS till its revival in future. The TSS was closed temporarily in August 2000 and no energy bill was paid to MPEB.

The work of extension of BG line from BSPR to Ambikapur could, however, be commenced only in December 2000. The original scheduled target of completion in December 2003 was revised to June 2004. The physical progress of the work as on 31 March 2003 was, however, only 24 per cent.

The Railway Administration during 1995-96 to 2000-01 (upto July 2000) had made avoidable payment of a total amount of Rs.12.82 crore (Rs.13.18 crore less Rs.0.36 crore in respect of energy consumed for other purposes) towards

energy charges to MPEB in respect of BSPR TSS. This also included an amount of Rs.8.83 crore towards minimum guaranteed energy charges although the level of energy consumption was far below 100 KVA.

When the matter was taken up (February 2003) with the Railway Administration, they contended (March 2003) that BSPR TSS was set up to facilitate running of heavy load, 9000 Tonne trains on the recommendations of Japanese consultants. It was never developed solely as a standby source to any other TSS or for extension of line from BSPR to Ambikapur.

The above contention is not acceptable. From the justification for closure of TSS, it is evident that the primary objective of installation of the TSS was to supply traction power to the proposed extension of BG line from BSPR to Ambikapur and not to run heavy load 9000 Tonne trains as contended now.

Thus, an imprudent decision to commission a TSS prior to taking up extension of line coupled with delay in commencing the work of extension of BG line from BSPR, resulted in an avoidable expenditure of Rs.12.82 crore.

The matter was brought to the notice of Railway Administration in April 2003. The Railway Administration, during the discussions held on 13 October 2003, stated that MPEB did not agree to the Railway's request to reduce the contract demand and payment was made under protest. Ultimately, the TSS was closed down. The matter has been taken to the Hon'ble High Court, Chattisgarh and decision of Court is awaited.

The reply regarding action taken clearly indicates that the TSS was commissioned prematurely resulting in an avoidable expenditure of Rs.12.82 crore.

The matter was brought to the notice of Railway Board in September 2003 and their reply has not been received (February 2004).

3.5 North Eastern Railway: Restoration of an uneconomic branch line

Decision of Railway Administration to restore an uneconomic branch line between Duraundha and Maharajganj resulted in unproductive investment of Rs.7.93 crore

Conversion of a Metre Gauge (MG) trunk route from Samastipur to Barabanki to Broad Gauge (BG) was sanctioned in April 1972 and completed in 1981. Connected to this trunk route at Duraundha was an un-economic MG branch line between Duraundha and Maharajganj (6.04 kms.). Consequent upon conversion of the MG trunk route into BG route, the MG branch line, if retained as an MG section, would have become isolated from the BG system.

The rate of return from this MG branch line was only 2.29 per cent against the prescribed 10 per cent. Its retention as an MG section was, therefore, financially not viable. Its conversion into BG section to join the parent main line would have entailed additional expenditure rendering it even more uneconomical. Road services on this section were adequate. In view of unremunerativeness of the section and availability of adequate road service,

North Eastern Railway Administration had recommended in April 1978 to Railway Board the closure of the section. Railway Board, however, sanctioned (August 1980) conversion of this MG section into BG section as a material modification to the Samastipur-Barabanki gauge conversion project at a cost of Rs.1.20 crore. The MG track was dismantled in 1980 and train services were withdrawn. Subsequently, in July 1983, Railway Board cancelled the proposed conversion of this section.

Later, surveys conducted twice in 1994-95 and 1995-96, at the instance of Railway Board, for restoration of this line revealed that the working expenses on operating this section would still be much more than the anticipated earnings. In September 1996, North Eastern Railway Administration putting the cost of project at Rs.3.57 crore stated that the earnings from the section, if restored, would be a poor 18 per cent of the working expenses. In view of this gloomy prospect, North Eastern Railway Administration recommended to Railway Board not to restore the line. Railway Board, however, approved (July 1997) restoration of the section on BG system at an abstract cost of Rs.3.57 crore, later increased to Rs.8.56 crore in February 2002. As per progress report, an expenditure of Rs.7.93 crore had been incurred till July 2003. The line was handed over to Open Line on 1 August 2003. Completion Report is yet to be drawn up.

Thus, Railway Board's injudicious decision to restore, on BG system, the erstwhile uneconomic MG Duraundha-Maharajganj section, despite repeated surveys pointing out that even the working expenses would not be covered by the earnings, has led to an unproductive investment of Rs.7.93 crore (as on 31 July 2003) besides incurrence of a significant recurring loss every year after the line becomes operative.

The matter was taken up with North Eastern Railway Administration in April 2003. Railway Administration stated (June 2003) that:

- (i) There had been persistent demands for restoration of this line by the people of the area, who had the facility of an MG line prior to conversion of main line into BG line.
- (ii) The area is backward and provision of rail link would certainly boost the economic activities resulting into speedy development.
- (iii) The area is predominantly an agricultural belt and the condition of roads is very pitiable.
- (iv) The project was giving positive Rate of Return (ROR) of 4.4 per cent.

The Railway Administration's contention is not tenable. It was only after taking into consideration the aspects brought out at Sl.No. (i) to (iii) above that the assessment of growth in passenger and goods traffic was made in the repeated surveys carried out by Railway Administration and the project found to be financially unviable. Moreover, Maharajganj is only 6.04 kilometres away from Duraundha, a rail head on the existing Railway line from Samastipur to Barabanki to which it is connected by a metalled road. The maintenance of this road is the concern of the State Govt./Local Administration. In this connection, it is appropriate to highlight that several

high level committees on uneconomic branch lines had recommended that all uneconomic branch lines where alternative mode of transport exists or can be developed should be closed down. Railway Reforms Committee in Part XI of their Report of October 1983 also echoed the same view.

Railway Administration's contention at Sl. No. (iv) that the project was giving a positive Rate of Return (ROR) of 4.4 per cent, which is far less than the prescribed 10 per cent, only confirms that the project was financially unviable.

The matter was brought to the notice of Railway Board in September 2003. North Eastern Railway Administration, with the prior approval of Railway Board, reiterated (October 2003) their earlier stand of June 2003 and stated that though the branch line was financially not viable, services on this line have been well patronised since its opening.

The reply is not tenable because Railway Administration has conceded that the line is financially not viable. Moreover, they have not furnished any details to indicate that the services have been well patronised and would meet the basic condition of ROR of minimum 10 per cent.

3.6 South Central Railway: *Non-realisation of Railway dues towards modifications to Power Line Crossings*

Railway Administration's failure to prefer/ realise the cost of modifications carried out to Power Line Crossings (PLCs) from Andhra Pradesh State Electricity Board (APSEB) during electrification/ gauge conversion resulted in non-realisation of Rs.6.96 crore

Power Line Crossings (PLCs) are owned and maintained by the concerned State Electricity Boards (SEBs). In Andhra Pradesh, the Andhra Pradesh State Electricity Board (APSEB) was the authority for distribution of power and, after restructuring during 1998-99, Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) has been its successor.

As per the existing agreement, entire cost of modification of PLCs shall be borne by the SEBs.

When the APSEB was approached for modification of PLCs during the electrification of Vijayawada - Visakhapatnam section, the APSEB stated (January 1995) that as much as the gauge conversion or electrification of track was being taken up by the Railways to their advantage of better operation facilities and higher movement of traffic and goods, with no material benefit to the APSEB, the cost of any such modifications had to be borne by the Railways.

The matter was taken up by the Central Organisation for Railway Electrification (CORE) in September 1995, the APSEB agreed (November 1995) to share the cost of modifications equally by Railways and APSEB.

Audit review of modifications to PLCs carried out by the Railway Administration revealed that the total amount of loss to the Railway Administration due to non-preference and non-realisation of claims in various gauge conversions works out to Rs.6.96 crore.

The matter was brought to the notice of the Railway Administration and Railway Board in May 2003 and September 2003 respectively, the Railway Administration, with the approval of the Railway Board, stated (January 2004) that as per the agreed norms between Railways and APTRANSCO, the cost of modification to power line crossings was to be shared equally on 50:50 basis and the amount due was

- (i) Rs.0.28 crore in the case of 20 PLCs in Guntur – Markapur section;
- (ii) Rs.2.8 crore in the case of 43 PLCs in the section BMO-SC-FM-MBNR section;
- (iii) Rs.0.27 crore in the case of 41 PLCs in TPTY-PAK-KPD section;
- (iv) Rs.0.44 crore in the case of 39 PLCs in the section Mahboobnagar-Gadwal-Dronchalm section;
- (v) Rs.0.12 crore has been realised in the case of 5 PLCs in Markapur-Gaddalur section; and,
- (vi) In the case of Dronachellam-Guntakal (11 PLCs) and Nandayal-Dronachellam (10 PLCs) sections, efforts are being made to prefer fresh claims.

These arguments are not tenable because as per terms of agreement, the entire cost of modifications is to be recovered from APTRANSCO towards 63 PLCs and 50 per cent cost of modifications in the case of 106 PLCs, which works out to Rs.7.38 crore. Against this, an amount of Rs.0.42 crore only has been either realised/ agreed to be adjusted, leaving a balance of Rs.6.96 crore due from APTRANSCO.

3.7 Eastern Railway: *Improper planning in connection with creation of a Car Shed*

Deletion of proposal for pit wheel lathe at the time of creation of maintenance facilities for the Main Line Electric Multiple Unit (MEMU) rakes at Asansol led to an avoidable expenditure of Rs.3.62 crore on empty haulage of rakes to Howrah for wheel turning apart from likely incidence of additional expenditure by Rs.1.63 crore due to belated procurement of a pit wheel lathe

For maintenance of main line EMU rakes, a separate car shed at Asansol was proposed in February 1995. The initial proposal for creation of maintenance facilities for 15 MEMU rakes at Asansol with provision of future expansion for five more rakes was prepared by Divisional Railway Manager, Asansol. After discussions with the Chief Electrical Engineer (CEE), Eastern Railway, a revised layout plan was prepared at an estimated cost of Rs.5.54 crore. One of the items deleted from the initial proposal was a pit type wheel lathe costing Rs.2 crore. The Railway Board accorded (September 1995) administrative approval for inclusion of proposal in the PWP of 1996-97.

Wheel turning is an integral part of functions of MEMU car shed for which one wheel turning lathe is required. Commissioned during December 1999, the car shed commenced weekly inspections of rakes. However, in the absence of wheel lathe facility, the rakes were regularly sent to Howrah car

shed (covering a distance of 400 kms. to and fro) for wheel turning causing empty running of rakes.

Records revealed that during the period from December 1999 to January 2003, 248 rakes were sent to carshed at Howrah. Railway Administration incurred an unnecessary expenditure of Rs.3.62 crore due to empty haulage of these rakes. Apart from empty running of rakes, the incidence of unnecessary to and fro movement of rakes between Asansol and Howrah resulted in reduction in availability of rakes for traffic use.

In March 2003, the Board sanctioned a pit wheel lathe for Asansol car shed at a cost of Rs.3.63 crore in the M&P programme of 2003-04, which is Rs.1.63 crore more than Rs.2.00 crore provided for in the initial proposal.

Deletion of provision of pit wheel lathe at the time of revising the lay out plan for the maintenance facilities at Asansol car shed thus, led to an unnecessary expenditure of Rs.3.62 crore on empty haulage of rakes from Asansol to Howrah and back, besides an avoidable additional expenditure of Rs.1.63 crore towards price escalation in the cost of the said lathe.

The matter was brought to the notice of Railway Administration and Railway Board in April 2003 and September 2003 respectively. The Railway Administration, with the approval of Railway Board, stated that:

- (i) the initial proposal, which included one under floor pit type wheel lathe, was modified bringing down its cost from Rs.18.16 crore to Rs.5.43 crore. This was done primarily because of paucity of funds and thinning of investment on development of different maintenance facilities in stages over a number of years based on allotment of MEMU coaches and receipt of new coaches over the years.
- (ii) there is no difference in the sanctioned cost of pit wheel lathe and the cost estimated in initial proposal.

The reply is not tenable because:

- (i) the fact is that due to increased traffic demand, the number of rakes and coaches had to be increased from 15 to 18 and from 120 to 176 respectively within a short span of two years from the date of commissioning of the carshed. Thus lack of proper planning and foresight resulted in unnecessary empty haulage of rakes from Asansol to Howrah car shed covering a distance of 400 kms. to and fro for wheel turning and incurrance of unnecessary expenditure of Rs.3.62 crore on this account.
- (ii) the Railway Administration did not furnish the details to support their claim that there was no difference in the cost estimated initially and the sanctioned cost.

3.8 South Western Railway: Avoidable payment of interest charges due to delay in depositing land acquisition cost

Delay in the payment of the compensation amount before taking possession of the land, as required under the provisions of the Land Acquisition Act 1984, resulted in unnecessary payment of interest of Rs.3.78 crore

After a meeting held by the then Prime Minister on 28 March 1997, directives were given that the construction of Hassan - Bangalore railway line must receive highest priority and be completed within a period of two years. The Ministry of Railways (Railway Board) conveyed these directives on 10 April 1997. Commencement of work was to be made as soon as land acquisition proceedings were over.

The permission to acquire required land for this line was granted under Clause 17 (1) of the Land Acquisition Act, which provides that 'in cases of urgency, whenever the appropriate government so directs, the Collector, though no such award has been made, may, on the expiration of fifteen days from the publication of the notice mentioned in section 9, sub-section (1), take possession of any land needed for public purpose'. Clause 17 (3A) (a) provides that 'before taking possession of any land....., the Collector shall tender payment of eighty per centum of the compensation for such land as estimated by him to the persons interested entitled thereto'. Clause 34 provides that 'when the amount of such compensation is not paid or deposited in or before taking possession of the land, the Collector shall pay the amount awarded with interest thereon at the rate of nine per centum per annum from the time of so taking possession until it shall have been so paid or deposited. If such compensation or any part thereof is not paid or deposited within a period of one year from the date on which possession is taken, interest at the rate of fifteen per centum per annum shall be payable from the date of expiry of the said period of one year on the amount of compensation or part thereof which has not been paid or deposited before the date of such expiry'.

As against requirement of 1865.645 acres in the estimate, 583.26 acres (443.26 acres at the Hassan end and 140 acres at Bangalore end) of land were acquired till June 1999. The Special Land Acquisition Officer (SLAO) assessed (May 1998) the requirement of funds for land at Bangalore end at Rs.8.10 crore and requested the Railway Administration to deposit 80 per cent of the amount in view of the fact that the acquisition proceedings were to be initiated under the Land Acquisition Act.

The Railway Administration paid Rs.6.16 crore in four instalments upto October 2001.

Since the Railways did not make payments as required, the SLAO revised the demand (December 2001), including the interest element for the delay in depositing the amount. The SLAO intimated an amount of Rs.12.47 crore as the total amount as outstanding as on 23 April 2003. This included an amount of Rs.3.78 crore as interest due to delayed payments made by the Railways.

When the matter of payment of interest was taken up (April and September 2003), the Railway Administration agreed (June 2003 and February 2004) with the approval of the Railway Board that some interest would ultimately become payable depending on date of handing over of land by the Revenue Department, but contended that:

- (i) The interest of Rs.3.78 crore is only an advance estimate furnished by SLAO. This will be adjusted finally when final awards are made and final disbursement was done.
- (ii) There was no undue delay in depositing 80 per cent amount for land acquisition by Railways.
- (iii) Acquisition of land depends on funds allocation, priority, contractual obligations etc. Although for the initial two years funds were available, there was paucity of funds in subsequent years, when a cut of approximate 15 per cent was imposed on new lines budget in 1999-2000 and 2000-01. The Budget Grant was reduced from Rs.10 crore and Rs.9 crore to Rs.8 crore and Rs.5 crore respectively. When the demand for payment of land started from 1999-2000 onwards, budget was meagre to make payment for land.

The contention of the Railway Administration are not tenable because:

- (i) Interest amounting to Rs.3.78 crore had been calculated by SLAO from the date of taking over possession of land to the date of issue of award notice in each case. Therefore, the amount of interest is an actual figure as on 24 April 2003 and not an estimated figure. In fact, the interest amount is liable to increase further as the Railways are yet to pay the full amount due.
- (ii) The original demand for Rs.8.10 crore had been received from SLAO in May 1998. But the Railway Administration paid only Rs.6.16 crore and that too in instalments between June 1998 and October 2001. This, in turn, delayed the payment of compensation and resulted in avoidable payment of interest charges.
- (iii) The Railway Administration was aware that the acquisition of land was being done by the SLAO under Section 17 (1) of the Land Acquisition Act. Despite this, they made no demand for additional funds, even in the Final Modification stage of 1998-99. Yet, the Board had allotted additional funds to the extent of Rs.7.8 crore. It is thus clear that funds were available, but not used for payment to the SLAO.

This resulted in unnecessary payment of Rs.2.20 crore and a liability of Rs.1.58 crore, which is also liable to increase with further delay.

3.9 South Central Railway: Failure to safeguard Railway's interest while granting advances to contractors

Failure of the Railway Administration to incorporate specific clause to safeguard the Railway's interests resulted in non-recovery of Rs.2.83 crore towards principal and interest in respect of the mobilisation/ machinery and plant advances from the contractors

In terms of Para 1264 of Indian Railway Code for Engineering Department, General Managers are empowered to sanction advances (Mobilisation Advance and Advance against Machinery and Plant) for works which are capital intensive and of a specified nature, if the works so warrant and are duly incorporated in the Tender Documents. These advances shall be limited to a maximum of 10 per cent each of the contract value against bank guarantee (mobilisation) and by hypothecation (plant and machinery) for new machines and equipment involving substantial outlay brought to site and essentially required for the work. The advances shall carry an interest of 10 per cent (18 per cent from 21 May 1997) per annum and recovery shall commence when the value of the contract executed reaches 15 per cent and shall be completed when the value of work executed reaches 85 per cent (mobilisation advance) and 75 per cent (plant and machinery advance) of the original contract value.

Review by Audit revealed that in the following two cases, Rs.2.83 crore towards principal and interest could not be recovered even after lapse of six to seven years of awarding the contracts as works progressed only to a little above 15 per cent.

(i) The Railway Administration entered into (June 1995) an agreement with M/s. Sri Rama Engineering and Construction, Hyderabad (SREC) for supply of 1.95 lakhs cum of granite ballast valued at Rs.6.03 crore. The total quantity was to be supplied/ loaded within 42 months (including mobilisation period of 6 months) from the date of acceptance letter (April 1995) and to be completed by 2 October 1998 at the rate of 65,000 cum per year.

As per terms of the contract, the firm was paid an amount of Rs.1.20 crore (Rs.0.60 crore towards mobilisation advance and Rs.0.60 crore towards plant and machinery advance) between August 1995 and December 1996.

The firm commenced supplies on 14 May 1996 and supplied 33,664.249 cum up to February 1999 and stopped further supplies. The contractor was paid an amount of Rs.1.03 crore through 11 on-account bills. Even though the payments made constituted 17.08 per cent of the original contract value, no recovery was effected towards advances. However, an amount of Rs.0.49 crore was effected towards penalty for not adhering to the supply schedule.

Aggrieved by this, the firm filed arbitration application in the Hon'ble High Court of Andhra Pradesh seeking waiver of penalty. The Joint Arbitrators appointed by the Hon'ble High Court attributed some delays on Railway account, waived some penalty recovered and directed the Railway Administration to adjust the amount recovered as penalties towards the advances and extend the period of contract agreement upto 31 January 2002.

In consultation with the Railway Board, the Railway Administration filed an Original Petition in the appropriate Civil Court challenging the award of Joint Arbitrators. The agreement was further extended upto 30 September 2003.

In this case, no progress has been made beyond February 1999. An amount of Rs.2.04 crore on account of the total amount of advances sanctioned to the firm (Rs.1.20 crore), including interest (Rs.0.43 crore on mobilisation advance plus Rs.0.41 crore on plant and machinery advance) remain unrealised.

(ii) In another case, the Railway Administration entered into an agreement with an individual for supply/ loading of 1.80 lakhs cum of ballast at a value of Rs.5.01 crore with a completion period of 42 months (including mobilisation period of 6 months) from the date of acceptance (29 May 1996) and to be completed by 28 November 1999.

Mobilisation advance of Rs.0.50 crore in two installments and Rs.0.50 crore towards plant and machinery in three stages were paid to the contractor, as per terms and conditions of the contract. The contractor commenced supply on 9 April 1998 and as against supply schedule of 60,000 cum per year, could supply 27,334.481 cum (15.19 per cent) upto April 2001. The bank guarantee of Rs.0.50 crore produced against mobilisation advance was encashed and Rs.0.26 crore was adjusted on various counts from the payments to the contractor. However, the Railway Administration could recover only Rs.21,725 towards principal (Rs.15,520) and interest (Rs.6,205), as against Rs.79.71 lakhs due from the contractor by way of principal (Rs.50.11 lakhs) amount of plant and machinery advance and (Rs.29.60 lakhs) on account of interest thereon upto March 2003. The balance of Rs.79.49 lakhs remained to be recovered as of September 2003.

The agreement has been further extended upto 4 December 2004, without further price escalation and with penalty for short supply as per original contract conditions.

Railway Administration's failure in incorporating requisite clauses in the Agreement regarding time frame for recovery of advances alongwith with interest thereon resulted in non-realisation of Rs.2.83 crore from the contractors besides hampering the progress of the work beyond 15 per cent even after six to seven years of awarding the contracts. This defeated the very spirit of granting advances.

In a review meeting held on 19 September 2003, it was pointed out by Audit that in the case of agreement entered into in 1985 for construction of III Godavari Bridge sub-structure work at Rajahmundry, the agreement clause provided that interest on mobilisation advance should be calculated every six months and recovered from the contractors on account bills and short-fall, if any, should be paid in cash by the contractor. Such a clause should have been provided in these cases also. The Principal Chief Engineer opined that mobilisation and plant and machinery advance together with interest should be covered by bank guarantee bonds, as against payment of plant and machinery advance on hypothecation of plant and machinery to give more security. The Financial Adviser and Chief Accounts Officer, South Central Railway stated that to secure the interest on mobilisation advance henceforth, a clause would

be incorporated in the agreements and interest would be calculated and collected every six months.

Failure to provide this clause in both the above cases resulted in non-recovery of Rs.2.83 crore towards principal (Rs.1.70 crore) and interest (Rs.1.13 crore), even after lapse of six to seven years of awarding the contracts.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

3.10 South Western Railway: *Blocking up of capital in a financially unviable project*

Sanction to gauge conversion of Shimoga Town - Talguppa branch line, especially when the Railway Reforms Committee had recommended closure of a portion of the branch line and subsequent slow progress of work, has resulted in blocking an amount of Rs.2.35 crore

Gauge conversion of the main line from Bangalore City (SBC) - Hubli (UBL) was sanctioned in March 1992 at an estimated cost of Rs.232.21 crore. A branch line taking off from the main line at Birur (RRB) to Talguppa (TLGP) was also sanctioned for gauge conversion upto Shimoga Town (SMET) through a material modification in December 1993 at an estimated cost of Rs.42.25 crore. The gauge conversion work on these sections was commissioned in May 1995 and October 1994 respectively. The remaining section of the branch line SMET-TLGP was also taken up through another material modification in May 1997, though a part of this section between TLGP and Sagarjambagaru was making continuous losses and closure thereof was taken up with the State Government (March 1985) as per the recommendations of the Railway Reforms Committee (RRC). Moreover, it was known to the Railway Administration that the rate of return (ROR) of SMET to TLGP was less than 10 per cent specified for viable projects.

Having taken up the work in May 1997 at an estimated cost of Rs.45.13 crore, the Railway Administration has been able to complete only 15 per cent of the work incurring an expenditure of Rs.2.35 crore as of March 2003.

In this connection, the following observations are made:

- (i) Taking up the gauge conversion work of a branch line as a material modification to gauge conversion project of the main line goes against the codal provisions governing sanction and execution of material modification. Especially sanctioning of the gauge conversion of the second stretch from SMET-TLGP, an unviable project, as material modification 3 years after completion of the main line gauge conversion is against the letter and spirit of the codal provisions in this regard.
- (ii) Having taken up the work of the SMET - TLGP branch line, the progress achieved has been very slow resulting in avoidable locking of funds to the extent of Rs.2.35 crore.

The matter regarding financial unviability and slow progress of SMET - TLGP branch line was taken up with the Railway Administration (April 2003)

and Railway Board (October 2003), the Railway Administration, with the approval of the Railway Board, stated (February 2004) that:

- (i) Railway Reforms Committee had reviewed the financial viability of only Sagara Jambaguru – TLGP section (20 kms.). However the entire SMET - TLGP line was taken up for conversion under Uni-gauge policy of Government.
- (ii) The earthwork in formation and strengthening of bridges being the long lead items have been taken up first. The amount spent so far in widening of the formation and strengthening of bridges cannot be considered as locked up funds.

These arguments are not tenable because:

- (i) The Railway Administration in their Survey Report in the RRB - SMET gauge conversion project suggested complete closing down of goods traffic in the SMET – TLGP section and continued use of MG with rail car service for passenger traffic.
- (ii) Having taken up the financially unviable section for gauge conversion, the work should have been carried out by making allotment of sufficient funds and, instead, the project is being dragged on, without a specific target. It was observed that 5 years after the work was sanctioned as a material modification, the physical and financial progress of the SMET –TLGP project as a whole, as of March 2003, were only 15 per cent and 2.77 per cent respectively. Only token provision of Rs.1 lakh has been made in the budget for the years 2002-03 and 2003-04, which clearly shows the lack of interest in completing the project.

3.11 South Eastern Railway: Delay in construction of an ROB

Delay in construction of a Road Over Bridge (ROB) as an accommodation work resulted in an avoidable expenditure of Rs.2.03 crore

The work for provision of a New Rail link between Tupkadih and Talgaria first appeared in Final Works Programme (FWP) for the year 1979-80. Though initially an 'A' class level crossing was envisaged as an accommodation work, the Railway Administration at the time of preparation of detailed estimate proposed one ROB as an accommodation work at ch. 14.075 crossing the National Highway - 32 (NH-32) in lieu of level crossing. However, the work was not taken up in time and the line was opened for traffic in March 1987 with 'A' class level crossing at that point.

The original estimated cost of the ROB was Rs.1.11 crore - Approach Road & Diversion to be done by NH Authority (Rs.0.90 crore) and Bridge proper to be done by Railway (Rs.0.21 crore).

Full amount (Rs.0.90 crore) was deposited in October 1989 with NH Authority for construction of approaches.

