सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996
NO. 9 OF 1997

UNION GOVERNMENT (RAILWAYS)

सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996
NO. 9 OF 1997

UNION GOVERNMENT
(RAILWAYS)

TABLE OF CONTENTS | PAGE NO.

	TABLE OF CONTENTS	PAGE NO.

TABLE OF CONTENTS		PAGE NO.

	TABLE OF CONTENTS	PAGE NO.

TABLE OF CONTENTS		PAGE NO.

TABLE OF CONTENTS		PAGE NO.

	TABLE OF CONTENTS	PAGE NO.

PREFATORY REMARKS

This report for the year ended 31 March 1996 has been prepared for submission to the President of India under Article 151 of the Constitution.

This report (No.9) covers comments arising from audit of the Accounts of Railways for the year 1995-96 and Appropriation Accounts on Railway Grants for the same year. Other points arising from the test audit of financial transactions of Railways are also included.

The audit observations contained in this report are the results of audit conducted during the year 1995-96 and early part of 1996-97 as well as results of audit conducted in earlier years which could not be included in the previous reports. Matters relating to the transactions subsequent to 1995-96 have been mentioned, wherever relevant.

OVERVIEW

I. FINANCIAL MANAGEMENT

Financial Results: The trend in higher appropriation to Pension Fund (PF) by Rs.200 crores and less appropriation to Depreciation Reserve Fund (DRF) by Rs.590 crores, than recommended (PF-Rs.1900 crores; DRF-Rs.2650 crores) by the Railway Convention Committee (RCC) continued in 1995-96. However, the Ministry of Railways do not disclose the amount of appropriation recommended by RCC in the Budget Documents while seeking sanction of the Parliament. Less appropriation to DRF enabled the Railways to end the year 1995-96 with the surplus of Rs.2870.63 crores, with operating ratio working out to 82.45 per cent. Had the Railways appropriated to the Railway Funds as per RCC's recommendations, the operating ratio would have been 84.19 per cent, higher than that (82.64 per cent) for 1994-95. After excluding the amount of subsidy of Rs.388.07 crores received by the Railways during the year, the Railways paid a net amount of Rs.876.37 crores to the General Revenues as dividend, the effective rate of dividend worked out to 3.94 per cent of the Capital-at-charge. The percentage was 4.33 in 1994-95. The average borrowing rate of Government was 13 per cent.

(Paragraph No.1.1)

Passenger Earnings: Northeast Frontier Railway could not achieve the budgeted level of passenger earnings (Rs.114.01 crores). The shortfall was Rs.2.74 crores i.e. 2.40 per cent.

(Paragraph No.1.2)

Goods Earnings: There was a shortfall of 7.31 million tonnes in originating revenue earning goods traffic as compared to the Budget Estimates of 398 million tonnes. However, the Railways registered an increase of Rs.165.40 crores and Rs.65.40 crores in goods earnings over the Budget Estimates of Rs.15,125 crores and Revised Estimates of Rs.15,225 crores respectively. Shortfall in earnings with reference to Revised Estimates was noticed in `Other Goods' (Rs.191.26 crores), Cement (Rs.45.61 crores) and P.O.L. (Rs.3.46 crores). In overall goods earnings, with reference to Revised Estimates, there was shortfall of 4.62 per cent (Rs.10.61 crores) on North Eastern Railway, 2.49 per cent (Rs.6.92 crores) on Northeast Frontier Railway and 1.16 per cent (Rs.21.03 crores) on Eastern Railway.

(Paragraph No.1.3)

Unrealised earnings and undischarged liabilities: Unrealised earnings registered an increase of 9.17 per cent, from Rs.1057.48 crores at the end of March 1995 to Rs.1154.41 crores at the end of March 1996. The cumulative balance (Rs.1154.41 crores) at the end of March 1996 represented 5.13 per cent of the Total Traffic Earnings of Rs.22,494.49 crores during 1995-96. Northern Railway topped the list with maximum outstanding amount of Rs.837.82 crores. Undischarged liabilities on account of interest not paid on new lines, in terms of moratorium allowed to Railways, continued to increase by Rs.170.05 crores and stood at Rs.1132.21 crores at the end of 1995-96, as none of these lines turned remunerative.

(Paragraphs No.1.4 and 1.6)

Plan Expenditure: Plan Expenditure of Rs.5350.25 crores during 1995-96 fell short of the Revised Estimates of Rs.5573 crores by 4 per cent. Further, the trend in shortfall (Rs.213.29 crores) in creation of assets out of the available internal resources continued during 1995-96. However, the Ministry acquired assets to the extent of Rs.985 crores by way of lease from Indian Railway Finance Corporation (IRFC) who bought these assets through market borrowings. For these, Railways paid charges at the rate of 22 per cent per annum. Expenditure on `Passenger Amenities' in 1995-96 was Rs.84.35 crores, which represented only 1.92 per cent of the total Block Assets (Rs.4395.95 crores) created during the year.