The line was opened for traffic in March 1987, the Railway Board, while sanctioning the revised estimate of the above project, advised (December 1991) the Railway to treat this estimate as a completion estimate. In April

1992, the Railway Board directed to hand over the above section to open line delinking the work of ROB which could appear as an independent work. The ROB work was included in the FWP of 1997-98 at an anticipated cost of Rs.0.45 crore. It was further revised to Rs.0.76 crore in Pink Book of 1999-2000.

After lapse of nearly 10 years since receipt of deposit from the Railway, the NH Authority, instead of completing their part of accommodation work, submitted (May 1999) a revised estimate of Rs.2.05 crore for Bridge Approaches and diversion with the request to deposit the balance amount of Rs.1.15 crore (Rs.2.05 crore – Rs.0.90 crore already deposited).

The South Eastern Railway Administration approached the Railway Board (June 1999) for material modification of Item 381 of Pink Book (1999-2000) to accommodate additional demand (Rs.1.15 crore) of NH Authority to complete the approach work of ROB.

In June 2000, the Railway Board sanctioned a material modification to include the cost of approaches of Rs.2.05 crore raising the total cost of ROB to Rs.2.81 crore.

The Railway Administration incurred an expenditure of Rs.1.09 crore towards construction of bridge proper against an estimated cost of Rs.0.76 crore in addition to Rs.2.05 crore paid to the NH Authority for construction of approaches. Thus the total expenditure incurred on ROB was Rs.3.14 crore.

In this connection, it is observed that funds to the tune of Rs.0.90 crore had been lying blocked for more than a decade due to Railway's failure to pursue with the NH Authority for the early completion of the ROB. Besides, this also led to unnecessary cost escalation of ROB resulting in avoidable expenditure of Rs.2.03 crore (Rs.3.14 crore – Rs.1.11 crore). The ROB was provided as an accommodation work. However, due to delay in execution of the work, the line was opened by providing an 'A' class level crossing. The line was in operation for more than 10 years without the ROB. The justification for the ROB as an accommodation work, thus, got diluted.

When the matter was brought to the notice of Railway Administration in May 2003, the Railway Administration accepted (October 2003) the inordinate delay on the part of NH Authority as a main reason for expenditure incurred in excess while citing a few other reasons.

The matter was brought to the notice of Railway Board in September 2003 and their reply has not been received (February 2004).

3.12 Southern Railway: Award of contract without ensuring availability of clear site

Failure of the Railway Administration to ensure availability of site free of encumbrances before awarding a contract resulted in blocking of Rs.1.69 crore

Railway Board has been issuing repeated instructions emphasising the need to foresee all delays such as preparation of drawings, availability of site etc. and inviting tenders only when the Railway Administration is fully prepared to

hand over the sites and supply the plans etc. Despite this, mismanagement in this regard continues. One such case is pointed out below:

In the Mass Rapid Transit System (MRTS) between Madras Beach and Tirumailai, the inter-distance between any two stations is around 1 km. except between Light House and Tirumailai stations, where the distance is 1.71 km. Since the commencement of train service from 19 October 1997, there had been persistent demand from local people to provide a new station between these two stations around km.7.75, as they had to walk a considerable distance/ use bus transport to reach either of the stations, defeating the very purpose of the MRTS. It was, therefore, proposed to provide a station at km.7.884 with only minimum passenger facilities so as to keep the cost to the minimum. The Railway Board sanctioned (September 1999) the work of construction of additional station at km.7.885, as a material modification in the detailed estimate of MRTS Phase I at an estimated cost of Rs.8.98 crore.

Land required for the project was to be made available free of cost and free from encumbrances by the Government of Tamilnadu to the Metropolitan Transport Project (MTP). The proposed site was on both sides of the Buckingham Canal. Whereas, on the western side of the canal, the site was free from encroachments, on the other side, there were about 1000 slum dwellers encroaching the site proposed for the Station Building.

The work of pile foundation and general re-enforced cement and concrete works etc. for the proposed additional station was awarded (September 2001) to M/s.Engineering Project India (M/s.EPIL), who had expressed apprehension in taking up the work, due to existence of encroachments on the Buckingham canal bank. They were, however, advised to proceed with the work as foundation work could be started on one side of the canal, which was free of encroachments. The works were commenced on western side of Buckingham canal and all the piling work (132 piles, including pile caps) was completed by 17 December 2001 at a total cost of Rs.1.69 crore (Rs.1.02 crore on cement and steel supplied to the contractor free of cost *plus* Rs.0.67 crore paid to the contractor towards the cost of work completed).

The encroachments on the other side could not be removed as the slum dwellers had approached the Hon'ble High Court at Chennai in 2002. When the plea was dismissed (February 2002), they appealed in the Division Bench of Chennai High Court, which was also dismissed on 19 June 2002. The Railway Administration has not, however, been able to take over possession of the requisite land till date (August 2003). Due to the uncertainty prevailing in getting the land free from encroachments, the contractor requested (January 2002) for the foreclosure of the agreement, which was not agreed to.

Due to non-completion of this work, it was considered undesirable to take up further works even on the Eastern side as it would weaken the strength of framed structure at all the levels.

When the matter was taken up with Railway Administration (February 2003) and Railway Board (June 2003), the Railway Administration with the approval of Railway Board replied that:

- (i) The work was planned to be taken up and completed along with Phase II works as separate establishment cannot be set up in future for execution of this work alone.
- (ii) In case of projects in Metropolitan Cities, taking parallel action to start the work helps in reducing completion time of the project and in effectively pursuing the matter with local authorities for removal of encroachment and obstructions. This strategy has been successful in other areas of the projects.

The remarks are not tenable:

- (i) Phase II work is still going on and provision for establishment for construction of a single station building is not a big issue necessitating award of contract hastily without even acquiring land. Moreover, there was no particular urgency in taking up this work as it is only an additional facility to the commuters in the area.
- (ii) The methodology adopted is not an approved one and cannot be taken as a precedent for similar action in all cases and the fact remains that the work has not proceeded even on date with an amount of Rs.1.69 crore invested on the work remaining idle.

3.13 Central Railway: *Non-recovery of expenditure incurred in excess of deposits made by parties*

Failure of Railway Administration to adhere to Codal provisions for execution of 'Deposit Works' resulted in non-recovery of Rs. 1.51 crore

Works executed by Railways for other Government Departments, local bodies, private firms and individuals fall under the category of 'Deposit Works'. All estimates of the deposit works should be sent to the parties concerned for their acceptance before submission of the same for sanction of competent Railway authorities. No work asked for by local bodies, private individuals or firms should be commenced till the estimated cost has been deposited with the Railway Administration. A separate register of works is required to be maintained for all 'Deposit Works' and entries in this register reconciled monthly to keep a watch over the expenditure. It should be ensured that no expenditure in excess of sanctioned estimate or deposited amount is incurred. In case any excess is anticipated, the acceptance of the party concerned should be called for and additional deposit demanded. Further expenditure should be restricted to the amount available until the additional funds are received.

Audit scrutiny of records relating to execution of 'Deposit Works' by three Divisions of Central Railway viz. Jhansi, Nagpur and Pune revealed that in seven cases, expenditure to the tune of Rs.1.51 crore had been incurred in excess of the amounts deposited by the parties without obtaining their acceptance or additional deposits. The matter regarding non-recovery of the amounts spent in excess of the deposits was taken up with the Divisional Authorities in July 2001, October 2001 and January 2003 respectively. In reply, Jhansi Division stated in January 2003 that the matter regarding excess

expenditure over the deposited amount was brought to the notice of the parties as well as higher authorities and despite a lot of chasing, the amount has not been deposited. It has also been stated that the excess expenditure took place because of some adjustment entries through transfer debits received later. However, the reply is not tenable because the entries in the register of works should be made as soon as the expenditure is incurred.

The matter was brought to the notice of Railway Administration, in March 2003. In reply, the Railway Administration with the approval of Railway Board stated in February 2004 that in respect of quarter for CONCOR (Nagpur Division), the entire expenditure of Rs.0.15 crore had been recovered and that it has been decided to recover the balance amount in respect of construction of an ROB at Akurdi (Pune Division) by adjusting the same against deposit made for another work by PCMC. No reply has been given in respect of five works pertaining to Jhansi Division stating that the Division no longer exists in Central Railway. The reply is not tenable because in terms of Railway Board's policy decision taken in May 1998, Railway PSUs may be allowed to construct houses on Railway land, provided that an equal number of houses are also constructed for Railway's staff. As one type V quarter has been constructed for CONCOR, they should bear the cost of two type V quarters. The amount recoverable from PCMC has not yet been recovered. So far as cases relating to Jhansi Division (now in NCR), the reply was yet to be received (February 2004).

Thus, the failure of the Railway Administration to adhere to the Codal provisions for 'Deposit Works' resulted in non-recovery of Rs. 1.51 crore.

3.14 Southern Railway: Non-provision of direct entry line to a goods yard

Failure of Railway Administration to provide a direct entry to BG goods trains from Madurai end at Tiruchirappalli Goods Yard during gauge conversion resulted in extra haulage of goods trains, engine reversal and detention to wagons, involving avoidable extra expenditure of Rs.1.20 crore

Gauge conversion works of Villupuram (VM) - Tiruchirappalli Junction (TPJ) section and TPJ - Dindigul (DG) section from Metre Gauge (MG) to Broad Gauge (BG) were started in 1992-93 and completed in September 1998 and February 1999 respectively. Tiruchirappalli Goods Yard (TPGY) is a major yard between Golden Rock (GOC) and TPJ. On the MG formation, TPGY, with both MG and BG goods traffic, transshipment etc., had provisions for receiving MG goods traffic direct from Madurai. A new BG grid viz. Madurai grid with a direct entry from TPJ end to deal with the traffic to and from Madurai direction was approved as part of MSB - TPJ gauge conversion.

Though the need for this facility was advocated on various occasions, direct entry from TPJ at the Madurai end for BG goods was still to be provided (September 2003). Moreover, the existing Engine Turn Round line at TPGY cannot be used for reception and despatch of goods train from Madurai since the line is having a holding capacity of 20 wagons only. This has resulted in diversion of goods trains between TPJ and TPGY via Tiruchirappalli Fort

(TP), involving avoidable reversal of locomotives, a longer haul of traffic and delay in wagon turn round. This involved an avoidable extra expenditure of Rs.1.20 crore during January 2000 to March 2003 on hauling 996 goods trains for an extra length of 5 kms., reversal of engine and detention to stock.

When this was taken up (April 2003), the Railway Administration argued (October 2003) that:

- (i) Since an adequate number of crossing stations had been provided in the DG - TPJ - VM section, there was no need for receiving through goods trains from Southern side (Madurai end) to destination beyond TPJ and TPGY. Only terminating goods trains were to be dealt with at TPGY for which the provision was adequate. There was no facility proposed for transshipment of goods trains at TPGY and there was no necessity of receiving the goods trains for transshipment at TPGY.
- (ii) Even if direct entry arrangement was available, movement from TPJ to TPGY would involve haulage of about 4 kms. The extra hauling involved would be about 1 km.
- (iii) The direct entry from TPJ to TPGY was not planned along with gauge conversion and not provided for in the sanctioned estimate. This had to be processed either as a supplementary item under gauge conversion or as a separate item in the works programme, which would cost around Rs.2 crore. The amount spent for hauling the goods train over the extra 1 km. would be less than the cost of provision of direct entry.
- (iv) Since MG is converted to BG progressively, the need for transshipment at Tiruchchirappalli Goods is also declining. For the year 2001, the number of goods trains dealt was 389 both ways and for 2002 it was 331 both ways. The figure for the current year 2003 is 70 for the first nine months. This traffic will also get reduced after the gauge conversion of the left over ongoing projects.

These arguments are not tenable because:

- (i) There are nine sections around TPJ, which are still on MG formation catering for paddy/ fertiliser traffic from and to various points on the Cauvery delta area. Consequently, transshipment activity at TPGY is continuing even after the conversion.
- (ii) The distance from TPJ to TPGY is 1.7 kms., as ascertained from the records of Section Engineer (P.Way)/ TPJ.
- (iii) It is not true that the direct entry from TPJ to TPGY was not planned along with gauge conversion and not provided in the sanctioned estimate. As per Chief Transportation Planning Manager letter No.T.143/T/VM-TPJ (Chord)/ P.Way, dated 18 February 2003, the work of direct entry from TPJ end to deal with the traffic to and from Madurai was approved long back as part of MSB - TPJ gauge conversion project and is still to be completed despite a lapse of 5 years since the commissioning of Chord line section. The cost involved in providing the facility is only a one time investment but the

problems of engine reversal, extra haulage and detention to wagons would continue, unless the direct entry to TPGY is provided.

- (iv) The gauge conversion projects of long gestation period are usually delayed heavily. The decline in traffic in 2003 was primarily due to less food grain and fertiliser traffic in the cauvery delta area, on account of draught conditions. This was a temporary phenomenon.

When this was taken up with Railway Board in October 2003, the Railway Administration, with the approval of Railway Board, argued (January 2004) that the gauge conversion of the MG system in Southern Railway is being taken up on a massive scale and most of the MG sections have been sanctioned for gauge conversion. Since MG sections are getting converted to BG ones progressively, the need for transshipment at Tiruchchirappalli Goods is also progressively declining. There is, therefore, no necessity to create the facility.

These arguments are not tenable. The gauge conversion projects, which need long gestation periods, are usually delayed heavily on account of various reasons. Even with the progressive gauge conversion work undertaken in the South, the provision of a BG direct entry from TPJ to the TPGY would be necessary to deal with the traffic emanating from the proposed converted sections. Hence, the loss on account of non-provision of direct entry as pointed out is real and will continue to occur.

CHAPTER 4:	STORES AND ASSETS MANAGEMENT
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4.1 Import

**4.1.1 Railway Board and : Non-utilisation of imported Metre
Northeast Frontier Railway Gauge Wheelsets**

Failure to comply with the assurance given to Public Accounts Committee on proper utilisation or suitable disposal of imported Metre Gauge Wheel sets resulted in loss of Rs.16.73 crore
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Mention was made in Audit Para No.3.1 (ii) of Railway Audit Report for the year ended 31 March 1993 about wasteful import of 2000 Metre Gauge (MG) wheel sets at a cost of Rs. 9.98 crore during 1992-93. Ministry of Railways (Railway Board) in their reply to Public Accounts Committee's (PAC) question stated (December 1994) that these 2000 wheel sets would be used to upgrade the existing MG Rolling Stock (12T to 14T pay load) by retro fitment of 500 MG wagons on Lumding-Badarpur-Silchar section of Northeast Frontier (NF) Railway within 2 years of approval of retro fitment work.

The retro fitment work of the MG wagons was sanctioned in 1995-96 Rolling Stock Programme (RSP) with provision of funds of Rs.3.76 crore and retro fitment of 67 MG wagons was taken up in Dibrugarh workshop. Till August 1996, the workshop retrofitted 48 wagons, when Railways sanctioned gauge conversion of Lumding-Silchar section through the Railway Budget 1996-97. Railway Board, therefore, decided to retrofit only 60 MG wagons against 67 MG wagons originally sanctioned.

In the Action Taken Note on the Audit Para, the Board stated (December 1996) that they did not intend to invest further in upgradation of MG freight wagon stock on this section and that possibility to sell the surplus wheel sets to other countries where MG system was still available, would be explored.

Audit scrutiny revealed that:

1. Against their commitment (December 1994) of upgrading 500 wagons within two years of approval of retro fitment work, the Railway Board retrofitted the 14T wheel sets only in 60 wagons up to August 1996. Even these 60 MG wagons retrofitted with 14T wheel sets are being used with ordinary payload of 12 tonnes. Thus, even the expenditure of about Rs.20 lakh incurred on retro fitment was rendered infructuous.
2. Out of 2133 MG wheel sets (including 133 from the old stock), at Dibrugarh Workshop (DBWS), Railway Administration could use only 240 MG wheel sets (retrofitting 60 MG wagons). The remaining 1,893 MG wheel sets (worth Rs.9.45 crore) were still (September 2003) lying in stock at DBWS. No action to sell the wheelsets to other countries as assured by the Board to the PAC, has been taken so far.
3. Normal codal life of 14 T wheelsets is 12 years. About 90 per cent life (11 out of 12 years) of these wheelsets has already expired without

their being put to use. Since these wheelsets have been kept in an open space, they would have deteriorated due to vagary of weather. No survey has been conducted to testify the condition of these wheelsets.

4. Dividend at the rate of 7 per cent per annum of Rs.7.28 crore has also been paid to General Revenues for the period 1992 to 2003.

Thus, Railway Board failed to use the wheelsets imported or to sell them to other countries as per the assurance given to the PAC.

The matter was taken up with the Railway Board in October 2002. The Board stated (January 2003) that the efforts were being made to sell these wheelsets to other countries. The reply is not tenable because:

- The assurance is only a reiteration of what they had stated in 1996.
- The wheelsets due to normal wear and tear and exposure to vagary of weather have almost completed their codal life. There is, therefore, no prospect of any of the wheelsets being sold to any other country.

4.1.2 Railway Board: *Wasteful expenditure on procurement of a machine*

Poor performance rendered as unproductive an investment of Rs.9.29 crore on procurement of a Rail Track Vacuum Suction Cleaning machine

The track maintenance, being done manually in Mumbai Suburban section, was proving to be extremely difficult due to collection of night soil and garbage on the track. Further, existence of highly congested hutments along the track was causing drainage problems. To overcome these problems, Central Railway proposed (July 1997) to procure one Vacuum Suction Machine so as to mechanise the track maintenance activity on this section. The Board approved the proposal through the Rolling Stock Programme 1998-99.

Railways after finalising specifications of the machine, invited a global tender and opened it on 10 May 1999. Offers from two firms- M/s Plasser and Theurer, Austria and M/s DISAB, Sweden were received. The offer from M/s Plasser was both for fully imported and for partly imported/partly indigenous machine. The lowest technically acceptable offer of M/s. Plasser and Theurer for partly imported/partly indigenous machine was recommended by the Tender Committee (TC) and the contract was placed on 12 October 1999. The cost of procurement excluding spare parts was Rs.9.29 crore.

The machine was received on 11 April 2001. It was to handle a minimum of 40 M³ materials (including garbage silt and foul/caked ballast) per hour. In the actual site condition, it was to handle a minimum of 25 M³ per hour (gross time) material over 2 hours of working period. The performance of the machine after commissioning was, however, far from satisfactory. The performance report sent by the Central Railway recorded garbage handled as 3.88 M³ per hour, which was far below the minimum stipulated in actual site condition. The matter was taken up with the firm and the machine was sent (December 2001) to Plasser and Theurer (India), Faridabad for design modification. Even after design modification, many problems are continuing.

Review in audit revealed that the machine had never given the required output of garbage cleaning as specified by the supplier or as stipulated in the contract. Thus, the procurement of the above machine at a cost of Rs.9.29 crore is not justified and only resulted in unproductive expenditure.

The matter was taken up with the Board in May 2003 and September 2003. The Railway Board stated in June 2003 that the output has improved to about 10 M³ per hour after modification. Later, in October 2003, the Board stated that an output of 25 M³ per effective hour of working was being achieved.

The reply is not tenable. The figure of 25 M³ furnished by the Railway Board was with reference to effective working hours and not gross time, the measurement unit stipulated in the contract. Test check of working of the machine for the month of September 2003 revealed that the output of the machine per hour (gross time) was only 12 M³ against the stipulated 25 M³.

4.1.3 Railway Board: Undue financial accommodation to a firm

Deviation from the original terms and conditions for escalation and advance payment resulted in extra expenditure of Rs.0.41 crore and financial accommodation of Rs.2.74 crore to a firm supplying DTMs

Global tender for manufacture and supply of 11 DTMs was invited in October 1999 and opened in December 1999. Offers were received from M/S. BHEL, New Delhi and M/s. Plasser & Theurer, Austria.

The offer of M/s. BHEL, New Delhi was not considered as it did not conform to the technical specification. The competent authority (Minister for Railways) approved procurement of partly imported and partly indigenous machine from M/s Plasser & Theurer, Austria for the entire quantity of 11 DTMs (5 February 2001) at a cost of Rs.39.11 crore.

Tender conditions stipulated that the price quoted should be firm without any provision for variation on any account. Payment terms stipulated that for foreign supplies, 80 per cent payment would be made on proof of inspection and the balance 20 per cent within 90 days of satisfactory commissioning of the machines. For indigenous portion, no advance payment was included in the tender conditions.

As against these terms, the firm had quoted 100 per cent payment of FOB price of imported component and 50 per cent of the payment for the indigenous portion within one month of formal acceptance of contract and the balance 50 per cent within one month of issuing commissioning certificate and the escalation benefits for both imported as well as indigenous portion. The TC recommended the firm's demand for escalation for indigenous portion. The Minister for Railways (MR) agreed to the firm's request for advance payment and recorded (February 2001) that "we should not permit escalation as this was not the part of the original tender conditions". The MR directed that "henceforth, the condition of tender should be drafted clearly and expressly and no change should be brought in at any stage subsequently".

Another tender for manufacture and supply of 5 DTMs was invited in May 2001 and opened in August 2001. Only one offer was received from M/s. Plasser & Theurer, Austria. This offer of partly imported and partly

indigenous machine was considered technically suitable by the TC and recommended for acceptance. The firms were required to quote firm prices without any provision for variation on any account. Against this, the firm quoted the price for both imported and indigenous components subject to escalation as per the formula submitted by them. TC recommended escalation as per the formula quoted by the party for indigenous portion.

Further, for imported components the payment terms stipulated 80 per cent payment on proof of inspection and shipment within 30 days of receipt of shipping documents and the balance 20 per cent after commissioning of machines. Against this M/s. Plasser & Theurer had asked for 100 per cent payment for imported components on presentation of shipping documents and advance payment equivalent to 50 per cent price of indigenous portion. As against this, the TC recommended 25 per cent payment within one month and next instalment of 25 per cent within 9 months of formal acceptance of contract. The Competent Authority approved (15 February 2002) the proposal of the TC. The value of the contract was Rs.20.40 crore.

In this connection, the following observations on tender No.0108 of 2000 are made:

1. Despite the directives (February 2001) of the MR, Railways deviated from the tender conditions and agreed for payment of escalation on the indigenous portion. This resulted in an additional burden of Rs.0.41 crore.
2. Railways also departed from the laid down terms and conditions and agreed for 100 per cent advance payment for imported components and 50 per cent advance payment for the indigenous portion thereby giving undue financial benefit to the firm to the tune of Rs.2.74 crore.

The matter was brought to the notice of the Board (August/ October 2003). The Board stated (September/ October 2003) that updation of tender conditions as per MR's directives was started immediately and that changing the tender conditions involved interaction with different directorates. Delay was thus, unavoidable. The reply is not tenable. As the tender was invited only in May 2001 – 3 months after the MR's directives in the earlier tender file, there was ample time to introduce the changes to the tender conditions, if warranted. Moreover, the reply was silent on the issue of non-adherence to the directives of MR for not making any changes after issue of tender.

**4.1.4 Central Organisation for: Loss due to non-observance
Modernisation of Workshops of terms of contract**

Decision of Railway Administration to re-fix delivery schedule resulted in extra expenditure of Rs.1.88 crore on account of exchange variation and Rs.0.03 crore on extension of Letter of Credit besides non-deduction of liquidated damages of Rs.2.52 crore
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In January 1997, Railway Board awarded a contract to M/s Mannesmann Demag Forder Technik A.G. Gottwald, Germany for procurement of 8 units of 140 T Break down cranes with Match Trucks. The Letter of Credit (LC) was opened by the Indian Overseas Bank with the Dresdner Bank on 11 March 1997. As per the original delivery schedule, the inspection was to be

completed at least 6 months in advance of due delivery of the first lot of cranes which was to be shipped by 11 January 1998. The remaining two lots of three cranes each were to be delivered by 11 February 1998 and 11 March 1998.

As per the terms of contract, the Railways were to recover from the contractor, the liquidated damages at the rate of 0.5 per cent of the FOB value of stores if the contractor had failed to ship according to delivery schedules.

The inspection schedule, as mutually agreed upon between the firm and Research Designs and Standards Organisation (RDSO), was fixed for 5 October 1997. As the firm sought for changes in design to conform to the required slewing angle in the cranes to be offered for inspection, revised inspection schedule was fixed by RDSO for 18 December 1997.

The firm failed to adhere to the delivery schedules and requested Railway Board (18 March 1998), after expiry of the dates of delivery, for re-fixation of delivery schedule because of delay in finalisation of inspection schedule and deputation of Indian Railways' personnel for training. The Board accepted the firm's request and re-fixed the delivery schedule for three lots as 26 February, 9 April and 9 May 1998 respectively without levy of liquidated damages. The cranes, after inspection by the Railway Adviser, Bonn, were shipped by the firm as per the revised delivery schedule.

The following audit observations arise:

- (i) As the delay in finalisation of inspection schedule was directly attributable to firm's failure, Board's decision to re-fix the delivery schedules without levy of liquidated damages was not consistent with the terms of contract.
- (ii) The training could have been imparted by the firm on the cranes that were in process of manufacture during the period of training. The reasons for delay in finalisation of training programme by Railway Board were not on record.
- (iii) Despite initial reservations by Finance Directorate of Railway Board, the delivery schedule was re-fixed on Railways' account. This resulted in extra expenditure of Rs.1.88 crore on account of exchange variation and Rs.0.03 crore on extension of Letter of Credit during the period besides non-deduction of liquidated damages of Rs.2.52 crore.

The matter was brought to the notice of COFMOW and Railway Board in May 2003 and October 2003 respectively.

The Board stated (December 2003) that the firm could not adhere to the original delivery schedule due to delay in inspections by Indian Railways as per original inspection schedule fixed for 5 October 1997. Based on drawings of cranes and match trucks sent by the firm, certain modifications were incorporated in the drawings and inspection schedule re-fixed for 18 December 1997. Later, following a request from Railway Adviser, Bonn for postponing the date of inspection and delay by Railway Board in finalising the training programme, the revised date for inspection was also postponed.

The reply is not tenable. Both the revision of inspection protocol from 5 October 1997 to 18 December 1997 and later postponement of even this inspection schedule were attributable to the firm's failure. The firm had sought for changes in designs well after finalisation of the original inspection schedule. The revised inspection schedule had to be postponed because many technical details of assemblies and sub assemblies were not available with the firm for inspection even one month (till 13 January 1998) after the revised inspection schedule.

The training programme of Railway personnel was to commence with effect from 9 February 1998. This programme would have not affected the original delivery schedule covered during 11 January 1998 to 11 March 1998.

4.1.5 Chittaranjan Locomotive: Unproductive expenditure on Works procurement of a machine

Delay in commissioning and wrong issue of PTC led to Railway Administration's inability to bring the two Jolt Rollover machines costing Rs.1.99 crore to working condition within warranty period and their remaining idle, even after six years of receipt

Jolt Rollover machines are required for making moulds for small castings, especially knuckle, centre pivot and traction motor items. Since two Jolt Rollover machines installed at steel foundry in the year 1967 were worn out, the Board accorded sanction to procure these machines at a cost of Rs.1.26 crore each. CLW placed Purchase Order (May 1996) for two machines along with spares on M/s. Beardsley and Piper, U.S.A., through their Indian agent M/s. Dipty Expo Private Limited, Kolkata.

As per the terms and conditions of the purchase order, the supplying firm was to provide 'warranty' for the machines for a period of 'one year from the date of supply or 2000 hours of operation whichever was earlier'.

Both the machines were received on 14 March 1997. As per the Proving Test Certificate (PTC), the machines were commissioned on 20 August 1997 (i.e. after 5 months of receipt of the machines) and Proving Test carried out on 17 March 1998 (i.e. after one year of receipt of the machines).

Review by Audit revealed that the machines had not been working since their commissioning and no logbooks for their performance was being maintained.

On the matter being taken up (February 2003) with the CLW Administration it was stated (May 2003) by the Deputy Chief Mechanical Engineer, Steel Foundry that warranty had expired at the time of issue of PTC itself and that attempts were being made to recondition the machines by an 'outside agency'.

In this connection, the following observations are made:

- (i) There has been delay in procurement of machines. Though the need was originally felt and procurement provided for in 1987-88 and 1988-89 Machinery and Plant (M&P) Programme, the purchase order could be placed by CLW only in May 1996, almost 8 years after the inclusion of their procurement in the M&P Programme. Further, even

after the receipt of the machines in March 1997, they are still to be made operational (September 2003).

- (ii) The CLW failed to commission and test the performance of these machines within the warranty period. Failure led to idling of these machines since their 'so called' commissioning.
- (iii) By forgoing the advantage of commissioning and testing within the warranty period the CLW Administration is now compelled to go to an outside agency for renovation/ re-commissioning of these machines at an extra cost of Rs.0.07 crore.
- (iv) Since these machines are not performing, hand moulds are resorted to. The existing machines are also being used for mould making which needs more efforts, repair and subsequent dressing/ fettling.

Thus, the two Jolt Rollover machines procured at a total cost of Rs.1.99 crore are lying idle for the last 6 years.

The matter was brought to the notice of CLW Administration and Railway Board in June 2003 and October 2003 respectively and their reply has not been received (February 2004).

4.1.6 Chittaranjan Locomotive: Loss due to procurement of Works substandard Pipe fittings

Failure of Chittaranjan Locomotive Works to take notice of the problems in quality of the pipe fittings for locomotives and the spurious documents produced by the supplier in support of his distributorship rights for a foreign firm resulted in supply of spurious material worth Rs.0.73 crore

Chittaranjan Locomotive Works (CLW) placed a development order (March 1998) for purchase of pipe fittings for 15 loco sets at the rate of Rs.3,08,694 per set on M/s. Swastik Udyog, Kolkata, an authorised distributor of M/s. Parker Hannifin Corporation, USA/ Germany. To ensure genuineness of the materials, the firm was to submit a certificate of the 'country of origin' and the packing slip of their principals, along with the supply of materials.

During the period March 1998 to January 2000, CLW placed 6 more purchase orders on this firm. In total, the seven purchase orders were placed for procurement of Pipe fittings for 68 loco sets for Rs.1.72 crore.

Audit scrutiny of the seven purchase orders revealed the following:

- (i) The order of 19 March 1998 for Pipe fittings for 15 loco sets was a development order. The firm completed this order in August 1999. Before the development order could be completed and the competency of the supplier proved, CLW placed two more orders in March and May 1998 on the same firm for 22 loco sets worth Rs.0.28 crore.
- (ii) In February 1999, inconsistencies in the quality/ standard of the Pipe fittings were reported by the user unit. TCs that met after this development failed to get performance reports before recommending further procurement from the firm. Failure of TCs in this regard

resulted in more purchases for Rs.0.95 crore, of which Pipe fittings worth Rs.0.73 crore were substandard and lying idle (September 2003).

- (iii) The TC recommended against placing orders on this firm due to complaints about its quality. In spite of this, the Chief Material Manager (CMM) recommended procurement of Pipe fittings for 5 loco sets from this firm and 2 loco sets from another firm – M/s Fluid Controls Private Limited, Mumbai by counter offering the total unit rate of M/s Swastik Udyog, Kolkata.
- (iv) In August 2001, the TC recommended further orders for 9 loco sets on this firm. It was only in September 2001 that the Chief Electrical Engineer, CLW, while accepting these recommendations, drew attention to the problems, which had been noticed earlier in February 1999. A Committee appointed to look into the matter met in November 2001 and found that the quality of materials supplied by the firm was very poor. It was, therefore, decided (December 2001) to pass over the offer of this firm.

Meanwhile, in reply to a reference made by CLW (September 2001), the principals, M/s Parker Hannifin India Private Ltd., Mumbai, had intimated (October 2001) that they had discontinued the distributorship of M/s Swastik Udyong, Kolkata over 15 months ago and that some of the samples sent to them by CLW were not manufactured by them and were spurious. The representative of the firm, who was present during the proceedings of the Committee, had also admitted the defects in the fittings and offered to replace them. The defective materials were not replaced (September 2003).

In this connection, the following audit comments arise:

- (i) CLW failed to take note of the problems pointed out by the user unit in 1999 and investigate the matter, with the result CLW continued to place orders on a firm which was supplying spurious materials.
- (ii) The inspecting authorities failed to detect problems during inspection.
- (iii) CLW failed to process the matter for filing a money suit against the firm as advised by the Stores Department in July 2002.
- (iv) The firm agreed in November 2001 to replace the defective materials, but CLW has not been able to pursue the firm for replacement. This resulted in CLW holding spurious materials worth Rs.0.73 crore.
- (v) CLW is still to issue any formal rejection memo to the firm. The firm, therefore, protested when CLW withheld payment of Rs.0.35 crore due to the firm against some other purchase orders.

The matter was brought to the notice of CLW Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

4.2 Rolling stock and related stores

4.2.1 Railway Board: *Avoidable procurement and inadequate accounting of steel*

Improper assessment and distribution of steel by Director Railway Stores (DRS), Kolkata led to excess procurement of steel worth Rs.147.22 crore and avoidable market purchase of steel worth Rs.11.16 crore

Audit undertook a review of 57¹ wagon building contracts completed during the year 2001-02 and 2002-03 to examine whether the assessment, procurement and distribution of steel to wagon builders is being carried out and monitored by the Railways effectively. The following points indicating improper assessment, procurement and supply were noticed:

1. The requirement of steel as per the norms prescribed by the RDSO for execution of the 57 contracts worked out to 173,891.609 MT. The stock available with the wagon manufacturers for execution of these contracts was 1,10,901.420 MT. The net quantity of steel thus required for execution of these 57 contracts worked out to 62,990.189 MT. The Railways, however, procured 1,59,311.268 MT steel through Railway Board contracts. Further, they permitted wagon builders to procure 7,301.09 MT valued at Rs.11.16 crore from open market resulting in excess procurement of 1,03,622.169 MT steel worth to Rs.158.38 crore.
2. DRS, Kolkata allowed wagon builders to retain balance steel of certain specifications from earlier contracts and transferred the same against 31 new contracts, even though steel of such specifications was not required in these new contracts. Further, due to change of design/wagon specifications, some of the steel items transferred cannot actually be used for the current contract and or any contracts.
3. In 7 contracts, 774.381 MT of steel items, of specifications not required in terms of the contract, were procured and issued to the contractors. These items valued at Rs.1.18 crore thus remained unused and were transferred to other works on completion of these contracts.
4. Excess allotment of steel of a certain specification in one contract led to less allotment of the same specification in another contract. Thus, shortfall of steel of some specifications led the wagon builders to approach DRS for procurement of steel from the open market.
5. In 33 contracts, certain specifications of steel were made available in enough quantity. Yet, DRS, Kolkata permitted procurement from the open market. This suggests that either these quantities of steel were not physically available with the wagon builders or were not made available to the wagon builders on time.

¹ This includes 5 cases where more than one type of wagon was ordered as per the contracts and therefore considered as separate contracts.

6. In 15 contracts, the wagon builders were allowed to purchase steel from the market more than required as per norms. In some cases, steel purchased was more than double the quantity required.

Railway Board stated (January 2004) that the stock available with the wagon manufacturers for the 57 contracts was not 1,10,901.42 MT as commented by Audit. Railway Board also stated that the actual steel holding as on 1 April 2002 was only 7,302 MT. Certain Buffer was purposely planned to maintain continuity in production. Some excess quantity was inevitable as procurement was planned in indentable tonnage keeping in view the constraints of rolling and transportation.

The reply is not tenable in view of the following:

Procurement of steel is to be planned by Railways considering the wagon production programme and steel available on hand. Out of the 57 contracts reviewed by audit, 28 contracts were completed during 2001-02 and the remaining 29 contracts were completed during 2002-03. In the 28 contracts completed during 2001-02, a quantity of 61,452.011 MT was in excess of requirement and transferred to other contracts. The steel holding as on 1 April 2002 should, therefore, not be less than 61,452.01 MT. Railways, however, stated that the actual holding as on 1 April 2002 as only 7,302 MT which clearly indicates that the Railway system of arriving at the steel holding was defective.

The justification given regarding maintaining the buffer stock is an after thought as the purchase proposals did not provide for any quantities for buffer stock. An analysis of the quantities of steel lying in excess does not support the argument put forth regarding rolling and transportation constraints.

Thus, failure to assess the requirement correctly led to excess procurement of steel worth Rs.147.22 crore besides an avoidable market purchase worth Rs.11.16 crore.

4.2.2 Railway Board: Avoidable procurement of Z section steel

Failure on the part of the Railway Board to release supply order of 7,168 MTs Z section steel during the pendency of the contract resulted in avoidable extra expenditure of Rs.1.46 crore

Z Section steel is one of the vital sections of steel used in fabrication of almost all types of wagons. Therefore, a regular and uninterrupted supply of Z section steel is crucial for manufacture of wagons.

The Railway Board entered into a contract (December 2000) with M/s. Indian Iron and Steel Corporation Ltd. (IISCO) for supply of 9,556 MTs Z section steel at the rate of Rs.17,200/- per MT covering the requirement of 2001-2002. The contract was valid up to 31 December 2001.

Against a total quantity of 9,556 MTs Z section steel, the Director Railway Stores (DRS), Kolkata placed release orders only for 3,655 MTs. Meanwhile, another tender for various types of steel (including Z section steel) required for 2002-03 was opened on 31 July 2001. The rates for Z type steel received in this tender was Rs.18,890/- per MT. The requirement of wagons and product

mix for 2002-2003 was also finalised by the Railway Board in October 2001 and DRS, Kolkata, had communicated to the Board the requirement of Z section steel for these wagons on 7 December 2001.

On 20 December 2001, the IISCO requested DRS, Kolkata, for the release of supply order for the balance quantity before 31 December 2001 at the old contracted rate of Rs.17,200/- per MT. In February 2002, the Railway Board decided to cover the entire requirement of Z section steel along with the requirement of other 18 items for 2002-2003 by issuing release orders against previous year (December 2000) contract, which was valid up to 31 December 2001. Release orders for 7,233 MTs of Z section steel (including 30 per cent option clause) were issued by DRS, Kolkata only on 22 March 2002 and procurement of this item against new tender (2002-2003) was dropped.

IISCO, however, stated that in view of the increase in steel rates, they would be able to supply only 1,600 MTs of Z section steel at the contracted rate of Rs.17,200/- per MT valid up to 31 December 2001. The Board, therefore, invited and opened a special limited tender on 28 June 2002 to meet the requirement of balance quantity of Z section during 2002-03 and procured 5,633 MTs. of Z section steel at a rate of Rs.18,890 per MT, the lowest quoted rate by M/s.IISCO in the limited tender in question. Later, 1,690 MTs (in addition to 5,633 MTs) of Z section steel was procured under 30 per cent option clause. A development order was also placed on Steel Authority of India Limited (SAIL) for 1,500 MTs outside the tender quantity at the counter-offered rate of Rs.18,890 per MT. The total value of the purchase including quantity covered under option clause worked out to Rs.16.66 crore.

In this connection, the following observations are made: -

- (i) Though the Board had enough time, it advised DRS, Kolkata only in February 2002, well after the expiry of delivery period on 31 December 2001 to place orders on IISCO for steel against December 2000 contract. DRS, Kolkata also in turn delayed the matter and placed a supply order for 7,233 MTs only on 22 March 2002. Failure on the part of the Board/ DRS, Kolkata to take timely action resulted in avoidable extra expenditure of Rs.1.46 crore on procurement of 7,168 MTs. of Z section steel at the rates higher by Rs.1,690 per MT.
- (ii) A development order for 1500 MTs was also placed on M/s.SAIL by counter-offering the lowest rate quoted by M/s IISCO. M/s.SAIL accepted the counter-offer and agreed to supply the items through a conversion agent. As SAIL was to act only as a trader in this case, the objective of developing new sources was not achieved.

When the matter was taken up (October 2003), the Board stated (October 2003) that the requirement of wagons and product-mix for 2002-03 finalised in October 2001 was tentative for planning inputs and issue of wagon tenders etc. The actual requirement was finalised only in (February/ March 2002).

The reply is not tenable. As per directives of the Board, Product Mix is to be finalised at least 15 months in advance. As such, wagon mix for the year 2002-03 ought to have been finalised in December 2000/January 2001. The requirement for 2002-03 of 14,000 wagons was approved by the competent

authority on 9 October 2001 and was communicated to the concerned on 10 October 2001 for tender etc. The tender was opened on 31 July 2001. TC meeting was held only in February 2002, after over 6 months. Further, the DRS, Kolkata had also conveyed requirement of Z section steel on 7 December 2001. Thus, despite delays at all levels, there was enough time for the Board to place orders at LPR that was valid till 31 December 2001.

Avoidable delay in finalising the wagon mix and the requirement of steel, especially when M/s.IISCO was reminding them to issue release orders on the existing contract and it was in Board's knowledge that higher rates were received in the subsequent tender, led to extra expenditure of Rs.1.46 crore.

4.2.3 Railway Board: Irregular revision of Rates of Branded Crank Case Lube Oil

Inclusion of a price variation clause without a well defined formula led to irregular revision of prices and resulted in extra expenditure to the tune of Rs.30 crore

Before 1998, procurement of Branded Crank Case Lube Oil was effected through limited tender basis from these three Public Sector Oil companies. Thereafter, the system of open tender was introduced as per instructions (28 March 1997) of the then Minister for Railways.

- (a) Accordingly, Open Tender for procurement of 29,080 KLS Crank Case Lube Oil for the year 1998 was invited and opened on 22 July 1997. Against this tender, 4 offers were received. The lowest offer of M/S. Gulf Oil India (an unapproved source) was rejected by the Tender Committee (TC). The competent authority approved placement of order on three Public Sector Oil companies at the second lowest offered rate of M/s HPCL viz Rs.39.50 and Rs.42.88 per litre for Bulk and packed respectively with Price Variation Clause (PVC).
- (b) Tender for 27,071 KLS Crank Case Oil for the year 1999 was invited and opened on 20 May 1998. In response, quotations were received only from M/s. IOC, HPCL and BPCL. The TC recommended the lowest rate of Rs.41.23 per litre - Bulk and Rs.45.20 per litre - Packed of M/s. IOC. The Competent Authority approved (14 October 1999) the recommendation. The tender was finalised with PVC.
- (c) Open Tender for procurement of 30,560 KLS. Crank Case Oil to meet the requirement for the year 2000 was invited and opened on 28 May 1999. All the three Oil companies had quoted the identical rates of Rs.50.69 per litre for Bulk and Rs.54.52 per litre for Packed. Orders were placed on firm price basis without PVC.

In this connection, following observations are made:

- (i) The tender notice required the tenderers to provide a well-defined formula for price variation. The terms and conditions of the contracts governing price variations indicated only the documents that would be required for considering price variation without a well-defined formula. On the plea that the formulations of their products were a trade secret and that the PV factors could not be disclosed to Railways, the oil companies failed to

provide a well-defined formula, which eventually led to Railways allowing exorbitant price revision without having a basis for assessing the reasonableness of their claims.

- (ii) In terms of Para 440 of the Stores Code, any changes to the contract, which includes a PVC, the rates might be varied only by the authority that approves the original procurement with the concurrence of the Financial Adviser. In terms of the conditions of the contract, PV was to be paid only as a result of increase in cost of the ingredients forming part of the formulation. The claim made by the oil companies were not about the increase in the cost of ingredients alone and therefore acceptance of such claim amounted to change in the terms and conditions of the contract that required the approval of the competent authority. As MR was the competent authority that had approved the procurement, any changes to the terms and conditions of the contract should have been made only with the approval of MR. Allowing the price revision by EDFs was thus without authority and irregular.
- (iii) The price revision claims of oil companies included effect of rupee value erosion and increase in cost of additives based on the last price revision in December 1995. As these factors should have formed part of the rates quoted against the tender in July 1997 and May 1998, admitting these factors for price escalation was irregular.
- (iv) The MR had emphasised the need for transparency and competitiveness in procurement through open tenders and putting an end to single/ limited tenders or repeated orders. The Railways are still dependent on three oil companies, thus defeating the very purpose of MR's instruction.

Thus, inclusion of price variation clause without a well-defined formula and acceptance of the claims of suppliers for price variation without having any basis for reasonableness of their claims resulted in extra expenditure of Rs.30 crore to Indian Railways on procurement of Crank Case Lube Oil.

The matter was brought to the notice of Railway Board (June 2003 and September 2003). In reply, the Board stated (October 2003) that the claims made by various oil companies were due to direct or indirect increase in cost of the ingredients. The Board held that acceptance of PVC claims did not amount to change in the terms and conditions of the contract and therefore did not require the approval of competent authority.

The argument of the Board is not tenable. The terms and conditions provided that the Companies should provide documentary evidence regarding increase in prices of ingredients based on which the Railway Board would consider acceptance of revised rates. The Companies did not provide any such evidence. On the other hand, they provided a working sheet indicating elements necessitating revision, which should have been taken into account at the time of quoting against the tenders. As the escalation claims were at variance with terms of the contract, fresh approval of competent authority was necessary. Approval of the claims by EDFs, that too incorrectly by considering developments prior to the dates of inviting tenders, was irregular.

4.2.4 Railway Board: Extra expenditure on procurement of Composite Brake Blocks

Railway Board's failure in analysing the reasonableness of rates and availing the benefit of lower rates resulted in extra expenditure of Rs.7.10 crore on procurement of Composite Brake Blocks

With a view to developing capacity for Composite Brake Blocks (CBBs), a limited tender enquiry for development and supply of CBBs (50,000 units annually for three years) for freight and coaching stocks was issued in June 1993. On the basis of tender, contracts were placed in July 1994 on M/s.Stone India Ltd. at their rate of Rs.540 for the first year (1994-95) and at the counter offered rate of Rs.567 for the second year and Rs.595 for the third year.

During the currency of this contract, another tender was opened (June 1995) and order placed at the lowest rate of Rs.450 per unit of CBB for freight stock.

Later, another tender for procurement of 2.50 lakh CBBs for freight and 50,000 units for coaching stock was opened on 31 December 1998 in which 12 firms had offered their rates. TC considered that the Last Purchase Rate (LPR) of Rs.450 per unit of CBB was reasonable and recommended to counter offer this rate to all technically suitable firms. TC also considered the lowest rate of Rs.380 per unit of CBB for coaching stock as reasonable and recommended to place order on M/s Rane Brake Lining Ltd. and counter offer this rate to three firms. The firms accepted the counter offered rates.

Again, a tender for procurement of 8 lakh CBB for freight stock and 2 lakh CBBs for coaching stock was opened on 12 January 2000. The TC recommended counter offering the last purchase rate (Rs.450 per unit) to the approved firms and Rs.438 per unit for development order for freight stock.

For coaching stock, TC, considering the increase in thickness of CBBs, recommended to counter offer rate of Rs.393 to the firms. The lowest rate of Rs.354 per unit of CBB, received from M/s Industrial Laminates, a technically suitable firm, was considered for placement of development orders. TC's recommendations were accepted by the Competent Authority (Minister for Railways) and orders were placed on the firms accordingly.

In this connection, the following observations are made:

1. Against tender invited in June 1993, the Railways awarded assured business to the suppliers for 3 years on the initial stages at high rates without safeguarding Railways' financial interests by way of provision of a suitable clause in the contract to the effect that 'In case, lower rates are finalised/ accepted on any subsequent tender opened during the currency of the contract, the same shall be applicable for all supplies made on or after the opening of the tender'. It has been noticed in audit that lower rate of Rs.450 per unit was obtained in another tender opened within one year of entering into this contract. Non-provision of such a clause in the contract resulted in extra expenditure of Rs.1.70 crore on procurement of 1.00 lakh CBBs made during second and third year.
2. TC did not consider the lowest rate of Rs.425 per unit for freight stock offered by M/s Balabestos India Ltd. against the tender opened in

December 1998, as the firm had not furnished the required Earnest Money or any proof for exemption from payment of Earnest Money. However, as per RDSO's technical evaluation report, this firm's offer was technically acceptable. M/s Balabestos could have been passed over for any order on them for failure to deposit Earnest Money but their lowest offer, which was otherwise technically suitable and valid, should have been counter offered to other firms. Failure to do so resulted in extra expenditure of Rs.0.92 crore on procurement of 3 lakh CBBs. Apart from a saving of Rs.0.92 crore, this rate would have formed an LPR for future orders.

3. The TC, while considering reasonableness of rates in tender opened in January 2000 for 8 lakh CBBs for freight stock and 2 lakh CBBs for coaching stock, duly observed the benefit of economics of large-scale production by the supplier and recommended an order at LPR of Rs.450 per unit for freight stock. Had Rs.425 per unit offered by M/s Balabestos in their tender of 1998 been accepted, this rate, and not Rs.450, would have formed the basis as the LPR for the next tender of January 2000. TC also did not counter offer the lowest rate of Rs.354 for coaching stock of a technically suitable firm. These failures resulted in extra expenditure of Rs.4.48 crore on procurement of CBBs in the second tender.

Thus, Railways incurred extra expenditure of Rs.7.10 crore on procurement of CBBs.

The matter was taken up (September 2003). The Board contended (October 2003) that:

- (i) Whenever a new technology is developed initial rates are generally high as Research and Development cost had to be amortised on the product cost for a particular duration. In view of large investment, it is generally not possible to make reputed companies to agree to do business without commitment for assured business.
- (ii) Normally, the lowest rate from amongst established/ regular suppliers is counter offered to the approved suppliers. Rs.425 were not a valid rate for counter offering as this firm had never supplied the item.

The Board's reply is not tenable because:

- (i) no cost analysis to arrive at the reasonable cost of CBB and the amount of investment on infrastructure required to be amortised had been carried out by Railway. The fact that many firms participated in the subsequent tender at competitive rates indicates that the Research and Development investment on the product was not very high necessitating commitment of assured business at higher rate; and
- (ii) as the lowest offer of Rs.425 per unit was found technically acceptable by RDSO, Railways should have counter offered this rate to other firms.

4.2.5 Southern Railway: Loss due to high level rejection and premature condemnation of axles

Failure to take remedial action against high level rejections and premature condemnation of axles on account of mismatch in the size of the axles vis-à-vis the size of the new bearings led to loss of Rs.1.51 crore

Direct Mounted Roller Bearings (BG) (SKF-22326) are centrally procured by Integral Coach Factory (ICF), after consolidating indents from various Production Units/ Zonal Railways. While ICF and Rail Coach Factory (RCF), Kapurthala use new axles and new bearings in the manufacture of coaches, the Zonal Railways, during maintenance use the new bearings on axles subjected to wear and tear. ICF, while placing orders for the above bearings, specified 129.075 mm to 130.000 mm as the range within which the bore size of the bearings supplied should fall. Though the bore size of the bearings supplied by the firm to the workshops were within the specified range (83 per cent to 93 per cent) bearings were with the upper tolerance limit.

Since the axles in the open line are subjected to wear and tear, the journal size gets reduced slightly, resulting in mismatch of axles and new bearings with the upper tolerance limit. The maintenance workshops of Southern Railway were rejecting the axle itself in such cases, resulting in premature condemnation of axles. Though the Southern Railway had taken up (September 2001) the matter with Research, Designs and Standards Organisation (RDSO), no remedial measures have been taken so far (August 2003).

Audit observed that during 2000-01 to 2002-03, 832 axles aged about 8 to 9 years, against the codal life of 30 years, were rejected on this account and disposed of as scrap, resulting in net loss of Rs.1.51 crore.

Till such time a decision is taken, in consultation with the RDSO, axles with high residual codal life will continue to be rejected.

The matter was brought to the notice of Railway Administration and Railway Board in April 2003 and September 2003 respectively. Railway Administration, with the approval of Railway Board replied (November 2003) that an analysis of larger samples of axles supplied revealed a normal distribution of the bore size within the specified tolerance limits. They stated further that no codal life was prescribed for axles and that the weighted average life of axles works out to 10.8 years.

The reply is not tenable as in the larger sample of 87 referred to by the Railway Administration, 51 axles had specifications closer to the upper tolerance limit. Moreover, the correspondence of Railway Administration with RDSO seeking revision of specifications indicates the existence of a problem. Further, though no codal life has been prescribed, Railway Board based on a 'Report of the Committee for fixing life of Rolling Stock Components' had circulated a letter indicating their life as 35 to 40 years and so condemnation of axles with average life of 10.8 years still involves considerable money value.

4.2.6 Railway Board and: Eastern Railway

Extra expenditure due to non- operation of Option Clause and non- counter offering the lowest rate

Failure in exercising option clause and counter offering the lowest rates resulted in extra expenditure of Rs.1.16 crore on procurement of CTRBs

Railway Board awarded contracts on M/s National Engineering Industries Limited (NEI) and M/s Tata Timken Limited (TTL) on 26 September 1997 for supply of 59,500 and 25,500 CTRBs respectively at unit rate of Rs.9,650 with delivery period 30 September 1998.

Tender for procurement of 74,000 CTRBs (later revised to 73,622 nos.) for the year 1998-99 was opened on 27 May 1998. In response, 3 firms had submitted their offers. The lowest rate was received from M/s NEI at a unit rate of Rs.9,525 for less than 80 per cent of tendered quantity, Rs.9,425 for 80 per cent and above of tendered quantity and Rs.9,375 for 100 per cent of tendered quantity. Railways decided to distribute the quantity between M/s NEI and M/s TTL in 70:30 ratio at the rate of Rs. 9,425.

In this connection, the following observations are made:

- (i) As per clause 3.5 of the contract, the purchaser reserves the right to increase/ decrease the ordered quantity by 30 per cent within the currency of the contract on the same price and terms and conditions.

Till opening of the tender in May 1998, both the firms had supplied a total 59,388 CTRBs leaving a balance of 25,612 CTRBs, which were supplied later during June 1998 to September 1998. Despite lower rate (Rs.9,425) finalised in tender (during the currency of contract), the Board did not exercise *minus* 30 per cent Option clause to reduce the quantity by 25,500 CTRBs under Option clause (17,200-M/s NEI + 7,650-M/s TTL) so as to purchase them at the lower rate in the present tender. Failure to do so resulted in extra expenditure of Rs.0.69 crore.

- (ii) M/s NEI had quoted quantity discount of Rs.9,425 for 80 per cent and Rs.9,375 for 100 per cent of the ordered quantity. The Board, however, counter offered Rs.9,425 to M/s NEI for supply of 70 per cent quantity (against conditional 80 per cent quantity). These rates were also counter offered to M/s TTL for 30 per cent quantity. The Board should have counter offered the lowest rate of Rs.9,375 to both the firms to discourage the firms from quoting conditional rates to corner the entire order or to create an artificial monopoly by offering the lowest rate for the entire ordered quantity. Review of records further revealed that a still lower rate (Rs.8,965 from M/s TTL) was received in the next tender also for the year 1999-2000 (opened on 28 December 1998). Railway Board, by exercising *minus* 30 per cent option clause, reduced the ordered quantity by 22,067 CTRBs. However, the firms requested the Board not to reduce the quantity and offered to supply these quantities at the lower rates (Rs.8,965). The Board accepted the firms' requests and restored the quantity. This amply suggests that there was enough scope for reduction in rates of CTRBs and acceptance by the firms of even the lowest rate of

Rs.9,375 per unit for the quantity offered in the tender opened in May 1998. Failure to do so resulted in extra expenditure of Rs.0.47 crore.

The matter was taken up (September 2003). The Board stated (October 2003) that:

1. Option clause in the contract was to take care of any contingencies arising out of requirements during the currency of the contract and not meant to take advantage of the higher/ lower rates received in the subsequent tender.
2. The rates were not exactly comparable as purchases were being made to two different specifications.
3. The recommended rate of Rs.9,425 was cheaper by Rs.225 than the last purchase rate of Rs.9,650 and, thus, considered reasonable.

Railway Board's remarks are not tenable because:

1. The Board issued instructions (November 1990) that in cases where it is decided not to exercise the option clause, full facts should be placed on record. TC while finalising the tender (May 1998) neither considered exercising option clause in view of the lower rate in the subsequent tender nor recorded the reasons for the same. In the very next tender for the same item, the Board exercised the option clause and reduced the quantity to take advantage of lower rate received later. Thus, the Board's remark that option clause is not meant to take advantage of the higher/ lower rates received in the subsequent tender is not tenable.
2. No discussions on different specifications were held by the TC while arriving at the reasonableness of the rate in the tender (opened on 27 May 1998). The TC compared the rate with the last purchase rate. Thus, the Board's remark that rate of CTRBs of two different specifications were not comparable is not tenable.
3. Merely because the rate of Rs.9,425 was lower than the last purchase rate, the Board have concluded that the rate was reasonable. No attempt was made to counter offer the still lower rate of Rs.9,375 offered by M/s. NEI for supply of 100 per cent of the quantity.

Thus, Board's failure to exercise option clause and counter offer the lowest rate resulted in extra expenditure of Rs.1.16 crore on procurement of CTRBs.

4.3 Plant and machinery

4.3.1 Chittaranjan Locomotive: Delay in the commissioning of Works 15 tonne Arc Melting Furnace and consequent blocking up of funds

Failure of CLW Administration to plan and provide necessary infrastructure required for commissioning of 15 tonne Arc Melting Furnace resulted in its non-commissioning beside blocking up of funds to the tune of Rs.4.60 crore

The Railway Board accorded sanction to CLW for the procurement of one 15 tonne Direct Arc Melting Furnace for Steel Foundry in January 2000, after rejecting several proposals made earlier. Tender for procurement of the

furnace was floated by Central Organisation for Modernisation of Workshops (COFMOW) and the offer of M/s GA Danieli India Ltd. Kolkata was accepted in October 2000 at a cost of Rs.4.56 crore.

The 15 tonne furnace was received by the CLW on piece meal basis from the firm during the period from February 2001 to April 2001. Since then the furnace has been lying without being commissioned for want of necessary infrastructure like Cooling Tower for Fume Extraction system and provision of 11 KV high tension power connection.

When the matter was taken up (May 2002), the CLW Administration accepted the Audit contention regarding delay in commissioning and stated that the furnace was likely to be commissioned by the end of August 2002.

Audit review, however, revealed that as on May 2003 also the 15 Tonne Arc Melting Furnace procured at the total cost of Rs.4.60 crore (including the cost of augmentation of 11 KV high tension power lines) was yet to be commissioned as the statutory permission from the Chief Electrical Inspector for 11 KV high tension power connection was yet to be received and the order for the cooling tower for the Fume Extraction system had just been placed.

Thus, failure on the part of CLW to anticipate, plan and execute all the necessary infrastructure requirements resulted in non-commissioning of the 15 tonne Arc Melting Furnace and blocking up of funds to the tune of Rs.4.60 crore for more than 2 years.

The matter was brought to the notice of Railway Administration and Railway Board in June 2003 and September 2003 respectively and their reply has not been received (February 2004).

4.3.2 Northern Railway: Avoidable procurement of machines

Decision of Jagadhari Workshop to procure Axle Journal Turning and Burnishing lathes more than requirement and belated decision to transfer them resulted in avoidable expenditure of Rs.2.73 crore

In April 1988, Jagadhari Workshop authorities placed an indent on Central Organisation for Modernisation of Workshops (COFMOW) for 2 new heavy duty AJTB lathes on replacement account. At that time, it was well known to the workshop authorities that the stock of IRS wheels was declining.

In November 1988, Chief Engineer/ COFMOW, during his visit to Jagadhari Workshop, felt that the workshop authorities could reduce the requirement of new lathes from two to one. In December 1988, Chief Project Manager was again requested by COFMOW to confirm that the second lathe was actually required. No review for the exact requirement was done by the workshop.

COFMOW procured one AJTB lathe (WL 18) in April 1990 and another (WL 21) in October 1990 for Jagadhari Workshop from M/s. Heavy Engineering Corporation, Ranchi at a cost of Rs.2.73 crore. These lathes were commissioned in April 1991 and December 1992 respectively. The percentage of utilisation of three lathes – one old (WL 17) and two new (WL 18 and WL 21) during 1994-2000 ranged from 18.44 to 24.28, 16.34 to 25.18 and 9.11 to 13.54 respectively. The total number of wheels turned out by these

three lathes during this period ranged from 8,845 to 10,360-per annum. Thus the combined utilisation of these three lathes constituted 49 to 58 per cent of the rated capacity of only one lathe (18,000 wheels per annum). The work could be managed with one lathe only against three.

The matter was taken up in June 2000. The Chief Works Manager, Jagadhari Workshop admitted (October 2000) decreased utilisation of these three lathes and that one of these lathes could be declared surplus. One lathe declared surplus (March 2001) was still lying with Jagadhari Workshop (June 2003).

A further review in audit revealed that:

- (i) During 2000-01 to 2001-02, the total outturn by these three lathes against their total annual capacity of 54,000 units was 5,997 and 3,116 units respectively.
- (ii) During April 1995 to June 2003, 7 AJTB lathes with the same functions were procured by COFMOW for 7 other workshops on Indian Railways. Had there been proper co-ordination, the lathe declared surplus by Jagadhari Workshop in March 2001 could have been transferred and purchase of one lathe avoided.

Thus failure of Jagadhari Workshop authorities to assess properly the requirement despite repeated requests by COFMOW to review the position, resulted in avoidable investment of Rs.2.73 crore since 1990.

When the matter was brought to the notice of Railway Administration in June 2003, the Administration stated (October 2003) that:

- (i) The AJTB lathes were procured on replacement account after reviewing the recommendations of RITES.
- (ii) As per shop's allowed timing, the utilisation of two new AJTB lathes consistently increased during 1991-99. In anticipation of this increasing load, two new lathes were procured and the old lathe, which had passed its codal life, was kept as a standby. The two new lathes in question were used one each in Wagon Shop and Coach Shop. Thus, all the three lathes were required for smooth functioning.

During discussion in October 2003, Railway Administration reiterated more or less the same arguments.

The reply of Railway Administration is not tenable because:

- (i) The key documents produced by Railway Administration in support, that the position had been reviewed in the light of recommendation of RITES, did not indicate any detailed quantitative analysis of justification for two new AJTB lathes.
- (ii) The utilisation of these lathes is based on working hours of two shifts but the lathes actually worked in three shifts a day. In fact, the basis adopted by Railway Administration to work out utilisation with reference to hours of shifts is not correct. The utilisation of a machine is worked out with reference to its rated capacity. During 1994-2000, the combined annual workload (8,845 to 10,360 wheels) done by three lathes was less than the rated capacity of even one lathe (18,000

wheels). This amply suggests that only one lathe was enough especially when the work consistently decreased from 2000-2001 onwards. The contention that one lathe each was dedicated in Wagon Shop and Coach Shop is not supported by any documentary evidence.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

4.3.3 Diesel Locomotive: Unfruitful expenditure on Procurement of Vertical Honing Machine Works

Incorrect action of Diesel Locomotive Works in giving clearance for despatch and issuing proving certificate for a machine which was not as per the specifications resulted in unfruitful investment of Rs.1.02 crore

The Ministry of Railways (Railway Board) accorded sanction (September 1996) for procurement of one Honing Machine at a cost of Rs.1.07 crore to replace one existing machine that had completed its codal life. A purchase order was placed by Diesel Locomotive Works (DLW) in November 1996 on a firm (M/s Nagel Special Machine Private Limited, Bangalore) for supply of the machine at a cost of Rs.1.02 crore. The firm was to supply the machine within nine months from the date of issue of purchase order i.e. by July 1997.

The machine as per drawing was to be capable of wet honing of alloy cast iron diesel loco cylinder liners both before and after hard chrome plating. Rough honing operations (for cast iron unplated liners) and finish honing (of plated liners) were to be carried out to surface finish of 25 to 32 Root Means Square (RMS) within a cycle time of 12 minutes.

The machine was to be inspected by representative of Chief Mechanical Engineer at firm's premises. During three inspections of the machine between August 1997 and January 1998 at firm's premises, the machines could not match the laid down specifications of the required cycle time and surface finish. Though the required surface finish was not obtained and the required cycle time had not been achieved, DLW cleared the machine for despatch (January 1998).

The machine was received at DLW in February 1998. As the firm failed to prove out the machine in regard to required cycle time for honing of a cylinder liner and surface finish of 25 to 32 RMS, a special trial was conducted in June 2000. The machine could not be proved out to the satisfaction of the DLW.

On the basis of certain assurance to rectify the deficiency noticed in the machine the final 'proved out certificate' was given to the firm by the DLW on 28 September 2000.

The deficiency noticed in the machine during trials persisted and the machine never achieved the desired level of performance since its commissioning. Despite unsatisfactory performance of the machine, DLW took no initiative to extend the bank guarantee received from the firm that expired on 3 February 2002. Further, defects in the machine led to several breakdowns of the machine during rough honing of cylinder liners. During the period from July 2000 to November 2002 the machine remained in breakdown condition for 482 days out of the total workable period of 870 days.

Thus, the machine was grossly underutilised due to its inability to perform both rough and finish honing and also due to its frequent breakdowns. The purpose for which it was procured viz. replacement of an old machine, stood defeated. Incorrect action of DLW in clearing the machine for despatch and issuing the proving certificate when it was evident that the machine was not able to perform as per laid down specifications led to an investment of Rs.1.02 crore proving unfruitful.

The matter was brought to the notice of DLW Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

4.3.4 South Central, Western, Northern Railways and COFMOW: Idling of equipment due to incorrect specification and delay in its revision

Incorrect specification in tender document for three Tup Hammers procured in early 2000 at a cost of Rs.3.12 crore resulted in incurring of avoidable extra cost of Rs.0.92 crore on account of modifications to specifications. The machines are yet to be commissioned even after carrying out the changes leading to their idling

COFMOW finalised tenders (May/ August 1999) for procurement of three Tup Hammers (one each for workshops at Kota, Jagadhari and Guntupalli) at a cost of Rs.3.12 crore and awarded a contract to M/s New Standard Engineering Co. Ltd. The terms and conditions of the contract required the supplier to ensure correctness of foundation and to commission the machines successfully within 60 days of dates of supply.

The contractor supplied the machines to workshops in February 2000, May 2000 and June 2000 at Kota, Jagadhari and Guntupalli respectively. The foundation and installation work was completed in Kota and Jagadhari. The machines could not be commissioned because of certain serious errors in the specifications stipulated in the tender document. COFMOW, therefore, had to revise the specifications. This involved uprooting of Hammers from the existing foundation including the foundation in Kota and Jagadhari and changing of load cells in all the three workshops and foundation in Guntupalli at a total cost of Rs.0.92 crore (Kota-Rs.0.31 crore, Jagadhari-Rs.0.31 crore and Guntupalli-Rs.0.30 crore). Despite these changes, the machines were yet to be commissioned and made operational (September 2003).

Incorrect specifications in the tender document resulted in extra expenditure of Rs.0.92 crore on rectification of errors. The Tup Hammer received in Jagadhari Workshop in May 2000 was commissioned only in May 2003, after a delay of three years. The other two Tup Hammers received in Kota and Guntupalli in February 2000 and June 2000 are yet to be commissioned.

The matter was brought to the notice of South Central Railway (March 2003), Western and Northern Railways (May 2003) and the Board (August 2003).

In a tripartite meeting held on 1 October 2003 in Western Railway, Western Railway Administration stated that the error in technical specification had

been admitted (August 2003) by COFMOW, which is an expert body for procurement of such specialised equipments.

When the matter was taken up (August 2003), the South Central Administration (December 2003) and COFMOW (January 2004), with the approval of the Railway Board stated that the specification was not upgraded but only the typographical/ printing error were corrected.

These arguments are not tenable because Amendment No.5 issued by COFMOW (May 2002) stipulate construction of foundation of a new size and change of load cells for which, the Railway Administration had to incur additional expenditure.

4.4 Permanent way stores and others

4.4.1 Railway Board: Extra expenditure due to delay in finalisation of improved design of PSC sleepers

Non-finalisation of improved design of PSC concrete sleepers and resultant extra expenditure of Rs.72.90 crore on consumption of Steel and Cement

Research Design and Standards Organisation (RDSO) had been working on the new design for the Pre-stressed Concrete Sleepers (PSC) since 1994-95 to improve the existing design of sleepers developed 26 years ago. In September 1997, one of the private firms came up with a new design. The sleepers developed by the private firm were expected to reduce the consumption of High Tensile Steel (HTS) wire from 9 Kg to 6.8 Kg, a saving of Rs.45 per sleeper. RDSO after undertaking scrutiny of adequacy of the design, static bending test etc. of the sleepers, accorded (July 1999) technical clearance for conducting field trials. In December 1999, the Board directed RDSO to give a detailed report after evaluation of the designs under development by them after examining all the aspects of the proposal of the private firm.

In February 2000, it was decided that the new design/ technology should be finalised before inviting tenders for procurement of sleepers. RDSO suggested (April 2000) that the new economic design of the PSC sleeper could be discussed at length in the next Track Standard Committee meeting proposed to be held in November 2000 and till such time the existing design could be continued. RDSO also suggested that it would be worthwhile to wait for the result of the Union of International Railways (UIC) Research project that also included research in optimizing concrete sleeper design.

In December 2000, tender for supply of 137.02 lakh PSC sleepers as per the existing design and orders for supply of 125 lakh sleepers with 30 per cent option clause was finalised.

Audit observed that:

- (a) UIC project was only concerned about doing away the need for curing technology in the process of manufacture of sleepers, painting the end of sleepers etc. and not with design of economical sleepers by reducing the consumption of HTS wires/cement etc. Therefore, postponement of finalisation of design for new concrete sleeper on the premise that

UIC project was likely to provide a new design was against the financial interests of Railways.

- (b) Even though RDSO had given technical clearance for field trials of the sleeper design developed by a private firm in July 1999, the Board is still in the process of finalising modalities for field trials.

Thus, due to inability of the Board to develop its own design or to conduct field trials on the new design developed by the private firm to ascertain its suitability for large scale adoption in Indian Railways, the contract for supply of sleepers for 2001-02 had to be finalised with the existing design.

The quantity ordered based on tender invited in December 2000 for 2001 and 2002 alone was 125 lakh sleepers. Considering the projected savings of about Rs.45/- per sleeper due to reduced consumption of HTS wire by 22 per cent, it was possible for Railways to achieve direct savings of approximately Rs.72.90 crore on this tender alone. Considering the resource crunch, timely efforts in finalising an economical design should have been made.

Tenders for procurement of sleepers for 2004 have also been invited with the existing design. Any further delay in finalising the new design would only result in recurring avoidable expenditure.

The matter was brought to the notice of Railway Board in June 2003/ September 2003. The Board stated (August 2003/ October 2003) that improvement to the existing design was a time consuming process and unless the results were technically satisfactory for mass production, specific target date for adoption of new design cannot be given. It was further stated that the new design of PSC concrete sleepers developed by one firm and a design developed by RDSO had been recommended for field trials and switching over to the new design from the existing design would depend upon the outcome of the field trials. The reply is not acceptable as the firm had submitted the improved design in July 1999 and RDSO had given the technical clearance for field trials in July 1999 itself. Delay in carrying out the field trials had deprived the Railways of a possible saving of Rs.72.90 crore on reduced consumption of steel and cement.

4.4.2 Railway Board: *Finalisation of tender at higher rates for procurement of PSC sleepers*

Failure to counter offer the updated rate had resulted in extra expenditure of Rs.30.97 crore

Based on directives of Railway Board, an open tender was invited in 1997 for supply of pre-stressd concrete sleepers (PSC) covering the requirements for a period of 3 years. The rate finalised in this tender was Rs.570/- per sleeper, including Rs.66/- as MODVAT benefit. As enough quantity was available on South Central Railway, the demand of all the Zonal Railways, except South Central Railway was included in this tender.

Due to acceptance of lower rates in the above tender, the reduction clause was applied by South Central Railway and the quantities were reduced by 30 per cent from all the existing contracts on their Railway. As a result, shortfall of 1.5 lakh sleepers was assessed for 1999-2000. Open tender was floated in

March 1999 and opened in April 1999 for meeting the requirement of South Central Railway. The Tender Committee (TC) recommended placement of order at the updated cost of sleepers and the rates finalised in this tender was Rs.539/- per sleeper including Rs.62/- as MODVAT benefit.

To meet the requirement for the next two years April 2001 to March 2003, another open tender for supply of 137.02 lakh sleepers was floated in September 2000 and opened on 12 December 2000. Out of the 87 offers received, 65 offers were considered by the TC for placement of orders. The rates quoted by the approved firms ranged from Rs.563/- to Rs.595/- per sleeper, in addition to the MODVAT benefit of Rs.66/- per sleeper. To arrive at a reasonable rate, TC carried out rate analysis by updating the rate of Rs.570/- per sleeper accepted for tender No.CS-120/1997 and a fresh rate analysis, taking into account the prevailing input cost viz. HTS wire, Special Cement, labour, power and fuel, interest and depreciation, profit and credit for scrap. TC had, thus, the following alternative rates available for consideration:

Sl. No.	Particulars	Rate offered	MODVAT retained	Total rate per sleeper
		(in Rupees)		
1.	The updated rate of tender no. CS-120/97	527.23	66.00	593.23
2.	The analyzed rate from the input costs for the present tender	542.00	66.00	608.00
3.	The lowest rate offered by the existing firm in the present tender	563.00	66.00	629.00

The TC recommended the rate of Rs.608/- per sleeper including Rs.66/- as modvat benefit for a quantity of 125.40 lakh sleepers with 30 percent option clause. TC's recommendations were approved by the competent authority i.e. Minister for Railways (MR) on 31 July 2001.

In this connection following points arise:

Rules provide that the last purchase rate should be considered in checking the rate of the contract. The updated rate of the Last Purchase rate of 1999 would come to Rs.593 per sleeper, which is the same as the updated LPR of 1997 taken by the TC. The TC should, therefore, have adopted the updated rate of Rs.593/- instead of Rs.608/- arrived at after carrying out a fresh analysis taking all input costs into account. Failure to counter offer the updated rate had resulted in extra expenditure of Rs.30.97 crore. As Rs.608 per sleeper would be the LPR for future procurement, acceptance of this rate would also have the effect of pegging the price of the sleeper to a higher level and thus unjustifiably increasing the price of the sleeper for future procurements.

The matter was brought to the notice of Railway Board (April 2003/ October 2003). The Board stated (July 2003/ November 2003) that:

1. The rate counter offered on the basis of input analysis was realistic and therefore did not result in extra expenditure.
2. The accepted rate which was higher by Rs.38 than that of CS-120/97, was comparable with the overall price increase.

The arguments of the Railway Board are not tenable because:

- (a) The rate analysis worked out in 1997 was higher than the lowest rate obtained in the last tender which indicated that the input analysis does not always help arrive at a reasonable rate. Besides, the updated LPR was considered reasonable while finalising the Tender in 1999. It would, therefore, have been prudent to analyse the different options and counter offer the lowest rate, which was the updated LPR in this case.
- (b) The accepted rate of Rs.608 is higher by Rs.69 per sleeper than the accepted rate of Tender-136/99, an annual increase of 7.31 per cent. This is much higher than the comparable over all price rise.

Thus, failure to counter offer the updated rate led to procurement of sleepers at higher rates resulting in huge financial burden to the Railways. The LPR for future requirements was also pegged at a higher level, which would result in additional financial burden in all future procurements.

4.4.3 Railway Board: Extra expenditure due to non-counter offering the lowest rates

Railway Board's failure in counter offering the lowest rates resulted in extra expenditure of Rs.24.66 crore

During audit of tenders, it was noticed that in the cases listed below, the Tender Committees (TC) recommended procurement from regular Part I suppliers by counter offering the lowest rates of Part II/ unapproved firms:

Sl. No.	Tender No.	Items
1	Track -6 of 1995	Procurement of points and crossings
2	CS-111 of 1995	Procurement of GFN Liners
3	CS-146/2001	Procurement of SGCI Inserts
4	RE. (S)/11/2000/9300/7/1	Procurement of Telecom cables

In these cases, the counter offered rates were accepted by the Part I firms also and orders were placed.

Some TCs, on the other hand, recommended counter offering of the lowest rate of Part I firms to other Part I firms and the lowest rate of Part II firms to other Part II firms, even if the rates offered by the Part I firms were much higher than those offered by Part II firms.

Due to counter offering of higher rates to Part I firms, Railways lost an opportunity of achieving a possible saving of Rs.24.66 crore as shown below:

Sl. No.	Tender No. & Date of opening of tender	Description of item procured	Quantity procured at higher rates	Percentage variation in rates awarded w.r.t lower rates of Pt. II/ development source	Extra expenditure (Rs. in crore)
1.	RS(Cab)/59/SCU/98-99/0703/5, 24-3-1999	Signalling Cables	16799 Kms.	11 to 34	12.83
2	RS(Cab)/59/SCU/2000-01/0703/06,12-6-2000	Signalling Cables	15300 Kms.	3.4 to 21.91	2.52

Sl. No.	Tender No. & Date of opening of tender	Description of item procured	Quantity procured at higher rates	Percentage variation in rates awarded w.r.t lower rates of Pt. II/ development source	Extra expenditure (Rs. in crore)
3	RS(P)/99/4306(VRLA), 12-1-1999	Valve Regulated Lead Acid Batteries	494 nos.	28	7.55
4	RS(Sig)/53/2000/5002/1, 23-1-2001	Electric Point Machines	4066 nos.	7.4	1.76
Total					24.66

The Board justified the purchase at higher rates on the following grounds:

- Lower rates offered by the firms do not cover even the cost of inputs/ raw material and are not indicative of market rates and therefore, cannot form the basis for counter offering to the firms approved for bulk ordering.
- Part II/ unapproved firms had quoted lower rates to gain entry into the business with Railways.
- As a matter of practice, lower rates of Part II firms were not counter offered to Part I firms.
- Delivery performance of the firm in case of electric point machines was not satisfactory

Reasons put forth by the Railway Board are not tenable in view of the following:

- The reasonableness of rates of the firms is examined by the TCs by updating the LPR. No established costing techniques for analysing the elements of cost of the product were adopted by the TC in the instant cases to support their claim that lower rates offered by the firms did not cover even the cost of inputs/ raw material and were not indicative of market rates.

Director General of Supplies and Disposals, in a study conducted in February 1994 opined that the market forces should be allowed to operate and there was no need to enquire even where the manufacturers were supplying below the cost, as long as there was no complaint about quality of stores. It would, therefore, have been in the interest of Railways to counter offer the lower rates received from the Part II/ unregistered firms.

- The objective of assessing the capacity and technical capability of vendors and according them Part II status is to increase the sources of supply. Thus there is an implicit assurance to the Part II suppliers that development orders will be placed on them and that they would be upgraded to Part I on their satisfactory execution of supply orders. There is, thus, no strength in the argument that the Part II suppliers quote lower prices to gain entry into

the business with Railways. As already stated above, in the absence of adequate mechanism to analyse and arrive at the cost price, Railways have no evidence to suggest that rates quoted by Part II firms are lower than the market prices and was done to gain an entry.

On the contrary, by virtue of the capacity and volume of the orders, Part I firms have the advantage of economy of scale and therefore can offer to supply at rates lower than the Part II firms. Therefore, there was no justification in placing orders at higher rates on Part I firms.

- There have been instances of benefits both in terms of lower cost and in terms of breaking the cartels formed by the regular suppliers, accruing to the Railways due to counter offering the lowest rates. It would thus have been in the interest of Railways to counter offer the lowest rates.
- Poor delivery performance of Part II firm does not prevent Railways from counter offering the lowest rates obtained in the tender to other Part I firms. Ignoring the lowest rate for counter offering on this ground was not in the financial interests of Railways.

Audit has been pointing out cases of avoidable extra expenditure due to acceptance of higher rates of the Part I/ approved sources. Railways, however, continue to place orders at higher rates ignoring lower rates of Part II firms.

In the context of liberalised industrial environment and emphasis on Railways to function on commercial principles, it is necessary that Railways review their stand and let procurement decisions be driven by the market forces.

In the absence of clear-cut guidelines and directives, the TCs failed to counter offer the lowest rates, even if they were of Part II firms. Failure of Railway Board in this regard has made the entire process of calling open tenders meaningless and resulting in Railways forgoing the opportunity to achieve a possible saving of Rs.24.66 crore.

The matter was taken up with the Railway Board (October 2003). Railway Board in their reply (January 2004) stated that the low rates of Part-II firms, which were not cleared for bulk orders, cannot be counter-offered to Part-I firms. It was also stated that the TC examines the reasonableness of rates keeping in view the updated LPR and also the other factors like power, market trends, variations in raw material costs etc. Railway Board further stated that it was not practically possible to undertake detailed costing before finalising each and every purchase proposal.

The reply is not tenable. The very fact that the Part-II firms were placed orders for the 15 per cent quantity at rates much lower than the rates of Part-I firms suggests that these rates were workable. In the absence of a well laid down mechanism like rate analysis/ detailed costing, the rates finalised by the Railways cannot be claimed as reasonable.

4.4.4 Central Railway: Extra expenditure due to manufacture of stock items

Railway Administration's failure to stop manufacture of stock items in workshop, despite the fact that purchase of such items from market was cheaper, resulted in extra expenditure of Rs.2.64 crore

Carriage and Wagon workshop, Matunga, Central Railway manufactures certain items to meet the requirement for repair and maintenance carried out in the Workshop and other units. Audit scrutiny of records of the Workshop revealed (February 2002) that some items being manufactured by workshop were also purchased from the market. A comparison of the manufacturing cost with the cost of purchase revealed that the purchase from market was much cheaper. When the matter was taken up with the workshop authorities (February 2002), they stated (July 2002) that the Controller of Stores has been advised to purchase items instead of manufacturing items.

Further Scrutiny by Audit (March 2003) revealed that Workshop Accounts Officer had advised Chief Workshop Manager's office during the period July 1999 to February 2003 to purchase 14 items from market and stop their manufacture in workshop. However, no action was taken to stop the manufacture of these items and avoidable extra expenditure of Rs.0.41 crore was incurred due to manufacture of these items after the date of advice till March 2003. In 31 more cases of purchases made between July 1995 and August 2002 it was found that though the market price was much less, no action was taken to stop manufacturing of these items in favour of purchasing them. Thus, the Workshop authorities continued to manufacture about 45 items at avoidable extra expenditure of Rs.2.64 crore.

The matter was brought to the notice of Railway Administration in May 2003. The Railway Administration stated in July 2003/ August 2003 that decision to 'make or buy' is not taken solely on cost basis but also keeping in view the quality, reliability and assurance of supplies. For vital and safety items, it is desirable to retain alternative source of shop manufacture in case of failure of procurement from trade. It has also been stated that out of 43 items pointed by Audit, 15 are being off-loaded immediately and 22 will be off-loaded in the year 2003-04. The reply is not tenable because, delayed action has put the Railway Administration to a loss of Rs.2.64 crore.

The matter was brought to the notice of Railway Board in August 2003. The Railway Administration with the approval of Board reiterated, in November 2003, their earlier stance which is not tenable.

**4.4.5 Railway Board and : Extra expenditure on procurement
North Eastern Railway of signalling cable at higher rates**

Failure of Railway Administration to arrange procurement of signalling cable through Railway Board led to avoidable extra expenditure of Rs.1.91 crore

Gauge conversion of Gorakhpur-Khadda, Metre Gauge Section into Broad Gauge was included in the Works Programme of 1995-96 with the target date of

completion as December 1998. The detailed estimate was sanctioned by Railway Board in August 1997. The target date of completion was, however, preponed to September 1998. The entire Section was to be provided with Standard III Multiple Aspects Colour Light (MACL) signalling.

The signalling work of the aforesaid project was sanctioned by the Board in August 1997. Construction Authorities, considering that the purchase of cables through the Board and through Controller of Stores (COS) would take not less than one year's time, decided (April 1998) to procure cables through Works Contracts to meet the target of completion of project by September 1998. The Associated Finance objected to the procurement of cables through Works Contract and suggested that this item should be procured through COS.

Railway Administration, however, entered into four Works Contracts (October 1998) with different agencies for execution of signalling works including part supply of cables of 489.50 Kms. The purchase of cable through Works Contract was justified on the basis of urgency and the assessment that the rates compared favourably with last supply rates of the Works Contracts. The project was opened in April 1999, against the target date of September 1998 and the work of signalling was completed in September 1999.

In this connection, the following observations are made:

1. The signalling work of the aforesaid project was sanctioned by the Railway Board in August 1997. In April 1998, the Railway Administration decided to procure cables locally. Railway Board's centralised tender (No. RS (Cab)/59/SCU/97-98/0703/4) for procurement of 10,840 Kms. signalling cables (for the contract period 1997-98) was opened in May 1997 with 30 per cent option clause and supply orders were placed in October 1998. The quantity of cables (489.50 Kms) required for this project could have been covered in the Railway Board's tender normally or through 30 per cent option clause. However, Railway Administration neither approached Railway Board for coverage of signalling cable in the centralised tender nor inquired about the rates finalised by the Railway Board.
2. The rates of signalling cable finalised by Railway Administration through Works Contracts (September/October 1998) were significantly higher, ranging from 32 per cent to 65 per cent in comparison to Railway Board's purchase rates (after allowing 21.84 per cent increase on account of freight charges, taxes and duties etc) during the same period. The extra expenditure incurred in this purchase worked out to Rs.1.91 crore.

When the matter was taken up with Railway Administration in November 2002 and Railway Board in October 2003, the Railway Administration with the approval of Railway Board stated (July 2003/ February 2004) that considering the urgency cables were procured through works contracts at rates slightly higher than the rates in Board's purchase orders. The contention is not tenable as the sense of urgency in procuring the cables at higher rates was not reflected in completing the project which was delayed beyond a year from the date of

scheduled commissioning. Moreover, rates were not slightly higher as stated but were substantially higher than the Railway Board's cost of procurement.

Thus non-adherence to the existing procedure of procurement of signalling cable through Railway Board resulted in extra expenditure of Rs.1.91 crore.

4.4.6 South Central Railway: Excess reimbursement of Sales Tax to the Sleeper manufacturing firms

Failure of Railway Administration to issue declaration in Form 'D' resulted in excess reimbursement of Sales Tax to the tune of Rs.1.17 crore

As per Andhra Pradesh General Sales Tax (APGST) Act 1957, the rate of Sales Tax was between 8.99 and 10 per cent. However, according to Section 8 (1 and 4) of the Central Sales Tax (CST) Act 1956, the sales tax payable by a dealer for inter State transactions was four per cent subject to issue of a declaration by the purchaser in Form 'D'. With effect from 1 January 2000, the rate of APGST became effective at 4 per cent on par with CST for purchases by Central and State Government Departments against supply of form-N.

The South Central Railway entered into agreements for supply of Prestressed Concrete Sleepers with four firms (during June 1988 to November 1995), which had their manufacturing plants within the State of Andhra Pradesh. As per the terms of the agreement, the sleepers were to be dispatched to different consignees based on instructions from time to time by the Chief Track Engineer (CTE). The firms supplied sleepers to various consignees in Karnataka, Maharashtra and Tamilnadu, involving inter state movement of sleepers for which the Sales Tax payable was 4 per cent, against issue of a declaration in Form 'D' by the Railway Administration.

A test check of payments made to M/s. Rayalaseema Concrete Sleepers Ltd., by Audit (April 2000) followed by a further review by the Administration in June 2000 revealed that for the period May 1997 to March 2000, claims of the firm under APGST Act instead of CST Act had been admitted, which had resulted in excess reimbursement of Rs.18.43 lakh towards Sales Tax. Against the above over payment, an amount of Rs.12.88 lakh was recovered by the Administration from the pending bills of the firm. The firm, however, objected (June 2000) to the recovery stating that the Sales Tax, at full rate had been charged till the declaration in Form 'D' was issued by the Railway Administration and the Sales Tax assessments by the Commercial Taxes department for the subject period were also complete.

In view of the objection raised by the firm, the Administration filed an appeal (August 2000) with the Commercial Tax Officer, Hyderabad for refund of the excess sales tax paid. The Sales Tax Authorities rejected (September 2000) the appeal stating that the time limit for an appeal to the Appellate Authority (30 days) and Appellate Tribunal (60 days) had already expired.

A further review of reimbursement of Sales Tax relating to the inter State transactions of the above said firm and 3 other firms revealed that the Administration had reimbursed Sales Tax under APGST Act, instead of CST

Act, in respect of 235 bills relating to the period 1992-93 to 1999-2000, resulting in excess reimbursement of Rs.1.17 crore.

On this being pointed out in the audit (September 2002), the CTE had admitted (October 2002) that the firms had paid the sales tax under APGST Act, due to non supply of declaration in Form 'D' in advance along with the dispatch instructions to the firm. However, the Financial Adviser & Chief Accounts Officer contended (December 2002) that the concession obtained by giving Form 'D' was only incidental and actually not eligible even on issue of Form 'D' as per the interpretation given by the Deputy Commissioner (Commercial Taxes), Panjagutta Division in July 2002 in the case of an appeal filed by one of the firms viz., M/s. Mysore Structurals Private Ltd., Hafizpet.

This contention is not tenable. It is a well known fact that the Railways procure various store items from different sources and pay only 4 per cent Sales Tax on production of Form 'D', as applicable to other departments of State Government and Central Government. Moreover, the Sales Tax Appellate Tribunal (Andhra Pradesh, Hyderabad) in an identical decision, in the case of M/s. Raghavendra Prestress Products Ltd., Adoni, had set aside such interpretation in October 2002.

Thus, Railway Administration's failure to supply declaration in Form 'D' coupled with failure in internal check while admitting the claims of the firms for Sales Tax resulted in excess reimbursement to the tune of Rs.1.17 crore.

When the matter was brought to the notice of the Railway Board (October 2003), the Railway Administration, with prior approval of the Railway Board reiterated (November 2003) their earlier stand.

4.4.7 Eastern Railway: Procurement of Walkie-Talkie sets at higher rate

Irregular procurement of 5 W VHF sets (walkie-talkie) at higher rate ignoring the lowest rate for a technically suitable model resulted in avoidable extra expenditure of Rs.1.04 crore

Railway Board decided (January 1998) to provide 5 W VHF sets (walkie-talkie) to Drivers and Guards on all the trains of A & B routes for emergency communication.

A technical evaluation of the VHF sets for which Director General of Supplies and Disposals rate contracts existed was done (22 March 2001) by Railway Administration. The Administration found Kenwood make model TK-2107 of the lowest rate, as not technically suitable because the frequency range did not match Railway's specification and also the emergency siren facility was not provided in the set. All the other models except Motorola make GP-328 were also not found suitable for want of emergency siren facility.

The Railway Administration procured 1578 VHF sets (GP-328) with emergency alarm facility at the rate of Rs.11, 300 per set during March 2001 to May 2001. In a subsequent technical evaluation done by Administration in July 2001, the Administration changed their stand about the acceptability of the frequency range of TK-2107, which was earlier found unsuitable. Keeping

in view also that the other Zonal Railways had been procuring this model; it was decided to procure this model. 170 sets at the lower rate of Rs.8, 200 per set were procured during August 2001 to November 2001. However, Railway Administration also continued to procure VHF sets of Motorola make GP-328, and 1,787 sets were procured during August 2001 to January 2002.

The model of GP-328, which had a higher rate than those of other models, was procured mainly on account of the emergency siren feature. Scrutiny of records, revealed that this very feature on VHF sets of model GP-328 was creating problems during train operations. False emergency alarms produced by these models were resulting in unnecessary stoppage. Recognising the siren facility in these sets as a great problem in train operations, the Administration decided (July 2002) to stop their further procurement.

The decision to procure model GP-328 with an additional feature which was not tried/ tested for use by Drivers and Guards led to avoidable extra expenditure of Rs.1.04 crore. Besides this, loss on account of untimely/ unnecessary controlling of train operations would be extra.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and September 2003 respectively and the reply has not been received (February 2004).

4.4.8 East Central Railway: Loss due to bad storage of sleepers

Due to bad storage of sleepers in Track Depot, Sonpur, 5172 sleepers decayed and were completely lost resulting in loss of Rs.0.90 crore
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During 1992-94, North Eastern Railway procured 39,047 wooden sleepers against Board's centralised contract of February 1992 and stored them in Track Depot, Sonpur. Later, 33,856 sleepers were issued to different Railways/ Divisions and the balance 5,191 sleepers remained unused since February 1993. These were kept unstacked in Track Depot, Sonpur.

In December 1993, the Deputy Chief Engineer/ TP, Gorakhpur during inspections of Track Depot, Sonpur noted that many wooden sleepers in the depot were lying unstacked and that Sonpur Division should ensure stacking of the sleepers quickly to protect them against theft and deterioration.

In September 2001 at the time of change of incumbency, the incoming Senior Section Engineer/ Permanent Way, Track Depot, Sonpur in his 'Charge Taking Over Note' sent to Sr. Divisional Engineer II, Sonpur mentioned that a lot of stores (including wooden sleepers in question) had become unserviceable due to decay. In December 2001, Sr. Divisional Engineer, Sonpur directed the concerned authorities to process the case for sanction to the write-off of the decayed sleepers.

During audit inspection of Track Depot, Sonpur (March 2002), the dilapidated condition of these sleepers was pointed out to the Divisional Railway. Divisional Railway stated (July 2002/ August 2003) that disciplinary action against the staff at fault, was being taken. The action for write-off of 5,172 (19 out of 5,191 sleepers were later issued) unserviceable sleepers at depreciated

cost of Rs.0.82 crore and the disciplinary action under Divisional Railway Administration were still in process (October 2003).

In this connection, the following audit observations arise:

- (i) In stock ledger of wooden sleepers maintained by Track Depot, Sonpur, the procurement cost of these sleepers was not found recorded. This lapse led Railway Administration to not even knowing the procurement cost of these sleepers.
- (ii) Sanctioning write off is a procedural formality for regularising the removal of an asset. Even if the write-off sanction and disciplinary action are taken, the fact remains that 5,172 sleepers decayed and were completely lost due to bad storage. The negligence in proper storage is more serious especially when Deputy Chief Engineer/TP, Gorakhpur had pointed out (December 1993) the poor conditions in which these wooden sleepers were stacked.

Decay of 5,172 sleepers due to negligence and bad storage resulting in loss of Rs.0.90 crore was brought to the notice of Railway Administration and Railway Board in May 2003 and October 2003 and their reply has not been received (February 2004).

CHAPTER 5**ESTABLISHMENT MATTERS****5.1 Northern Railway: Unproductive expenditure due to delay in redeployment of surplus staff**

Indecisiveness in the matter of redeployment of surplus staff of Diesel Loco Shed Mughalsarai resulted in unproductive expenditure of Rs.3.74 crore

As per instructions of Railway Board of April 1989, areas where staff are likely to be rendered surplus, are required to be identified well in advance and planning made for suitable redeployment of such staff.

A Diesel Locomotive Shed (DLS) set up in 1962 at Mughalsarai of Lucknow Division of Northern Railway for homing 72 WDM-4 imported locos. Based on the normal life of about 36 years of a locomotive, this type of locos were to be phased out by 2000. In May 1994, Northern Railway Administration intimated Railway Board that all the locos would be phased out by the end of 1999-2000 and the staff deployed in the DLS would be rendered surplus.

In December 1996, the Railway Board nominated a Committee to prepare a master plan for electric sheds keeping in view the projected additional requirement of electric locos and phasing out of diesel locos. Pursuing recommendations of the Committee, Railway Board decided (1998) to set up an Electric Loco Shed (ELS) for homing 100 electric locos by conversion of the existing DLS of 50 locos at Mughalsarai and sanctioned the work in Works Programme for 1999-2000 so as to facilitate redeployment of surplus staff of DLS. Following up the proposal of setting up of an ELS at Mughalsarai to accommodate surplus staff, the Chief Electrical Engineer (CEE), Northern Railway directed (December 1999) Divisional Railway Manager, Lucknow to process the case for creation of need based posts for the proposed ELS at Mughalsarai area and to start training of the staff likely to be rendered surplus. However, in October 2000, Railway Board decided to review the position at the end of IX Plan (31 March 2002) and thus, creation of the proposed ELS at Mughalsarai was put on hold.

In the mean time, the DLS at Mughalsarai was finally closed on 1 September 2001. At the time of closure, the number of workmen rendered surplus was 338. As on 1 August 2002, the number of surplus workmen was 258. Since the progress in redeployment of surplus staff was slow, Railway Board instructed (August 2002) Northern Railway Administration to set up a Committee to suggest a methodology in the matter. Expenditure by way of pay and allowances of surplus staff incurred from September 2001 to January 2003 worked out to Rs.3.74 crore.

When the matter was brought to the notice of Railway Administration in May 2003, they stated (September 2003) that advance planning in the matter was done. However, things did not go as planned due to Railway Board's instructions to maintain a status quo till the end of IX Plan. The utilisation of surplus staff in ELS, except where such staff were willing for absorption in other activities, was thus, delayed.

From the reply it is evident that though the Railway Board was seized of the matter as early as 1994, no concrete decision was taken in the matter. A Committee has been set up belatedly which has so far succeeded only in getting options from staff rendered surplus. Concrete steps for redeployment of the idle staff are yet to be taken. Resultantly, unproductive expenditure continues to be incurred on idle staff.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

**5.2 South Eastern and: Incorrect drawal of Transport
Central Railways Allowance**

Incorrect interpretation of orders led to irregular payment of Transport Allowance to Railway officers and staff working at Nagpur on South Eastern and Central Railways resulting in overpayment of Rs.2.15 crore
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The orders relating to grant of Compensatory City Allowance (CCA) and House Rent Allowance (HRA) to Central Government employees were issued (3 October 1997) by the Ministry of Finance after the decision taken by the Government of India on the recommendations of the Fifth Pay Commission. The Ministry of Railways (Railway Board) issued similar orders for Railway employees on 16 October 1997. As per this order, Nagpur in the State of Maharashtra was reclassified as 'B-1' class city for the admissibility of CCA as compared to its existing classification as 'A' class city. However, this order provided that cities/ towns, which were placed in a lower classification as compared to their existing classification, should continue to retain their existing classification until further orders and the Railway employees working therein would be entitled to draw CCA and HRA accordingly. This order was made applicable from 1 August 1997. The Railway employees working within the jurisdiction of Nagpur, therefore, continued to draw CCA and HRA as applicable to 'A' class city as per special dispensation allowed in the above order.

The Central Government employees were granted (3 October 1997) Transport Allowance, effective from 1 August 1997. The Railway Board also issued similar order for Railway employees on 16 December 1997. This order contained separate rates as applicable to 'A-1'/'A' class cities and for other places. The cities referred to, as 'A-1'/'A' in this order for the purpose of Transport Allowance were those as reclassified as such for the purpose of CCA in terms of the orders issued (16 October 1997) separately regulating grant of CCA to the Railway Employees.

It was, however, noticed that payment of Transport Allowance at a higher rate as applicable to 'A' class cities was made to the officers and staff of South Eastern Railway working at Nagpur extending the special dispensation allowed in respect of grant of CCA and HRA. Whereas payment of Transport Allowance was to be allowed on lower rate as applicable for Nagpur on account of it being downgraded as 'B-1' class city in the list of new classification of cities as given in Annexure I to the Railway Board's letter dated 16 October 1997. Clarification issued by Ministry of Finance on 22 February 2002 stating that special dispensation extended to HRA/ CCA was not applicable to Transport Allowance supports the Audit contention.

Incorrect payment of Transport Allowance led to overpayment to the tune of Rs.0.35 crore in respect of 21 Bill Units for the period from March 1998 to November/ December 2002. Overpayment in respect of the period from August 1997 to February 1998 could not be ascertained in audit since the arrear bills drawn in this regard were not made available to audit. The over payment was still continuing.

Similarly, incorrect payment of Transport Allowance was made to the officers and staff of Central Railway working at Nagpur. This led to overpayment to the tune of Rs.1.80 crore during the period 1 August 1997 to 31 March 2003.

The matter was brought to the notice of South Eastern Railway Administration and Railway Board in April 2003 and August 2003 respectively.

The South Eastern Railway Administration, with the prior approval of Railway Board, stated (October 2003) that no corresponding orders on the clarification of Ministry of Finance given in February 2002 have been issued by the Board as the same had not been received in the Railway Board. A copy of the same has now been obtained by Railway Board from Ministry of Finance and corresponding orders will be issued in due course. Meanwhile, the Transport Allowance is being drawn in terms of Establishment S. No.190/97 read with S. No.147/97.

The reply is not tenable. Railway Board's order No.147/97 (October 1997) classifies the city of Nagpur as B-1 for HRA & CCA and order No.190/97 (December 1997) classifies the city of Nagpur under 'other places' for the grant of Transport Allowance. Linking a complete and clear order (190-97) on Transport Allowance with the order (147/97) on HRA & CCA was not correct.

5.3 Northern Railway : Loss due to delay in allotment of vacant Railway quarters

Delay in allotment of vacant Railway quarters resulted in avoidable payment of Rs.1.87 crore by way of House Rent Allowance to prospective allottees and non-recovery of Rs.0.11 crore towards licence fee from these allottees

As per Rule Book for allotment of Railway quarters, allotment of Railway quarters in Delhi area of Delhi Division of Northern Railway is done on priority basis by Delhi Area Allotment Committee (DAAC). The Committee comprises Divisional Superintendent Engineer/ Estate (Chairman), Divisional Personnel Officer (Member), Welfare Officer, Headquarters office (Member), District Controller of Stores, Shakurbasti (Member) and one member each from the recognised unions existing in Delhi area. To ensure that quarters do not remain vacant for unduly long periods, the DAAC is required to meet once a month or more quickly, if so required.

During August 1999 to April 2003, the DAAC met 6 times only. Consequently, there was delay in allotment of vacant quarters. 238 quarters were occupied after remaining vacant for periods ranging from 1.7 months to 104 months (after allowing a period of one month for processing and preparation of information of vacant quarters for meetings of DAAC). 160 out of 238 of these quarters (about 70 per cent) had remained vacant for periods

ranging from 12 months to 104 months. Another 266 quarters had been awaiting allotment for the periods ranging from 5 days to 56.2 months as of 30 April 2003. Besides, 81 quarters, termed as unpopular, had been lying vacant for periods ranging from 40 to 75.7 months.

Failure of Divisional Railway Administration to ensure regular meetings of DAAC, resulted in quarters remaining unallotted for long periods and consequential loss of Rs.1.87 crore by way of payment of House Rent Allowance to prospective allottees and non-recovery of Rs.0.11 crore towards licence fee from these allottees.

When the matter was brought to the notice of Railway Administration in May 2003, they stated (October 2003) that:

- (i) as per Rule Book, the Committee is supposed to meet once in two months;
- (ii) delay in holding meetings of DAAC was due to boycotts by members of unions on various issues regarding their demand for presence of Accepting Authority (who is not a member of DAAC) at the meetings, representation of SC/ ST members etc.;
- (iii) due to arisings of new vacant quarters and non-occupation of allotted quarters, certain number of quarters will always remain vacant; and
- (iv) a special work was awarded on 2 July 2003 for repairs to 83 dilapidated quarters. The work is still in progress (October 2003).

These arguments are not tenable because:

- (i) as per Para 3 (b) of Chapter VI of Rule Book, the DAAC is required to meet once a month;
- (ii) as per clause (d) Chapter I of Rule Book, if a meeting is not held for want of requisite quorum, it should be postponed to a new date after notifying the new date to the members. The business may be transacted in the next meeting even if the quorum is again incomplete. Even normally, as per Rule Book, at least 45 meetings, if not more due to postponements for want of quorum, should have been held in 45 months (August 1999 to April 2003). The actual number of meetings held during this period was only six. Railway Administration did not issue any notification for postponement of meetings for want of quorum. This situation is indicative of casual approach of the Railway Administration towards this important matter;
- (iii) all the 266 quarters lying vacant as on 30 April 2003 were not the fresh arisings nor the allotted quarters remaining unoccupied but were the quarters lying vacant due to failure of the DAAC to hold regular meetings and allot all the available vacant quarters; and
- (iv) the dilapidated quarters had been lying vacant for periods ranging between 38.1 and 73.77 months before the action was initiated in February 2003 to get them repaired. These quarters were awaiting allotment even as on 30 September 2003.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

5.4 Western Railway: Non-absorption and delay in absorption of medically decategorised staff in alternative employment

Failure of Railway Administration to take immediate action to absorb medically decategorised employees in alternate employment resulted in unproductive expenditure of Rs.1.49 crore

As per Codal provisions, no person shall be substantively appointed to a permanent post in railway service without production of a medical certificate of health in accordance with the rules prescribed by the President. Certain Railway employees are classified into A1, A2, A3, B1, B2, C1 and C2 for the purpose of vision tests. To ensure the continued ability of the employees in the classes A1, A2, A3, to discharge their duties with safety, they are required to appear for re-examination after every three years calculated from the date of appointment till they attain the age of 45 years and thereafter annually. Similarly employees in classes B1 and B2 are required to undergo medical examination on attaining the age of 45 years and again on attaining the age of 50 years. Rules also provide that a Railway employee who fails in vision test and becomes physically incapable of performing the duties of the post which he occupies should not be dispensed with or reduced in rank, but should be shifted to some other post with the same pay scale and service conditions. The exercise to absorb medically decategorised staff in alternative employment should be started immediately. In case the medically decategorised employee can not be offered an alternative job, he may be retained by creating a special supernumerary post. However, once an alternative job is found and offered, the decategorised employee has no option to decline the offer and in case he declines, his pay and allowances should be stopped immediately.

(A) In order to deal promptly with the cases of medically decategorised employees, Mumbai Division of Western Railway issued a Procedure Order in June 1998 and stipulated that the entire process of final absorption against alternative post should be completed within a maximum of 45 days from the date of decategorisation. Audit scrutiny of records of Mumbai Division conducted in February 2002/ December 2002 to assess the position of absorption of medically decategorised employees revealed the following:

1. 10 employees who were medically decategorised between August 1999 and March 2001, could not be offered alternative jobs. 9 out of them continued to draw salary till they retired/ expired/ took voluntary retirement. The remaining one was screened only in January 2003. Unproductive expenditure of Rs.0.10 crore on account of pay and allowances was incurred.
2. 8 employees who were medically decategorised between November 1998 and April 2002, were allowed to draw pay and allowances despite the fact that they had declined to accept the jobs offered to them more than once. This resulted in unproductive expenditure of Rs.0.03 crore.

3. In respect of 49 employees who were decategorised between March 1998 and March 2002 there was delay in screening/ offering job ranging from 2 to 34 months from the date of medical decategorisation. Even after the offer of the jobs, in 17 cases there was delay in arranging their relief by the concerned departments. Total unproductive expenditure in these cases works out to Rs.0.21 crore.
4. 4 Assistant Drivers and 1 Assistant Station Master appointed between July 1993 and June 1996 were found suffering from colour blindness. The departmental inquiries concluded that these persons were colour blind by birth and had got the job by fraudulent means. This is a serious reflection of the quality of medical examination done by the Railway Medical Officers especially to the posts, which were under the 'safety categories'.

(B) Similar review on Jaipur Division of Western Railway (now North Western Railway) revealed that 80 employees who were decategorised between July 1997 and May 2002 have not been offered alternative jobs (March 2003) resulting in unproductive expenditure of Rs.0.97 crore. In 25 cases of decategorised employees, alternative jobs were given after delays ranging from 5 months to 29 months from the date of medical decategorisation thereby incurring unproductive expenditure of Rs.0.18 crore.

Thus, failure of Railway Administration to take immediate action to absorb medically decategorised employees in alternate employment resulted in unproductive expenditure of Rs.1.49 crore.

The matter was brought to the notice of Railway Administration and Railway Board in June 2003 and October 2003 respectively and their reply has not been received (February 2004).

5.5 South Eastern, Northern: Short realisation of contribution and Central Railways towards Railway Employees Liberalised Health Scheme

Railway's failure to realise correct contribution from the retired Railway employees/ surviving spouses of deceased retirees towards RELHS-1997 resulted in short-realisation of Rs.0.81 crore

The Retired Employees Liberalised Health Scheme (RELHS) was introduced by the Railway Board on 28 September 1988 with a view to providing liberalised medical facilities to retired Railway employees on payment of an amount equal to their last month's basic pay. The date of option/ switching over to RELHS was last extended in March 1995 upto 31 December 1995.

In May 1996, the Railway Board further decided as under:

- (i) Such of the retired employees as had not exercised the option till 31 December 1995, were allowed a final chance to opt for the RELHS on the usual terms and conditions upto 30 September 1996.
- (ii) Employees who demitted services on and after 1 January 1996 or were due to retire thereafter were allowed to join RELHS at any time within a period of one year from the date of their retirement on existing terms and conditions.

In supersession of all previous instructions of this scheme, the Railway Board decided in October 1997 that retired Railway employees covered in this scheme would be provided full medical facilities as admissible to serving Railway employees under the Railway Medical Attendance Rules. The scheme was named as RELHS-97. The payment to be made by retired employees for becoming a member was further clarified as under in December 1999:

- (a) In respect of those who retired and became members prior to 1 January 1996, the rate of membership contribution would be their last pay drawn.
- (b) In respect of those who retired prior to 1 January 1996 but became members after 1 January 1996 or will become member henceforth, the contribution would be twice the revised basic pension. Dues were to be recovered or refund made in case of excess recovery.
- (c) Those who retired after 1 January 1996 or will retire henceforth, the membership contribution would be their revised last pay drawn. Arrears, if any, were to be deposited by the retired employees.

Later, after careful examination of the various references and representations received in this regard, the Board decided (December 2002) to further amend the provision of RELHS 1997 as under:

- (i) All those who retired prior to 1 January 1996 and joined between 1 January 1996 and 30 September 1996 would pay a one-time contribution equal to their last pay drawn only and not twice the revised basic pension.
- (ii) These orders would not apply to employees who retired on or after 1 January 1996.

A review of relevant records maintained in Central Hospital, Garden Reach as well as various divisional hospitals over South Eastern Railway disclosed that the Railway Administration failed to realise contribution as under:

- (i) An amount equal to twice the revised basic pension from 413 persons who retired prior to 1 January 1996 and became members of the scheme after 30 September 1996; and
- (ii) An amount equal to revised last basic pay drawn from 756 persons who retired after 1 January 1996.

This omission has led to short-realisation of Rs.0.53 crore from retired employees/ surviving spouses of deceased retirees towards contribution for their membership under the newly introduced RELHS-97.

During the discussion held on 24 September 2003, the Railway Administration accepted the observations of audit and agreed to recover the amount.

Similarly, the cases of short-realisation were noticed on two Railways (Northern and Central) to the tune of Rs.0.21 crore and Rs.0.07 crore respectively.

The matter was brought to the notice of Railway Board in September 2003 and their reply has not been received (February 2004).

CHAPTER 6: OTHER TOPICS

6.1 Charges recoverable from outsiders

6.1.1 *Northern, North Western, Central, South Eastern, Northeast Frontier and Eastern Railways* *Licensing of Railway land*

Delay of 10 years by Railway Board in issuing (August 1995) modified guidelines in supersession of impracticable and cumbersome guidelines issued by them in September 1985 on licensing of Railway land resulted in disputes, delays in revision of licence fee, non-revision, non execution of fresh agreements, non-preferment of bills, etc. All this translated into non-recovery of Rs.29.38 crore from outsiders

Railway Board has been modifying from time to time the guidelines for assessment of licence fee to be charged for railway land/ plots given to private parties. In September 1985, with a view to streamlining the procedure, avoiding delays and minimising difficulties in fixing of licence fee, Railway Board issued modified guidelines which included, inter alia, renewal of the existing licences on new terms and conditions and fixing of annual licence fees at a certain percentage of market value of land licensed.

For fixing revised licence fee, as per these guidelines, a Standing Committee consisting of three Heads of Departments (HODs) was to be set up at the Headquarters of each Zonal Railway and other units. The Committee was to assess the market value of land by evaluating the records of Town Planning Department, Sub-Registrars and Evaluators of State and Central Governments and determine the licence fee by applying the percentages fixed according to use of land. New rates were to be fixed on the market value of land as on 1 January 1985 and made applicable from 1 April 1986. These rates were to be increased by 10 per cent every year to arrive at the rates for the next year.

Difficulties were being experienced in determining the market value of land giving rise to disputes and causing delays. Railway Board, therefore, issued revised guidelines in August 1995 in supersession of the 1985 guidelines. According to the 1995 order, market value of land was to be determined on the basis of value of land in the surrounding areas as on 1 January 1985.

The arrears from 1 April 1986 arising as a result of these orders in some cases were too huge to be borne by the parties. In some cases, the retrospective revision of rates of licence fee was in violation of provisions of agreements entered into by the parties with the Railways. In most cases discussed below, these problems led to disputes, non-execution of agreements, non-revision of licence fee, non-preferment of bills and non-implementation of orders etc.

This resulted in non-recovery of Rs.29.38 crore on account of licence fee as shown below:

Sl. No.	Name of Railway	Name of the Party	Amount outstanding (Rs. in crore)	Period involved	Reasons for non-recovery of amount
1.	Northern	(a) Delhi Cloth Mills – Chemical Works	5.62	April 1986 to August 1997	Upward revision of licence fee was done in August 1997 retrospectively with effect from 1 April 1986. This was in violation of the provisions of the existing agreement executed in March 1972 which, inter-alia, provided for enhancing the licence fee after giving an advance notice of 30 days. The company, therefore, refused to pay the arrears.
		(b) Uttar Pradesh Power Corporation Limited	0.82	April 1986 to 31 March 2003	Delay in preferring bills due to non-availability of relevant records and ineffective pursuance for recovery.
Total			6.44		
2.	North Western	Jodhpur division-Ten Railway Plots	2.62	April 1986 to 31 March 2003	Delay in fixing and revising the licence fee as per Railway Board's orders of August 1995 and resultant delay in preferring bills.
3.	Central (West Central)	<u>Nagpur division</u> (a) Railway Plot holders (217)	2.16	1 April 1986 to 31 March 2004	Delay in fixing and revising the licence fee as per Railway Board's orders of August 1995 and resultant delay in preferring bills.
		(b) Military Authorities	1.76		
		(c) Engineering/ Commercial Plots	1.12		
Total			5.04		
4.	South Eastern	(a) Chakradharpur Division – 26 sidings	7.24	Upto 2002-03	Failure in preferring the bills timely.
		(b) Nagpur Division (now in SE Rly) – 17 sidings	2.04		
		(c) Sambalpur division (now in EC Rly) – 7 sidings	0.64		
Total			9.92		
5.	Northeast Frontier	Katihar Division – 8 sidings	2.29	1 April 1986 to 31 March 2003	Non-revision of licence fee as per Railway Board's orders of August 1995.
6.	Eastern Railway	Various licensees (18.18 acre)	3.07	July 1996 to 30 June 2002	Under assessment of licence fee and non-recovery of cost of filling the land.
GRAND TOTAL			29.38		

The matter was taken up with the concerned Railways between April and June 2003 and with Railway Board in September/ October 2003. The replies given by Railway Administrations during July to November 2003 in this regard are as under:

(1) Northern Railway

(a) Railway Administration, while admitting the audit contention stated that legal action has been initiated against the party in terms of the agreement

and again during discussions stated that efforts were being made to realise the Railway dues. The reply is not tenable. The terms of agreement regarding giving 30 days advance notice before revising rates are clearly in favour of the company. In view of this, there is little prospect of the outstanding amount of licence fee being recovered. Besides, an amount of Rs.0.48 crore was outstanding on account of siding charges, cost of Railway staff and balance cost of work at the time of closure of the siding.

(b) The Railway Administration stated that the delay in raising the bills occurred due to non-availability of relevant records viz., agreement, site plan etc. Although, bills amounting to Rs.0.82 crore were later raised, the dispute over the amount of bills so raised could not be resolved for want of the above mentioned records. Efforts would be made either to adjust the Railway dues against the electricity bills payable by Railway Administration or to recover the amount otherwise by pursuing the matter with UPSEB at a higher level. The reply is not tenable. Railway Administration has not explained as to why a fresh agreement has not been executed so far and how the dispute is proposed to be resolved.

(2) North Western Railway

Railway Administration with the approval of Railway Board stated that the delay occurred mainly due to difficulty in collection of market value of land from revenue authorities. Licence fee has, however, been revised and bills amounting to Rs.2.87 crore have since been raised against the parties. The reply is not tenable because Railway Administration was supposed to collect the same in terms of Board's orders of September 1985 also. The delay of 8 years in revising the rates thus does not appear justified and preferring bills from retrospective dates may jeopardise Railway's claims.

(3) Central Railway

Railway Administration stated that licence fee in respect of Nagpur Division has been revised as per guidelines and a special drive is being launched for clearance of the outstanding dues. Regarding Jabalpur Division it was stated that since obtaining land rates from local revenue authorities was a complicated task, delay was unavoidable. The reply is, however, not tenable because (i) in so far as Nagpur Division is concerned, the bills at revised rates in respect of 217 plots relating to the period 1 April 1986 to March 2000 have not been preferred so far (August 2003) and (ii) in respect of Jabalpur Division there was avoidable delay of 3 and 5 years in approving the rates after obtaining the land rates and submission of proposals in July 1996 for Engineering plots and in August 1998 for commercial plots respectively.

The reply of Railway Board except in respect of Sl. No. (2) above has not been received (February 2004).

6.1.2 Western Railway: *Irregular permission for use of Officers' Club premises by catering contractor*

Railway land costing Rs.7.06 crore earmarked for the Club House for the use of Railway Officers has been allowed to be used free of charge by a contractor appointed by the managing committee of the club in gross violation of Rules

As per rules framed by Western Railway (WR), the Divisional Railway Manager will be the ex-officio President of the institute/ club. Management of the clubs will be the responsibility of a committee, which shall function under the overall supervision of the President of the Committee. According to these rules the club premises may be allowed to be used by club members and their dependants for entertainment, weddings and such other purposes as the managing committee may deem fit. The institute/club premises may also be used for such functions of the outsiders on payment of hire charges to be fixed in accordance with Para 1961-E (now 1966-E) and credited to Railway revenues. The rental charges of Railway premises including land let out to outsiders should be the highest that can be secured.

In March 2001, General Manager, WR accorded approval for conversion of a residential building of an area of 1950 m² at Pali Hill, Mumbai into a service building. The ground floor of the building was to be used as Club House for Railway Officers and the first floor as a VIP Rest House. The work of conversion of this building into a Club House/VIP Rest House was completed in May 2002 and the club premises valuing Rs.7.06 crore (excluding the cost of building) were handed over to the Club Committee.

The committee fixed a rental of Rs.500, Rs.250 and Rs.250 for side lawn, front lawn and club hall respectively for the members of the club and Rs.1000, Rs.500 and Rs.1000 for side lawn, front lawn and club hall respectively to be charged from non-members for holding different functions. For marriage functions of outsiders, a lump sum of Rs.5100/- was fixed. The managing committee of the club appointed a contractor for providing catering services to the club members and guests of the VIP Rest House and signed an agreement for 20 years. The contractor was given the exclusive rights to serve food and beverages, provide decoration and event managing accessories like tents, chairs, tables light and sound for all functions of the non-club members with the liberty to charge any rates for such functions.

In this connection, the following audit comments arise:

1. The managing committee of the club earmarked both the side lawns for the functions of non-members and front lawn and building for club members. In exceptional cases, the use of club building and front lawn was also to be allowed to non-members. Thus, almost 50 per cent of the club premises are being let out for the functions of the non-members on a maximum rent of Rs.5100 per day as against hire charges of Rs.19332 per day assessed by Audit in terms of provisions of Para 1966-E. Such gross under-estimation of hire charges by the management committee is against the interests of Railways.

2. Though as per rules, the charges for functions to be held by non-members have to be deposited with the Railway Administration, the committee functioning under the supervision of DRM has been allowed to retain such charges. Moreover, no provisions for safeguarding Railway's interest have been made by DRM.
3. On the pretext of providing catering services to the club members, the managing committee of the club permitted the contractor to run a commercial enterprise without payment of any rental to Railways. This is contrary to Railway Rules.

The matter was brought to the notice of Railway Administration and Railway Board in June 2003 and October 2003 respectively. Railway Administration with the approval of Railway Board stated in February 2004 that Para 1966E is not applicable in the case of officers club and that there is no rule for depositing the dues realised from non-club members to Railway's accounts. It has also been stated that the contract was terminated and the case is under litigation now. The reply is not acceptable because as per rules the hire charges for institute/ clubs let out to outsiders have to be fixed in terms of Para 1966-E and are to be credited to Railway revenue. Moreover, from the action of the Railway to terminate the contract it is established that the same was not in order. The present position is that club premises are being used by the contractor without any payment to Railway.

6.1.3 East Central Railway: Non-realisation of engine hire charges

Failure to execute an agreement with the siding owner before hiring out Railway engine for shunting operations and ineffective pursuance resulted in accumulation of un-recovered dues of Rs.6.61 crore

As per para 2507 of Indian Railways Commercial Manual Vol.II, a siding owner has the option to use his own engine or Railway's engine for shunting operations inside the siding. In case, the siding owner opts to use Railway's engine, Railway Administration should execute an agreement of terms and conditions with the siding owner before permitting Railway's engine for such operations. Hire charges, as fixed from time to time, should be realised through goods balance sheet of the station, which serves the siding.

Prior to 15 May 1998, shunting operations in the siding of Coal Washery of Bharat Coking Coal Limited at Dugda, Eastern Railway (now East Central Railway) were being done by their own engine, which was damaged in an accident on 15 May 1998. On a request by the siding, Divisional Railway agreed to provide an engine (15 May 1998) for shunting operations as and when requisitioned in the siding without entering into any formal agreement or understanding. On 12 November 1998, the siding owner requested for an engine for exclusive use in their siding. Accordingly, Railway Administration provided a diesel engine for exclusive use in the siding. Again, no formal agreement regarding terms and conditions was entered into. With effect from 15 July 2000, the dedicated engine was withdrawn and the siding was allowed to use it on 'as and when required' basis.

Out of Rs.6.61 crore of hire charges due for 16,521 hours during 15 May 1998 to January 2003, bills for Rs.5.47 crore only were preferred by Divisional Railway Administration.

The siding authorities did not make any payment against the bills preferred. The reasons for non-payment of hire charges by the siding authorities were as follows:

- (i) For shunting by an engine on 'as and when requisitioned' basis, Railway Administration preferred bills on hourly basis subject to minimum 8 hours per day. The siding authorities contended that they would pay for only the hours actually worked by the engine.
- (ii) For shunting performed by a dedicated engine, Railway Administration preferred bills based on 24 hours per day ('round the clock basis'). The siding authorities contended that they would pay hire charges for actual hours of shunting, as the engine was used for the Railway work too. The Railway Administration stated (December 1999) that the engine was being taken away for minor repairs and fuelling. The time taken by engine for minor repairs and fuelling should also come within purview of hire charges.

In this connection, the following observations are made:

- (i) Divisional Railway Administration accepted the siding authorities' request for providing an engine on 'as and when required' basis, and later for exclusive use without entering into any formal agreement and without even apprising them of the specific terms and conditions of hire charges. Due to this, the rates levied by Divisional Railway Administration were disputed by the siding authorities.
- (ii) As per codal provisions, the bills on account of hire charges against the siding are to be reflected in the goods balance sheet of the station to which the siding is attached to ensure recovery. The outstanding amount in respect of this siding was not being reflected in the station balance sheet. This lapse on the part of the Railway Administration could result in the outstanding amount remaining unrealised.

The matter of unrealised dues of Rs.6.61 crore was brought to the notice of the Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

6.1.4 Western Railway: Non-recovery of dues from siding owners

Failure of Railway Administration to execute proper agreements before constructing a siding and pursue the matter effectively resulted in non-recovery of cost of staff of Rs.3.73 crore from Gujarat Electricity Board

Rules provide that before sanction is accorded to the construction of a siding, an agreement stipulating all terms and conditions for construction, maintenance and operation of the same should be executed. As per rules in force prior to 1986, cost of all staff posted in a siding for its smooth functioning was to be borne by siding owners. In December 1986, Railway

Board issued orders stipulating that in cases of sidings to be constructed in future the cost of staff except staff of Commercial and Carriage and Wagon (if the level of loading/ unloading in the siding was more than 2 rakes per day) should be borne by Railways. It was also stipulated that all private sidings should normally take off from the crossing station nearest to the party's premises. If the party expresses desire to have take off from the mid section to save the cost and extra length of the siding, they should pay for the crossing station including its operation and maintenance. In September 2000, Railway Board stipulated that the cost of staff of the existing siding not opting for 'engine on load' (EOL) system will continue to be borne by siding owners.

(1) A private siding for Gujarat Electricity Board (GEB) to serve Wanakbori Thermal Power House Station (WTPS) was constructed as a deposit work and opened to traffic from 10 September 1982. Staff of Commercial, Operating, Mechanical and Signal and Telecommunication were posted in the siding for its smooth running and the siding owner bore the cost till receipt of Board's orders of 1986 where after they started disputing the payment for other than commercial staff. On persistent demands for payment of cost of staff other than commercial, GEB sought clarification from Board. Based on incorrect/ incomplete information obtained from the Zonal Railway, the Board gave wrong clarification (January 1997) to GEB after which the Railway Administration discontinued billing for the Mechanical, Operating and Signal and Telecommunication staff. Not satisfied with Board's clarification, Railway Administration again referred the matter in October 1997 to Railway Board for specific clarifications. Railway Board took more than four years to clarify that existing siding which did not opt for 'Engine on Load' (EOL) system should bear the cost of all staff posted in the siding.

The matter of non-recovery/non-raising of bills was taken up by Audit in May 2002. Railway Administration stated (July 2002) that on receipt of clarification from GEB, bills for entire staff up to March 2002 had been raised and recovery was being pursued and if necessary the disputed amount would be adjusted from traction/ electricity bills payable to GEB.

Audit scrutiny of the records, however, revealed that an amount of Rs.2.89 crore on account of cost of Commercial, Operating, Signal and Telecommunication and Mechanical staff pertaining to the period May 1989 to March 2002 has not been recovered by the Railway so far (July 2003). An amount of Rs.0.33 crore for the year 2002-03 has also accrued.

(2) A private siding for GEB at Sikka station of Western Railway was constructed and opened for traffic from 1 August 1989. As per plan approved and accepted by the party in February and May 1985, the siding was to take off from mid section where a Block Hut was provided. It was also agreed by GEB that the cost of staff posted to operate the Block Hut will be borne by them. Railway Administration operated 2 posts of ASMs and 2 posts of Pointsman since the opening of siding on 1 August 1989 but did not raise the bills till February 1999. Thereafter, GEB and the Railway Administration entered into a prolonged correspondence. While Railway held the view that cost of operating staff posted at Block Hut was recoverable from siding

owners as the same was provided in the mid section as per plan accepted by GEB, the GEB persisted that the cost of operating staff was not payable by them because they had not expressed any desire to have this point of take off.

The matter of non-recovery of cost of operating staff from GEB was taken up in June 2001. Bills of Rs.0.51 crore pertaining to the period August 1989 to March 2003 were not paid by GEB and Railway Administration was not able to force recovery as no agreement incorporating terms and conditions accepted by the party prior to execution of work was entered into.

Thus the failure of the Railway Administration to enforce the recovery of Railway's dues resulted in non-recovery of Rs.3.73 crore from GEB.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and August 2003 respectively. Railway Administration with the approval of Railway Board stated in February 2004 that they have been continuously pursuing the matter of recovery in respect of Wanakbori siding with GEB. As regards Sikka siding, it has been stated that GEB has agreed to the payment of Rs.0.50 crore and Rs.0.01 crore has already been paid by them. The reply is not tenable because the recovery of Rs.2.87 crore on account of cost of staff posted in Wanakbori siding of GEB is still under dispute and the amount of Rs.0.50 crore which has been accepted for payment has not yet been realised.

6.1.5 East Central Railway: *Non-recovery of interest and maintenance charges*

Railway Administration's failure to resolve the issue of levy of interest and maintenance charges on Railways' portion of assisted-cum-private siding and to effectively pursue recovery of Railway dues resulted in accumulation of un-recovered dues of Rs.2.39 crore

An assisted-cum-private siding of Fertiliser Corporation of India (FCI) at Sindri, Dhanbad Division, Eastern Railway (now East Central Railway) has been in operation since March 1950. As per the codal provisions, interest charges at the rate of dividend fixed from time to time and maintenance charges at 4.5 per cent of the original cost or present day cost whichever is higher, of the portion borne by Railways were recoverable from the FCI.

Demand on account of interest and maintenance charges raised by Divisional Railway Administration, Dhanbad from time to time were not being paid by the siding authorities. The dues of Rs.0.17 crore recoverable from the siding upto July 1984 remained unpaid. The bills raised by Divisional Railway Administration beyond July 1984 were partly paid by the FCI. While the reasons for non-payment of dues by the siding for the period upto July 1984 could not be ascertained in audit, the reasons for part payment since August 1984, as revealed from review of records of the siding, were as follows:

Prior to August 1984, the bills on account of interest and maintenance charges were being raised for Railways' portion of 18.822 kilometres (excluding a length of 5.712 kilometres called North Line which belonged to FCI siding). In July 1984, with a view to introducing passenger trains (mainly for factory

workers) between Dhanbad and Sindri, Divisional Railway Administration took over from FCI, the North Line (5.712 kilometres) and paid the compensation (Rs.2.89 lakh) for this portion. With the acquisition of the length of 5.712 kilometres from FCI, the Railway owned portion increased to 24.534 kilometres [18.822 kilometres (+) 5.712 kilometres].

Accordingly, from August 1984, the Divisional Railway Administration started preferring demand of interest and maintenance charges for a track length of 24.534 kilometres. FCI refused to pay interest and maintenance charges on the capital cost of 5.712 kilometres (North Line) on the plea that Railway Administration was running passenger trains on this portion and was not using it for the siding purpose. The Divisional Railway Administration, however, argued that the North Line (5.712 kilometres) was being used by Divisional Railway Administration for 2 hours each in the morning and evening for passenger trains which had been introduced with the consent of FCI mainly for FCI factory workers and that such a use by Railways was even otherwise permissible under Clause 19 (a) of the agreement. The dispute, however, remained unresolved.

Later, in September 1993, Divisional Railway Administration dismantled a length of 5.011 kilometres from Railway owned portion of 24.534 kilometres reducing the length for charging purpose to 19.523 kilometres.

As the dispute regarding length persisted, a joint survey was conducted in December 1999 at the instance of Chief Planning Development Engineer (CPDE) and the length for charging was fixed at 16.589 kilometres. FCI, however, contended (December 1999 to September 2001) that the chargeable length acceptable to them was 10.877 kilometres (excluding the North Line of 5.712 kilometres). The matter remained unresolved.

Earlier, FCI had made a part payment of Rs.0.95 crore for the period 1964-65 to 2000-01. Apart from disputing inclusion of the North Line length, FCI had disputed some of the bills prepared incorrectly by the Divisional Railway Administration. In December 2002, the Divisional Railway Administration recast the entire demand for the period 1964-65 to 2002-03 at Rs.3.23 crore. in supersession of earlier bills After adjustment of Rs.0.95 crore, the outstanding dues against the siding were Rs.2.28 crore as on 31 March 2003. This bill was under cast to the tune of Rs.0.11 crore mainly due to adoption of the rate of dividend at 6 per cent instead of 7 per cent with effect from 1 April 1993. The outstanding dues against the siding were, therefore Rs.2.39 crore as on 31 March 2003 and interest on outstanding dues would be extra.

Thus, failure of Divisional Railway Administration to resolve the dispute over length, cast the bills correctly and pursue effectively the recovery aspect resulted in accumulation of huge arrears against FCI. The prospect of recovery of dues are bleak because the siding ceased to operate in 2002-03.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

6.1.6 Central Railway: Non-recovery of licence fee from catering/ vending contractors

Failure of the Railway to revise the licence fee and delay in revision has resulted in non-recovery of Rs.2.56 crore from catering/ vending contractors

Keeping in view the escalation in cost of various inputs, Railway Board decided in June 1999 to revise tariffs for standard meals, tea/coffee etc. with effect from 1 July 1999. With this revision, the licence fee of catering/vending contractors of all trains and other static units was also to be revised to rates ranging from 15 per cent to 12 per cent of the annual sales turn over of each unit.

Audit scrutiny of records of Chief Commercial Manager (CCM) Central Railway (CR), Mumbai conducted in March 2002 revealed that some of the Railway Caterers Associations had filed writ petitions (in Mumbai High Court) challenging the enhancement of licence fee. The writ petitions were, dismissed by the Court in December 2000 and January 2001. Consequently, CCM instructed (January 2001) all the Divisions of CR to collect the licence fee immediately in accordance with the policy guidelines in force. Scrutiny of records revealed that only Bhopal, Jabalpur (now in West Central Railway), Nagpur and Jhansi (now in North Central Railway) Divisions had fixed the revised licence fee on the basis of annual turn over. Mumbai and Bhusaval Divisions had fixed the revised licence fee provisionally without assessment of annual sales turn over. No action was taken by Solapur Division to effect the revision. Though records of catering contractors of Pune Divisions were being maintained in Mumbai Division, no action was taken to revise the licence fee.

Further scrutiny of records has revealed the following:

- (i) On Jhansi, Jabalpur and Nagpur Divisions, though the arrear bills were preferred, Rs.0.21 crore, Rs.0.14 crore and Rs.0.53 crore respectively for the period 1 July 1999 to 31 March 2002 have not been recovered.
- (ii) On Mumbai and Solapur Divisions, though the licence fee were revised in January 2003 and March 2003, revised bills of Rs.1.13 crore and Rs.0.55 crore respectively for the period 1 July 1999 to 31 March 2002 are yet to be preferred.
- (iii) Pune Division did not implement the orders.

Thus, failure/ delay of the Railway Administration to revise the licence fee resulted in non-recovery of Rs.2.56 crore from catering/ vending contractors.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and September 2003 respectively and their reply has not been received (February 2004).

6.1.7 Eastern Railway: Non-realisation of 'way leave charges'

Non-execution of agreement has resulted in accumulation of unrealised 'way leave charges' amounting to Rs.2.27 crore in addition to non-collection of capitalised cost

The Railway Board laid down (July 1998) guidelines in the matter of granting way leave facilities/ easement rights on railway land. The order provided that in genuine and un-avoidable cases way leave facility/ easement right may be allowed by the Railways after execution of proper agreement. In case way leave facilities were granted to State Government for construction of the public roads, an annual charge towards way leave rights was to be paid at the rate of 6 per cent of the market value of land per annum subject to its revision after every 5 years. Railways were to collect capitalised cost so that recovery of annual charge could be made through interest at the rate of 10 per cent. The amount of capital at cost was to be refunded to the party without interest as and when the land was taken back by the Railway.

Scrutiny of records indicated that permission for construction of a temporary road, on Railway land of 316.34 katha (1 katha=720sq.ft.) to connect Howrah Station complex to Foreshore Road for an additional exit from Howrah was granted to the District Authorities on 15 July 1999.

The Railway permitted the construction of a temporary road on the Railway land before completion of formalities regarding assessment and levy of 'way leave charges' in the context of the grave internal security situation arising out of the closure of the Bankim Setu. After completion of construction, the road was opened to traffic in November 1999.

In January 2000, the Railway Administration requested the District Magistrate, Howrah to approve and deposit the way leave charges fixed at the rate of Rs.61,24,343 per annum. It was also intimated that an agreement would be processed for execution after receipt of way leave charges. In reply, the State Govt. requested (February 2000) to wait for sometime till Govt. decision was obtained. Though more than 3 years have elapsed, there has been no response from the State Government so far. The Railway Administration also did not pursue the matter further at a higher level.

Thus, grant of way leave facilities without execution of an agreement has resulted in accumulation of unrealised 'way leave charges' amounting to Rs.2.27 crore pertaining to the period 15 July 1999 to 31 March 2003 and non-collection of capitalised cost.

When the matter was brought to the notice of Railway Administration in May 2003, they accepted (November 2003) audit contention and stated that the matter is being pursued with the State Government.

The matter was brought to the notice of Railway Board in August 2003 and their reply has not been received (February 2004).

6.1.8 Northern Railway: Non-recovery of cost of maintenance staff

Failure of Railway Administration to prefer bills towards maintenance and operational cost of staff in respect of a Rail-cum-Road Bridge resulted in non-recovery of Rs.2.05 crore from the Government of Punjab, besides outstanding dues against Ministry of Defence due to non-preferment of bills since 1990-91

In 1913, a bridge was constructed by the Railway Administration on the Ferozepur-Jalandhar section of Northern Railway over the Sutlej river. Later in 1959, at the request of Ministry of Defence, a road decking was constructed on the bridge and opened for restricted military traffic. The basis on which the recurring maintenance and operational cost of this facility was to be recovered from Ministry of Defence was not available on record.

In 1961-62, the State Government of Punjab approached the Railway Administration to open the bridge to general public. In May 1965, the Railway Administration agreed to the State Government's proposal with a stipulation that the latter would bear the initial cost (estimated at Rs.2.24 lakh) of providing proper hand railing, signals, staff quarters etc. besides recurring cost of Rs. one lakh per annum on account of maintenance of the bridge and wages of gatekeepers/ watchmen etc. In August 1965, the State Government agreed to the stipulation and requested for necessary sanction to open the bridge. The bridge was opened for public traffic also in December 1965.

Audit examination of records of Divisional Railway Administration, Ferozepur revealed that:

- (i) the revised basis on which the recurring maintenance and operational cost was to be borne by Ministry of Defence consequent upon opening of the bridge to the public traffic also in December 1965 was not available on record;
- (ii) the Divisional Accounts Officer raised bills on account of maintenance and operational cost against the Ministry of Defence till 1989-90. The bills were duly paid by Ministry of Defence. Thereafter, no bills were raised for maintenance charges. The operational cost of staff was, however, recovered from Ministry of Defence upto 1999-2000;
- (iii) the Divisional Accounts Officer, Ferozepur raised some bills against the State Government of Punjab in 1968. The bills, however, remained unpaid. Thereafter, Divisional Accounts Officer, Ferozepur did not raise any bills upto December 2000. In January 2001, Divisional Railway Administration, Ferozepur requested the Secretary, Public Works Department (B&R), Government of Punjab to arrange payment of Railway dues since opening of bridge in December 1965 at the rate of Rs.1 lakh per annum alongwith interest thereon pending preferment of final demand. Later, in April 2001, Divisional Railway Administration sent detailed bills aggregating Rs.2.01 crore. However, State Government has not made any payment so far (August 2003);
- (iv) the amount of Rs.2.01 crore worked out by Divisional Railway Administration was undercast due to certain assumptions relating to

pay and allowance of staff. The Railway dues for the period December 1965 to 31 March 2003 assessed by Audit, considering the actual amount of dearness allowance as applicable from time to time on average pay during this period, works out to Rs.2.05 crore.

The matter regarding non-raising of bills in a timely and regular manner leading to accumulation of arrears was taken up by Audit with the Divisional Railway Administration, Ferozpur in February 2002. In reply, Divisional Railway Administration stated (January 2003/ February 2003) that they had approached (June 1968 and April 2001) the State Government of Punjab for depositing the billed amount but the State Government has not deposited the amount so far. The reply is not tenable because the arrears accumulated due to non-raising of bills for 32 years after the first bills raised in 1968.

Thus, failure of the Divisional Railway Administration to raise bills against Government of Punjab resulted in non-recovery of Rs.2.05 crore for the period December 1965 to March 2003. In addition, the cost of maintenance recoverable from Ministry of Defence for the period 1990-91 to 2002-03 could not be assessed in audit for want of details.

The matter was brought to the notice of Railway Administration in May 2003. The Railway Administration in their reply of September 2003 and during discussions held in October 2003 stated that the necessary bills had been raised and all efforts were being made to realise the Railway dues. The Railway Administration, however, did not explain the reasons as to why bills were not raised for more than 32 years.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

6.1.9 Central Railway: Loss due to non-recovery of maintenance charges in respect of ROBs/ RUBs

Failure of Railway Administration to execute agreements before taking up deposit works, maintain proper records and raise bills for maintenance charges, resulted in non-recovery of Rs.1.99 crore

As per provisions, maintenance and lighting of the roadway of the bridge and its approaches after opening to traffic is a charge against the Road Authority and maintenance of bridge structure is a charge against the Railways. However, if the cost of bridge structure is shared by the Railway and the State Government/Road Authority, the maintenance charges shall be borne by the Railway and State Government/Road Authority in proportion to their shares of cost. Rules also provide that before undertaking the construction of any Road Over/Under Bridges (ROBs/ RUBs), the cost of which is to be borne entirely or partially by the State Government/Road Authority, an agreement clearly spelling out the liability for bearing initial, recurring/maintenance and other costs should be executed between Railway and the party concerned.

Audit scrutiny of records of Mumbai Division of Central Railway (CR) revealed as under:

1. In all, 120 ROBs/ RUBs constructed till March 2001 exist on this Division. Of these agreements were available in 38 cases only. This indicates that either the agreements in 82 cases were not entered into at all or the same were not kept in safe custody.
2. Of 38 cases where agreements were available, bills in respect of 22 cases were not being raised as details regarding date of completion, share of the cost borne by party and the Railway etc. were not available.
3. Of 82 cases, where agreements were not available, Railway Administration had raised bills of Rs.0.24 crore for the period April, 1994 to March 2003 in two cases and for the period April 1999 to March 2003 of Rs.0.02 crore in one case. These bills were not accepted by the Road Authorities for want of the agreements.
4. In 6 cases of ROBs constructed on cost sharing basis and opened during November 1998 to March 2001, neither the agreements have been executed nor bills for maintenance preferred even after lapse of two to four years of actual completion of work. An amount of Rs.1.73 crore is recoverable on account of repair and maintenance charges from the date of completion till March 2003.
5. In respect of the remaining 73 cases, where agreements were not available, it could not be established whether the maintenance charges were due or not.

The matter was brought to the notice of Railway Administration in May 2003. They stated in August 2003 that in three cases, though the parties had paid the maintenance charges upto March 1994 (2 cases) and March 1998 (one case), they stopped making payment afterwards for want of agreements and that Construction Organisation had been asked to furnish details regarding costs and dates of completion etc for necessary action. The matter regarding payment of maintenance charges in cases where agreements do not exist had been discussed with BMC authorities and their decision was awaited. Regarding 6 ROBs, it was stated (October 2003) that the bills for maintenance charges have since been raised. The reply is not tenable. Non-recovery of maintenance charges in respect of ROBs/RUBs, sidings etc. due to Railway's inability to maintain proper records and execute agreements has become a chronic problem. No concrete steps have been taken to avoid recurrence of such irregularities pointed out time and again by Audit.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

6.1.10 Northeast Frontier: Non-recovery of Railway dues for Railway road decking over Railway Bridges

Short-recovery of maintenance charges of road decking from State Government amounting to Rs.1.57 crore
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Government of Assam proposed to utilise the track on Railway bridges over the rivers Siemen, Dimow and Dikhari by way of provision of a temporary

road decking for the passengers of road traffic over national Highway 37, an important link to Arunachal Pradesh. Accordingly, at the instance of Government of Assam, Railway Administration provided a road decking on Railway bridges over the river Siemen, Dimov and Dikhari in September 1984. The cost was borne by the Government of Assam. Prior to provision of road decking on Railway Bridges, the road traffic was connected by 'fair weather bridges' on all the rivers during winter season and 'ferry system' during the rainy season.

As per terms and conditions in connection with this work, the State Government was liable to complete the permanent road bridges within a period of 5 years (from March 1979) failing which penalty was to be imposed. Besides, the State Government had to bear the cost of dismantlement of decking, signalling equipments and restoration of bridges to its original form when the decking was no longer required.

Though the road decking was provided in September 1984, the agreement in this regard was executed only in August 1988, without any express provision as to the amount of penalty to be imposed for delay in completion of permanent road bridges. Road bridges over Dimow and Dikhari were completed in March 1991 and September 1993 respectively and road decking is still continuing over river Siemen.

In paragraph 3.1.3 (13) (ii) of the report of the Comptroller and Auditor General of India for the year ended 31 March 1996 (No.9 of 1997) Union Government (Railways), a reference was made highlighting the non-recovery of maintenance charges in respect of the above road decking over Railway bridges. In their Action Taken Note (ATN), the Ministry of Railways (Railway Board) stated (September 1999) that all out efforts were being made to recover Railway's dues from the State Government.

Out of Rs.0.95 crore towards maintenance charges (upto 1992-93), only Rs.0.26 crore (September 1988 – Rs.0.21 crore and November 1992 – Rs.0.05 crore) had been recovered, leaving a balance of Rs.0.69 crore recoverable from the State Government as of March 1993. This amount further accumulated to Rs.1.57 crore as of March 2002-03.

In this connection, the following points arise:

- (i) There has been no improvement in the position of recovery of dues despite assurances given by the Ministry of Railways in their Action Taken Note referred above. The total dues have only increased.
- (ii) As per terms and conditions of contract, non-completion of permanent road bridge within a period of 5 years (with effect from 12 March 1979 or from the date of commissioning of the road component of the bridges whichever is earlier), attracts penalty. Since there was no specific mention of extent of penalty charges, no penalty has been recovered (September 2003) from the State Government.
- (iii) No steps have been taken to get the State Government to complete the permanent road bridge over the river Siemen to enable dismantling the road decking, signalling equipments, restoration of bridge to its original

form in respect of bridges over the rivers Dimow and Dikhari. The Railway safety is, thus, being compromised. In this connection, the serious observations of Commissioner of Railway Safety made while sanctioning the use of temporary road decking on Railway bridges are relevant.

When the matter was taken up (May 2000), the Railway Administration contended (September 2003) that:

- (i) Efforts were made earlier/ still being made to recover the due maintenance charges from the State Government. A meeting by Chief Bridge Engineer (CBE) was held (30 August 2001) with the State Authorities in this regard.
- (ii) There was no hindrance to the operational activities of the Railway. The inspection of bridge girder was carried out regularly.

These arguments are not tenable because:

- (i) Railway Administration had not initiated any effective steps to realise dues except some occasional correspondence with the State Government resulting in significant rise in outstanding dues over the years.
- (ii) The CBE, Maligaon had expressed concern (March 1988 and June 2002) over the severe hindrance to the inspection of bridges due to decking.

Thus due to non-observance of terms and conditions of contract, the Railway Administration suffered a loss of Rs.1.57 crore towards short recovery of maintenance charges of road decking from the State Government.

The matter was brought to the notice of Railway Board in October 2003 and their reply has not been received (February 2004).

6.1.11 Western Railway: Non-recovery of cost of damages to Rolling stock and other charges

Failure of Railway Administration to associate the representatives of the sidings during Joint Inspection of the accidents and obtain their acceptance for the damages has resulted in non-recovery of Rs.1.03 crore

As per standard terms and conditions of agreements, the siding owners are responsible for all damages to wagons and other rolling stock sustained during the period they remain on any part of the siding beyond the point of interchange. In order to fix responsibility for the damages, a joint fact finding enquiry by Railway Officers with the representatives of the siding owners is required to be conducted.

Audit scrutiny of records of Senior Divisional Operating Manger, Vadodara, Western Railway revealed (June 2000) that an amount of Rs.0.82 crore was recoverable from various siding owners on account of bills raised for damages and re-railing charges of stock damaged in accidents occurred during the years 1993 to 1999. The Siding owners in most of the cases have been disputing the Railway's claim stating that their representatives were not associated in the Joint Inspections. The matter was taken up with the Railway Administration

in September 2000. In reply, the Railway Administration stated in March 2002 that they have been pursuing the matter and an amount of Rs.0.12 crore has been recovered. It was also stated that as parties have partly accepted the responsibility for the accidents, they perceive no difficulty in recovering the balance amount. In March 2003, the Railway Administration stated that the cases were very old and due to lack of a sufficient proof, no further progress has been made to recover the balance amount

Further scrutiny of records revealed that in 197 cases of accidents occurred in 11 sidings during the period April 1993 to July 2001, an amount of Rs.1.03 crore was recoverable and parties have disputed this amount because Railway Administration did not associate their representatives in the Joint Inspections or was not able to furnish proof for acceptances given by parties.

The matter was brought to the notice of Railway Administration and Railway Board in June 2003 and September 2003 respectively and their reply has not been received (February 2004).

**6.1.12 Northeast Frontier: Non-realisation of godown rent
Railway from Food Corporation of India**

Railway Administration's failure to execute agreements and inordinate delay in finalisation of rent resulted in non-realisation of Rs.0.93 crore

For keeping food grain stock, Food Corporation of India (FCI) requested the Railway Administration to hand over 2 Railway godowns viz. Baraigram (BRGM) and Churaibari (CBZ) of Lumding Division in August 1987 and February 1988. Accordingly, Railway Administration handed over the 2 Railway godowns (BRGM – area 91.97 sq. m and CBZ – area 277.575 sq. m) with effect from 14 August 1987 and 21 February 1988. The FCI authorities deposited Rs.2,000 and Rs.1,000 as advance of godown rent and requested the Railway Administration to fix the godown rent with immediate effect. Since the Engineering Department (who was responsible for fixation of godown rent) failed to fix it, the Commercial Department in December 1990 fixed Rs.6,000 per annum as the godown rent for BRGM and CBZ respectively. In 1992, FCI vacated the godown at BRGM after payment of lump sum godown rent (at the rate of Rs.6,000 per annum) accrued till then. They also agreed to pay the godown rent as soon as the same was fixed by the Railways.

Later, in April 1992 and April 1993 FCI occupied 2 more Railway godowns at Bhairabi (BHRB – area 650 sq. m, date of occupation – 22 April 1992) and Kumarghat (KUGT – 859.138 sq. m, date of occupation – 14 April 1993) over Lumding Division and requested the Railway Administration to fix the godown rent. Railway Administration, however, neither fixed any godown rent nor executed any formal agreement thereto and FCI continued to occupy the godowns at BHRB and KUGT by paying Rs.6,000 per annum as godown rent.

In October 1998, Railway Administration finally fixed godown rent as Rs.1,41,558 for CBZ, Rs.3,08,375 for BHRB and Rs.3,70,571 for KUGT with retrospective effect from April 1993. FCI authorities did not agree to the rent

so fixed, and requested the Railway Administration for re-fixation of the assessed rent on the ground that

- (a) No lease agreement was laid down.
- (b) No specific period was indicated.
- (c) Godown rent was fixed after a long gap despite requests of FCI to fix it.
- (d) No proper electrification and lighting arrangements were provided in the godown.
- (e) The godown rent so fixed for small township like BHRB was much higher than the rent per sq. feet in respect of developed township like Silchar.

Railway Administration, however, failed to impress upon the FCI authority the reasonableness of rent resulting in non-realisation of godown rent amounting to Rs.0.81 crore for the period 1993-94 to 2002-03.

The following points arise in this case:

- (a) Before authorising FCI the use of godowns, the Railway Administration failed to execute agreements and fix godown rent.
- (b) While fixing lump sum monthly rent of godowns at CBZ and BRGM, Commercial Department did not intimate FCI authorities that rent fixed initially was provisional pending finalisation of rent by the Engineering Department. In respect of godowns at KUGT and BHRB, even the lump sum rent was not fixed.
- (c) Commercial Department fixed a very low lump sum monthly rent without consulting the Engineering Department. The rent finally fixed by the Engineering Department was 24 times higher than the rent fixed by the Commercial Department, which the FCI refused to pay.
- (d) Though the godowns were occupied by FCI since August 1987, revised rent rates were made effective from April 1993. This had resulted in avoidable loss of revenue to the tune of Rs.0.12 crore.

Thus, failure of the Railway Administration in executing agreement and fixing rent, before handing over of godowns to FCI, had resulted in non-realisation of godown rent amounting to Rs.0.93 crore.

The matter was brought to the notice of Railway Administration and Railway Board in April 2003 and September 2003 respectively and their reply has not been received (February 2004).

6.2 Water/ Electricity Boards

6.2.1 South Central Railway: *Avoidable excess payment of water charges for domestic purposes*

Failure of the Railway Administration to take suitable and timely action to renew the agreement with Hyderabad Water Works/ Hyderabad Metropolitan Water Supply and Sewerage Board resulted in avoidable payment of Rs.7.84 crore towards water charges for domestic consumption at higher rates

South Central Railway was procuring water from Hyderabad Water Works (HWW) for domestic, public utility services such as carriage watering,

consumption by passengers at stations etc. and for other railway establishments located in the twin cities of Hyderabad and Secunderabad. Water required for other purposes like workshops, locosheds etc., was being obtained from other sources like Hussain Sagar. From 1 November 1989, Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS & SB) was constituted. Railways continued to procure water from them. As per provisions of the agreement entered into between HWW and South Central Railway January 1980, the HWW was to supply a quantity of 18 lakh gallons per day. Railways were to be charged at domestic rates for 8.25 lakh gallons and non-domestic rates for the balance 9.25 lakh gallons of water per day.

In December 1987, the erstwhile HWW informed Railway Administration that the agreement would lapse on 31 December 1987 and require renewal thereafter. The agreement was not renewed. But the HWW and later, the HMWS & SB continued to charge the Railways as per the original pattern.

In July 1991, the HMWS & SB notified revised tariffs effective from 1 August 1991. Bills were preferred for 45 per cent of the quantity of water supplied at domestic supply rate and 55 per cent of the quantity at industrial supply rate.

The Chief Engineer (Works Branch), Secunderabad wrote (February 1992) to the Government of Andhra Pradesh stating that since the water being supplied by HMWS & SB was being used for domestic use as well as passengers' use and for use in offices, the matter may be reviewed and the entire water supplied charged at domestic supply rate.

HMWS & SB revised the tariffs again with effect from 1 February 1997 and from 1 June 2002. With the revision in 1 February 1997, the entire water supplied to the Railway Administration was charged at 'Non-Domestic' rate, which was applicable to industrial housing colonies also.

In March 1997, the Divisional Railway Manager (Works), Secunderabad requested HMWS & SB for execution of an agreement and charging a slab rate for domestic supply (for the staff colonies at least) instead of being treated as 'Industrial colonies'. The matter, however, remained unresolved.

Failure of Railway Administration to take timely action to renew the agreement and pursue effectively with the Water Authorities resulted in even the 45 per cent quantity of total water drawn for domestic consumption being charged at higher rates. The amount of avoidable extra payment involved for the period February 1997 to September 2002 alone worked out to Rs.7.84 crore. The avoidable payment would continue till the matter is resolved.

When the matter was brought to the notice of the Railway Board (October 2003), the Railway Administration, with prior approval of Railway Board, stated (December 2003) that the agreement could not be renewed as the water supply authorities did not come forward to comply with Railways terms of request.

This contention of the Railway Administration is not tenable because the December 1987 letter from HWW had asked the Railway Administration only to renew the agreement for the same allotted quantity and no conditions were

mentioned therein. The Railway Administration, however, failed to take cognizance and act upon this.

6.2.2 Rail Coach Factory: *Loss due to non-segregation of domestic consumption of electricity*

Failure of Railway Administration, Rail Coach Factory, Kapurthala in segregating domestic consumption of electricity resulted in payment of higher tariff rates involving an extra expenditure of Rs.4.49 crore

Electricity consumed for Industrial/ Commercial purpose is charged at a rate higher than the rate at which domestic consumption is charged.

In April 1986, Railway Board directed the field units to segregate feeder lines for Railway Residential Colonies from Railways own distribution network which included workshops, yards, service building etc. This arrangement would have ensured that electricity supplied by these feeder lines to Railway quarters would be charged at domestic rates of State Electricity Board. Thereafter, in January 1987, Railway Board directed the field units to analyse feasibility of taking separate connections from State Electricity Board for colonies keeping in view practical and economic considerations. Installation of separate connections would have enabled the Railway employees to pay electric charges direct to the local supply authorities at the tariff rates fixed by the State Electricity Boards for domestic consumption.

Rail Coach Factory (RCF), Kapurthala, Punjab is getting electric supply from Punjab State Electricity Board (PSEB). PSEB supplies electricity under various categories viz. Industrial/ Commercial Supply, Large Supply and Domestic Supply at different tariff rates. RCF gets electric supplies from PSEB at Large Supply Tariff rates from a common feeder meant for both commercial and residential purposes. Separate connections, as per above mentioned instructions of Railway Board, have not been provided by PSEB in RCF colony. The electric charges for the entire domestic consumption were, therefore, being paid at the Large Supply Tariff rates, which are higher than those for domestic consumption.

On the matter being taken up by Audit (April 1999 and May 2002), RCF Administration approached (November 2002) PSEB to provide separate domestic connections. PSEB, however, stated (January 2003) that in the RCF Railway Residential Colony, shopping complex, offices, Railway rest house, pump house and Railway hospital etc. are also situated. The domestic load was/is mixed up with commercial load and the rates for commercial supply are higher. In view of this, it was not possible for PSEB to give separate domestic connections for the Railway colony.

As the untenable stand taken by PSEB was not contested by RCF Administration, the matter was taken up again by Audit in June 2003. The RCF Administration reiterating the grounds given by PSEB for not providing separate meters stated in August 2003 that

- (i) PSEB is not ready to provide separate metering from quarter to quarter, colony to colony as RCF is far away from the city urban feeder.

- (ii) Bulk Tariff rates for domestic consumption are higher than the Large Supply Tariff rates. Hence the existing arrangement is cheaper.

The contention of RCF is not tenable because,

- (i) PSEB cannot enforce metering at higher rates for domestic consumption when their tariff structure recognises different rates for commercial, bulk and domestic supplies. Railway Administration, therefore, should have pursued the matter for providing separate meters for each of the railway quarters for charging at domestic rates.
- (ii) The tariff rates for domestic supply are less than those for Large Supply upto 300 units per connection per month. The average monthly domestic consumption of residential quarters in the RCF colony was less than 100 units during July 1996 to May 2003.

Non-pursuance of the matter by RCF Administration with the PSEB for providing separate meters resulted in avoidable extra payment of Rs.4.49 crore the period 1995-96 to 2002-03.

The matter was brought to the notice of Railway Board in October 2003. The RCF with prior approval of Railway Board stated (November 2003) that as per Para 82.6 of sales regulation of PSEB, the large supply tariff is applicable to electric consumption for both industrial and residential purposes.

It is now evident that even if RCF opts for separate connection for domestic consumption, the PSEB would charge the domestic consumption at industrial tariff. Since RCF is paying at higher rates to PSEB and recovering at lower rates from employees for domestic consumption, the loss to RCF would be recurring. Remedial measures to avoid this recurring loss need to be taken at Board's level.

6.2.3 Central Railway: *Avoidable payment of penalty for electricity availed in excess of contract demand*

Failure of Railway Administration to take immediate steps for availing the electric supply at 33KV as stipulated in the agreement or resort to alternative solution resulted in avoidable payment of Rs.1.04 crore on account of penalty for exceeding the contract demand

Central Railway (CR) entered into a supplementary agreement (June 1983) with Madhya Pradesh Electricity Board (MPEB) for supply of 529 KV electricity to Service connection No.N/27 at New Katni Junction [now in West Central Railway]. Clause 22 (b) of the agreement stipulates that the supply to consumer at 11KV was agreed to as a special case and that no additional power will be supplied at 11KV. It also stipulates that CR agrees to avail supply at 33KV when asked to do so by MPEB any time after March 1984 and if electricity in excess of the contract demand is availed, the excess consumption will be charged at twice the normal tariff rates.

Audit scrutiny of records of Divisional Electrical Engineer, Jabalpur revealed that despite specific stipulations in the agreement for availing additional

supply from 33KV line, CR approached MPEB in April 1996 to enhance the contract demand of the existing 11KV connection from 529 KVA to 700 KVA. MPEB, however, made it clear in May 1996 that additional supply has to be availed on the 33KV system. As the actual supply of electricity being availed had already exceeded the contract demand in November 1995 and MPEB was charging penalty for the excess supply, Divisional authorities continued to request MPEB for enhancing the contract demand on the 11KV system. MPEB, however, did not respond to Railway's requests and Railway continued to pay the penalty every month. No action was taken to avail supply at 33KV till October 2001 when a proposal was sent to Zonal headquarters for inclusion of the work at a cost of Rs.39.96 lakh in the works programme for the year 2002-2003. Railway Administration paid penalty of Rs.1.04 crore during the period April 1996 to March 2003.

The matter was brought to the notice of Divisional Administration in November 2002. They stated (February 2003) that they had again requested MPEB to enhance contract demand on 11KV and also prepared an estimate of Rs.6.16 lakh for modification works to transfer some load from 11KV supply to 33KV supply. The modification works are yet to commence.

Thus, failure of Railway Administration to take immediate steps for availing the additional supply from 33KV line or to resort to alternative solutions as contemplated in February 2003, i.e. carrying out modifications for transferring some load to 33KV system, resulted in avoidable payment of Rs.1.04 crore during April 1996 to March 2003. The amount of penalty will further increase as the contemplated remedial measures are yet to be implemented.

The matter was brought to notice of Railway Administration and Railway Board in April 2003 and August 2003 respectively. Railway Administration admitted in August 2003 and again in September 2003 with the approval of Board that as per agreement Railway was entitled to enhance supply only from 33 KV line but keeping in view the high capital cost involved in change over and in other similar cases, MPEB had enhanced the contract demand at 11 KV, they continued to pursue for enhancement at 11 KV. The reply is not tenable because MPEB had clearly rejected the Railway's request in May 1996. Moreover, keeping in view the amount of penalty, decision of Railway not to initiate immediate action for change over was not justified.

6.2.4 Western Railway: Avoidable payment of Electricity Duty

Failure of the Railway Administration to get exemption from payment of electricity duty and surcharge thereon on electricity consumed for the working of Railways resulted in avoidable payment of Rs.0.63 crore
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As per Article 287 of the Constitution of India, no law of a State shall impose or authorise the imposition of a tax on consumption or sale of electricity consumed in the construction, maintenance or operation of any Railway. This position is also reflected in Section 13 of Bombay Electricity Duty Act 1958.

Mumbai Division, Western Railway obtains electricity from Brihanmumbai Suburban Electric Supply Limited (BSES) and Brihanmumbai Electric Supply

and Transport Company (BES&T) for consumption in its service buildings, stations, pump houses etc. situated in the Mumbai suburban areas. Electricity consumed is measured through individual meters installed at every location.

Audit scrutiny of bills of electricity paid to BSES and BES&T by Mumbai Division conducted in December 2001 revealed that despite specific provisions in the Bombay Electricity Duty Act for non levy of Electricity Duty (ED) for the electricity consumed in the construction, maintenance and operations of the Railway, the same was being charged by the companies and paid by Railway Administration without any protest. The matter of avoidable payment of ED was taken up with the Divisional authorities in April 2002. The Divisional Authorities stated (July 2002 and February 2003) that BSES has stopped levying ED in respect of six connections but no refund has been granted.

Scrutiny of records by Audit revealed that Railway Administration paid an amount of Rs.0.63 crore during the period March 1997 to March 2003 on account of electricity duty and surcharge thereon in respect of 37 connections.

Thus, failure of the Railway Administration to get exemption from payment of ED and surcharge thereon on electricity consumed for the working of Railways in time resulted in avoidable payment of Rs.0.63 crore.

The matter was brought to the notice of Railway Administration and Railway Board in June 2003 and October 2003 respectively. Railway Administration with the approval of Railway Board admitted (February 2004) the audit contention and stated that some of the connections referred to in para are domestic and the payment in such cases was correct. It has also been stated that Duty Inspector has promised refund of the excess amount. The reply is not tenable because Railway Administration has not furnished any documentary evidence of domestic connections. Claim for refund of the amount already paid has also not been made so far.

6.3 Miscellaneous

6.3.1 Northern Railway: *Encroachment of Railway land of the closed sidings*

Failure of Railway Administration to protect Railway land of the closed sidings resulted in the land valuing Rs.49.28 crore being unauthorisedly occupied, besides non-recovery of Railway dues of Rs.0.93 crore from the sidings owners

As per codal provisions, in case traffic to and from a siding is insufficient to justify the continuance of the siding, Railway Administration should close the siding by giving a notice of 6 months and after issue of notification of closure, dismantle the tracks to retrieve the material from the Railway portion.

A review by Audit (January 2001 and March 2003) of the records of Permanent Way Inspector (PWI)/HQ/West Kanpur revealed that 37 sidings located at Kanpur had been closed during 1981 to 1994 due to inadequate

traffic. Adequate measures to protect Railways' interest were not taken as detailed below:

- Railway Administration failed to take necessary steps to recover outstanding dues amounting to Rs.0.93 crore on account of interest, repair and maintenance charges in respect of 15 of these closed sidings.
- No action to protect the Railway land was taken resulting in an unauthorised occupation of land measuring in 151931.77 sq. metres in 29 of these 37 sidings. Railway Administration issued eviction notices to the encroachers between April 1988 and July 2000 and filed the cases with the Court of Estate Officer (EO). Of these, 54 were decided in favour of Railway Administration and 548 were returned unfiled by the court of EO for want of complete details. The remaining 700 cases were still awaiting disposal in the Court of EO (March 2003). The Railway Administration failed to enforce eviction orders in respect of the 54 cases decided in their favour by the Court of EO and provide the wanting details to the court of EO in respect of the then 548 cases. The value of the Railway land in unauthorised occupation was assessed by Audit at Rs.49.28 crore based on the current circle rate notified by the office of District Officer, Kanpur City in October 1999.
- The track of 16,406.87 metres on the Railway owned land of these sidings was not dismantled to retrieve Railway material in the encroached area. The exact value of the un-retrieved material could not be assessed by Audit for want of relevant information.

The matter was brought to the notice of the Railway Administration and Railway Board in May 2003 and September 2003 respectively.

Railway Administration stated (November 2003) that:

- (i) All out efforts were made to recover the outstanding dues of Rs.0.93 crore on account of interest and maintenance charges. Some cases are subjudice.
- (ii) The land under unauthorised occupation was still available for Railway use as ownership has not been transferred to any one.
- (iii) The work of dismantling the track could not be started due to delay in the decision to close the sidings.

The reply is not tenable because

- (i) There was nothing on record to indicate that any efforts were made to recover the Railway dues.
- (ii) It confirms the fact that Railway Administration could not protect its land against unauthorised occupation. The land in unauthorised occupation will be available for Railway use only after the encroachers are finally evicted.
- (iii) Due to indecisiveness in formally closing the sidings and the unauthorised occupation of the land, the chances of retrieving the material by dismantling the tracks are now remote.

Reply of the Railway Board has not been received (February 2004).

6.3.2 South Eastern Railway: Mismanagement of Railway land

Failure of the Railway Administration to guard its land against encroachment by its own serving/ retired employees and outsiders and to take effective and timely action for eviction led to 8.78 acres of railway land valuing Rs.6.69 crore remaining unauthorisedly occupied

It is the duty of Railway Administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment. The Railway Administration is also required to maintain accurate land plans of all Railway lands and demarcate boundaries adequately to enable verification at regular intervals with a view to obviating any litigation.

In September 1990, Railway Board further instructed all the Zonal Railways that any encroachment on Railway land by Railway employees could be removed by taking recourse to departmental/disciplinary action. For all other encroachments, action under Public Premises (Eviction of Unauthorised Occupants) Act, 1971 should be taken with least possible delay.

During scrutiny of relevant records of Engineering Department at Kharagpur, it was disclosed that Railway land measuring 8.78 acres located at Ramnagar and Biswaranjan Nagar in Mouza-Kharagpur (JL.No.189, Plot No.28) and Mouza-sonarmukhi (JL.No.188, Plot No.9/86 & 9/88) were encroached by 434 persons (290 serving Railway employees, 5 retired railway employees and 139 outsiders). The said railway land had been encroached upon over the decades and un-authorised structures (Pucca & Kaccha) were constructed thereon. However, Railway Administration failed to initiate any eviction proceedings against the encroachers.

In the mean time, the Government of West Bengal proposed (September 1996) to include an area of 283.13 acres of Railway land, which included the aforesaid land also within the Kharagpur Municipality. On this, the Divisional Railway Manager (DRM), Kharagpur raised (29 November 1996) objections to the Government of West Bengal. The Government of West Bengal, however, went ahead and issued the notification dated 14 July 1997. Later, the State Government authorities started undertaking the work for installation of electrical posts, transformers etc. over the said Railway land.

Apprehending that the action of the Government of West Bengal tantamounted to acquisition of railway land by the State Government, the Railway Administration sought the opinion of the Law Officer, South Eastern Railway. He opined (November 1997) that there did not appear anything objectionable in the said notification nor did it appear to be a case of acquisition of railway land. There was hardly any justification for initiating legal proceedings. As regards installation of transformer on railway land, he suggested to hold a conference with concerned officials to sort out the problem.

The DRM, Kharagpur in December 1997 again took up the matter with the Law Officer as it was felt that providing electricity, water supply in the said area by the Kharagpur Municipality would enable the present unauthorised

occupants to obtain electricity connections and raise claim or right for their settlement. He also felt that this may encourage more unauthorised occupation of railway land in the said area by other people.

In view of these apprehensions, all attention of the Railway Administration was diverted towards clarifying/ establishing the Railways right/ title to the 283.13 acres of land. The issue regarding unauthorised occupation thus remained unattended to. So far, the Railway Administration have neither taken any tangible action towards eviction of the illegal occupants nor initiated action under disciplinary and appeal rules against the erring railway staff.

Failure of the Railway Administration to guard its land against encroachment by its own serving/ retired employees and outsiders and to take effective and timely action for eviction led to 8.78 acres of railway land valuing Rs.6.69 crore remaining unauthorisedly occupied.

The matter was brought to the notice of Railway Administration and Railway Board in May 2003 and October 2003 respectively and their reply has not been received (February 2004).

6.3.3 South Eastern and: Wasteful consumption of High South Central Railways Speed Diesel Oil

Non-shutting down of the locos in South Eastern Railway and South Central Railways resulted in avoidable expenditure of Rs.7.43 crore

As per existing orders, diesel locomotives should be shut down when the expected detention at any place is more than 30 minutes. A scrutiny of records by Audit revealed that certain instructions issued in line with these orders were not observed in Khurda Road Division and Guntakal Division of South Eastern and South Central Railways respectively. Non-observance of the instructions resulted in a wasteful expenditure of Rs.7.43 crore as discussed below:

(a) South Eastern Railway

A Joint Procedure Order (JPO) was issued on South Eastern Railway in February 1988 for minimising consumption of High Speed Diesel (HSD) Oil by shutting off diesel goods locos.

Going by the spirit of the JPO, the Mechanical Department started applying these directives to coaching locos also from December 1999. Scrutiny of records of Sr. Divisional Mechanical Engineer/ Khurda Road and loco sheds, Puri and Cuttack from the year 2000 onwards, however, revealed that all the terminating locos not required for traffic purposes were not being shut down.

During 2000-02, out of a total of 44,895 terminating coaching locos, 11,831 locos were not shut down. Thus, these locos ran for an avoidable 1,50,432 hours consuming 3,760.831 kilolitres of HSD oil worth Rs.6.29 crore.

When the matter was brought to the notice of Railway Administration (May 2003) and Railway Board (October 2003), the Railway Administration with the approval of Railway Board stated (November 2003) that computation by Audit of excess HSD oil consumed is based on the inference that coaching

locomotives, not used for shunting, were not shut down during the lie over period.

The above argument is not tenable because the Railway Administration has not furnished any documentary evidence to suggest that the locomotives were infact in use for traffic purposes or shut down during the lie over period. On the other hand, Audit has a supporting document pointing to non-shutting down of locomotives and loss of precious fuel.

(b) South Central Railway

In September 1997, the Divisional Mechanical Engineer, Guntakal (DME/ GTL), directed that the diesel locomotives should be shutdown if the detention was 30 minutes and above both on line and in yards. It was also directed that rear loco of the multiple units (MUs) whenever working with empties/ lighter loads under traffic spare for more than 3 hours should invariably be shutdown. It was desired that a special drive be instituted to ensure the messages reached the grass root level so that substantial benefit can be achieved in fuel economy. Details of diesel locos shutdown statement were to be furnished every month to the DME/ GTL without fail. Based on the reports received from the Crew Booking points, the DME/ GTL claimed savings of Rs.2.62 crore achieved due to shutting down of MU rear diesel locos, while moving empty rakes or light loads during April 2000 to March 2002.

As per the 'Load table for goods trains (diesel)/ Guntakal Division (BG and MG)', diesel locos (WDM-2 and WDG-2) in MU was to be utilised for hauling 58 BOXN loaded wagons having trailing load of 4,750 tonnes and single head (SH) loco was to be utilised for hauling all other loaded/ empty rakes having trailing load 2,500 tonnes (WDM-2) and 3,330 tonnes (WDG-2).

A review of the 'Combined Trains Reports' at the Crew Booking Point/ Gooty revealed that while hauling light loads and coupled/ tripled light locos, mostly in the section Renigunta - Tornagallu (RU - TNGL), the rear locos of all the MUs were not being shut down. This resulted in utilisation of extra power than required involving consumption of 753 kilolitres of HSD oil valuing Rs.1.14 crore during the period April 2000 to March 2002.

When the matter was taken up (August 2001/ May 2003), the Railway Administration contended that:

- (i) The loss worked out by Audit was hypothetical.
- (ii) The objective of the policy direction to shutdown the trailing loco was to achieve economy. By hauling of light loads with MU, running time of 97 minutes per rake could be saved thereby the earning capacity of rolling stock increased. The loss on account of excess consumption would be off-set by increase in the earnings. The gain of 97 minutes would improve the punctuality/ speed of all other trains and the overall operating efficiency of the section.
- (iii) The instructions could not be applied literally to a specific section like RU - TNGL where the ruling gradient and traffic density requires MU working and shutting down of rear loco would be counter productive. The train operations predominantly being on single line (227.26 Kms.

out of 389 Kms.) was a constraint for losing time with single head and consumption of HSD oil was also more.

These contentions are not tenable because:

- (i) The loss has been worked out adopting the same method by which the Railway Administration had worked out saving of HSD oil for the period April 2000 to March 2002 in their monthly reports. The loss is thus real, based on actual avoidable consumption of HSD oil.
- (ii) The saving of 97 minutes, claimed by the Railway Administration, was notional and based on trial runs carried out in ideal conditions of traffic. A review of actual running of trains with MUs in audit revealed that in the lengthy section of Nandalur - Gooty (194 Kms.) alone, the average actual running time worked out to 372 minutes before trial run and 354 minutes after trial run, as against the running time of 289 minutes claimed by the Railway Administration.
- (iii) The policy direction to shut down the rear loco did not stipulate any exception in implementation of the instructions over RU - TNGL. Moreover, based on the Audit observation, DME/ GTL has reiterated the instructions (September 2003) to all drivers of GTL division to shut down the rear loco of MU trains when hauling light loads and empty rakes.

In a review meeting held on 19 September 2003, the Chief Operating Manager stated that the DME/ GTL had taken a conscious decision to switch off the rear engine and issued instructions locally. He further stated that the position would be reviewed and conscious decision would be taken to issue suitable instructions from Headquarters.

When the matter was brought to the notice of Railway Board (October 2003), the Railway Administration with the approval of Railway Board reiterated (November 2003) their earlier stand and stated that a review is on for implementing the instructions.

6.3.4 North Eastern Railway: *Loss due to excess time taken on periodical overhauls of coaches*

Abnormal delay in periodical overhauls and unnecessary conversions of coaches resulted in loss of earning capacity of Rs.1.16 crore

As per the extant instructions of Railway Board, no coach should normally be condemned before the end of its codal life. However, the underaged coaches can be considered for condemnation, depending upon their condition, with the concurrence of Associated Finance and approval of Chief Mechanical Engineer.

I. In carriage and wagon shop, Izatnagar, North Eastern Railway, in periodical overhauls (POH) of 8 coaches and conversion of 2 coaches into vans, the workshop took abnormally excessive time than admissible as discussed below:

10 MG coaches with residual life 3 to 15 years were received in the workshop during October 2000 to August 2001 on different dates as indicated in the table give below:

Sl. No.	Coach No.	Date of placement in workshop for POH	Date of POH/ conversion and despatch	Date of proposal for condemnation	Time taken on proposal for condemnation (Col.5-3) (in days)	Time taken on POH/ conversion (Col.4-3) (in days)
1.	6778	1.06.2001	17.05.2002			350
2.	7877	26.03.2001	28.05.2002			428
3.	8184	02.01.2001	19.02.2001			48
*4.	4551	6.11.2000	26.03.2002	21.02.2001	107	506
*5.	4533	23.11.2000	27.04.2002	21.02.2001	90	522
6.	8183	23.11.2000	27.06.2002	24.11.2001	366	582
7.	9815	14.06.2001	27.08.2002	28.11.2001	168	440
8.	9828	22.06.2001	27.07.2002	28.11.2001	160	401
9.	8151	6.11.2000	20.04.2002	24.11.2001	383	531
10.	8125	25.10.2000	28.02.2002	24.11.2001	395	492
Total						4300

* converted into medical vans

The first three coaches at Sl. No.1 to 3 were periodically overhauled in 350, 428 and 48 days respectively against admissible time of 18 days each. The remaining 7 coaches at Sl. No.4 to 10 of the table were proposed for condemnation based on their condition. The time taken in submission of proposals ranged from 90 days to 395 days. In three cases (Sl. No. 6 and 9 to 10), the time taken in submission of proposals was more than one year each. The condemnation proposal in respect of coaches at Sl. No.6 to 10 (5 coaches) were not agreed to by Finance. These coaches were, therefore, periodically overhauled. The condemnation proposals in respect of coaches at Sl. No.4 to 5 were sent to Railway Board. The Railway Board also did not agree to the proposals. The Railway Board, however, instructed the Zonal Railway to convert these coaches into medical vans. This was done accordingly. The time periods from dates of receipt of these 7 coaches in workshop to their POH/ conversion ranged from 401 to 582 days (more than one year in each case).

The matter regarding abnormal detention of these coaches was taken up with Railway Administration in May 2003. The Railway Administration admitting excess time taken in POH in respect of coaches at Sl. No.1 to 3 stated in (August 2003) that the period of 18 days allowed for POH of a coach is meant for those, which do not require any corrosion repair. No time period has been prescribed for POH of coaches which need corrosion repair. The remaining 7 coaches needed corrosion repair. Based on condition, these were proposed for condemnation. The proposal was not approved by Railway Board/ Finance. Two of them (Sl. No.4 & 5) were converted into Medical Van, 3 (Sl. No.6 to 8) were converted into second class coaches and the remaining two (Sl. No.9 to 10) were periodically overhauled. Due to corrosion, the time taken was actually required.

The reply is not tenable. If POH of 7 coaches was considered financially not viable based on their condition, the proposals for condemnation should have not been delayed by 90 to 395 days. Allowing a period of 100 days (50 for

processing the proposal for condemnation and 50 for corrosion repairs) in each of 7 cases, a total time of 754 days (3x18+7x100) would be sufficient. As against this, the time actually taken was 4300 days. The loss of earning capacity of these 10 coaches for 3546 excess days aggregated Rs.87.30 lakh.

II. In another case, Railway Board had placed (October 1997) orders on this workshop for conversion of 10 coaches into 10 rail buses at a cost of Rs.40 lakh each. The workshop authorities instead converted 11 coaches into 11 rail cars. Later, the 11th rail car was converted back into coach. In this process, the coach with residual life of 18 years remained idle for 1157 days from 27 March 1999 to 15 June 2002 resulting in loss of earning capacity of Rs.28.49 lakh, besides avoidable expenditure on conversion of the coach into a rail car and later its restoration.

The matter was taken up by Audit in May 2003. The Railway Administration admitted (August 2003) that one excess coach was converted into a rail car in anticipation of further order. When no further order was received from the Railway Board, the excess rail car was converted back into the coach and turned out after POH.

The matter was brought to the notice of Railway Board in October 2003. In January 2004, North Eastern Railway Administration, with the prior approval of Railway Board, stated that

- (i) A time period of 100 days suggested by Audit in connection with POH/ condemnation of coaches requiring corrosion repairs is inadequate due to lengthy procedure involved for obtaining the financial concurrence etc.
- (ii) The coaches detained were within the prescribed percentage of ineffectiveness of coaches.

The reply is not tenable.

- (i) No time norm has been prescribed for POH of coaches which require corrosion repairs. The time ranging from 401 to 582 days taken on POH/ conversion of seven coaches was due to delay of 90 to 395 days in submission of proposals for their condemnation. In the absence of a prescribed time norm for POH of such coaches, there could a tendency to cover such avoidable abnormal delays. Fixing a time norm for POH of such coaches, therefore, needs to be looked into by the Railway Board.
- (ii) One of the inputs for arriving at the percentage of ineffectiveness of coaches is the time (18 days) allowed for POH. The argument that all the coaches periodically overhauled in 350 to 582 days were within the prescribed ineffective percentage tantamounts to condoning the abnormal time taken on POH.

CHAPTER 7: AUDIT EFFECTIVENESS

7.1 Response of the Auditee to Audit observations

7.1.1 Audit objections issued, settled and outstanding

During the year 2002-03, based on the results of test audit, a total of 14513 audit objections were issued through Special letters, Part I Audit Notes and Inspection Reports. Besides these, there was a carry forward of 26629 audit objections pertaining to the previous years. A total of 14112 Audit objections were settled during the year after the Railway Administration recovered/agreed to recover the amounts involved or had initiated corrective/remedial action. The balance 27030 audit objections outstanding as on 31 March 2003 involve financial irregularities amounting to Rs.11701.23 crore.

7.1.2 Recoveries at the instance of Audit

As a result of cases of undercharges in realisation of freight and other earning, overpayments to staff and other agencies, non-recovery of dues of the Railways etc. brought to the notice of the Railway Administration during the year 2002-03, an amount of Rs.49.95 crore was recovered or agreed to be recovered. Out of this Rs.26.09 crore pertained to transactions which were checked by Accounts but the errors could not be detected by them. An amount of Rs.2.15 crore pertained to recoveries made by Railway Administration as follow up of audit objections. The Railways where more than Rs.1 crore was recovered or agreed to be recovered at the instance of Audit are South Eastern (Rs.12.02 crore), North Eastern (Rs. 10.04 crore), Northern (Rs. 8.34 crore), Central 6.27 crore), South Central (Rs.4.09 crore), Southern (Rs.4.02 crore) and Western Railway (Rs.3.43 crore).

7.1.3 Response of Ministry of Railways (Railway Board) to provisional paragraphs

In order to implement the recommendations of the Public Accounts Committee (PAC), Ministry of Finance issued instructions (June 1960) to send replies to Draft Audit Paragraphs (Provisional Paragraphs) proposed for inclusion in the Report of the Comptroller and Auditor General of India with in six weeks from the date of issue.

For this Railway Audit Report, 108 Provisional Paragraphs were issued. Replies to 56 Provisional Paragraphs have been received (February 2004).

7.1.4 Follow up on Audit Reports

To ensure the accountability of the executive on all issues dealt with in the Reports of the Comptroller and Auditor General of India, the PAC had decided (1982) that the concerned Ministries/ Departments of the Government of India should furnish corrective/remedial Action Taken Notes (ATNs) on all paragraphs contained therein.

Taking a serious view of the inordinate delays and persistent failures in furnishing Action Taken Notes (ATNs) within the prescribed time limit, PAC

had desired in their Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997 that henceforth corrective/ remedial ATNs, duly vetted by Audit, on all paragraphs included in the Reports be furnished within four months after the Report is laid on the table of the Parliament.

The position of ATNs furnished by Ministry of Railways on the paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Railways) upto the year ended 31 March 2002 is given below:

Year	Total paragraphs on which ATNs are due	Number of Paragraphs pending with Railway Board		
		ATNs not furnished to Audit at all	ATNs on which further comments sent to Railway Board	Finally vetted for furnishing to PAC by appending Audit comments
1994-95	2	-	2	-
1995-96	5	-	3	2
1996-97	8	2	1	5
1997-98	15	3	8	4
1998-99	26	10	5	11
1999-2000	40	13	16	11
2000-01	45	12	21	12
2001-02	99	42	40	17
Total	240	82	96	62

ATNs in respect of 82 paragraphs relating to the Report for the years 1996-97 to 2001-02 have not been furnished at all (February 2004). Besides, 96 ATNs received for vetting by Audit are outstanding either because adequate remedial action has not been taken or the action stated to have been taken is under verification by Audit.

Sudha Rajagopalan

(SUDHA RAJAGOPALAN)

Deputy Comptroller and Auditor General

New Delhi
Dated: 1 JUL 2004

Countersigned

(Signature)

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi
Dated: 2 JUL 2004