(Paragraph No.1.5)

On-going works and projects: As many as 215 works/ projects, involving a cumulative capital outlay of Rs.7395.25 crores were in progress for more than 5 years as of 1995-96. Having regard to the funds that would be needed to complete these projects and the funds that are being allotted, these projects are not likely to be completed quickly. Notwithstanding this, new projects are being sanctioned. In Northern Railway and Central Organisation for Railway Electrification (CORE) alone, there were altogether 199 on-going projects as on 31 March 1996 that would need Rs.5869 crores to complete. Funds allotted for these in 1996-97 were Rs.753 crores only. Still in 1996-97, 102 more new works were sanctioned (cost Rs.667 crores) and Rs.128 crores were allotted for these works. The Ministry has thus embarked upon new projects at the cost of the on-going works.

(Paragraph No.1.7)

Appropriation Accounts: Against the Budget provision of Rs.37,747.42 crores including Supplementary, the Railways incurred total expenditure of Rs.37,323.71 crores during 1995-96. In four Grants (Nos. 8, 12, 13 & 14), the expenditure exceeded the sanctioned provisions; the excess requires regularisation under Article 115(1)(b) of the Constitution of India. In one case (Appropriation No.11), funds were surrendered, but the expenditure actually exceeded the total provision.

(Paragraph No.1.8)

Cross Subsidy: The Railways had prepared costed accounts upto 1994-95 only. About 23.76 per cent of expenses on passenger services during 1994-95 were left uncovered by actual receipts from passenger services. Large deficits occurred from the carriage of Second Class (ordinary), Sleeper Class (Mail/ Express) passenger traffic, EMU suburban services, catering services, etc.

(Paragraph No.1.9)

Efficiency Indices: The overall operating ratio of all Indian Railways improved only marginally from 82.64 per cent in 1994-95 to 82.45 per cent in 1995-96. However, had the Ministry made appropriation to the DRF to the fullest extent as per recommendation of the RCC, the ratio would have deteriorated to 84.19 per cent. Metro Railway, Calcutta continued to be the most loss making Railway with an operating ratio of 219.46 per cent. Northeast Frontier Railway, North Eastern Railway and Southern Railway were other loss making Railways. Traffic in NTKMs per thousand employees showed increase from 169.93 in 1994-95 to 185.81 in 1995-96. The capital-output ratio measured in terms of capital-at-charge (including investment from Capital Fund) per NTKM of traffic however deteriorated from 92 to 94 between 1994-95 and 1995-96.

(Paragraph No.1.10)

II. Injudicious grant of credit note facilities to a siding holder

Undue favour extended by North Eastern Railway to a private firm resulted in non-realisation of freight charges of Rs.35.14 lakhs since May 1990. North Eastern Railway has not filed the civil suit for recovery of the dues, nor have the departmental enquiries been completed, though charge sheets were issued in December 1993 and September 1994.

[Paragraph No.2.1.1 (iii)]

III. Incorrect classification of traffic

From April 1994, as per Budget proposals concessional freight charges were available only on the 'Grain and Pulses' meant for the Public Distribution Systems. However the classification made by the Ministry of Railways allowed the concession to 'Sponsored' traffic of grain and pulses. Consequently, traffic of grain and pulses sponsored by the Food Corporation of India under Open Market Sales Scheme for sale to private parties or for export by private parties were also given the concession. This resulted in short recovery of revenue of Rs.13.76 crores between January and December 1995, the benefit going to private parties.

[Paragraph No.2.1.2 (i)]

IV. Loss of revenue due to incorrect application of concessional tariff

While extending concessional freight charges to certain fertilisers as per recommendations of the Joint Parliamentary Committee, the Ministry of Railways did not restrict the concession to benefit the Indian farmers only. Consequently, fertilisers exported to Bangladesh were also given the benefit resulting in loss of revenue of Rs.3.97 crores between January 1994 and August 1996. The lapse has not been remedied.

[Paragraph No.2.1.2 (ii)]

V. Loss due to non-rationalisation of longer routes

The Ministry of Railways has not established a regular system for periodical reporting by the Zonal Railways, and review by the Ministry, for issue of rationalisation orders to charge freight with reference to the actually carried longer routes, instead of the shortest routes. This led to short realisation of freight of Rs.13.76 crores in three instances alone on Central and Southern Railways.

[Paragraph No.2.1.3 (i)]

VI. Loss of earning capacity due to irregular booking of cement to destinations of South

South Central Railway did not comply with the orders of the Railway Board issued in September 1991 and reiterated in March 1992, consequent to the decisions of Inter-Ministerial Working Group for rationalisation of rail movement of cement, to progressively stop loading of cement from factories located in the area North of Kazipet to the South. As a result, there was loss of earning capacity of Rs.5.61 crores on account of detentions to the loaded cement wagons bound for prohibited destinations. In replying to Audit, the Board disowned (February 1997) their own orders issued earlier.

[Paragraph No.2.1.3 (ii)]

VII. Loss due to non-weighment of coal wagons

Eastern Railway did not ensure that atleast one of the two weigh bridges at Kusunda remained operational at all times. Consequently, between January 1995 and March 1996, 79 per cent of the wagons despatched were not weighed. It was however observed that 58 per cent of the wagons weighed had been overloaded. Based on that, loss of revenue on account of non-levy of penal freight on the wagons that were not weighed would be of the order of Rs.1.12 crores.

[Paragraph No.2.1.7 (i)]

VIII. Loss due to non-weighment of goods

Due to non-observance of the prescribed rules for weighment of goods, Western Railway incurred loss of Rs.31.52 lakhs towards shortages of steel received from a private firm. Investigation by Railway Vigilance has not been finalised since November 1994.

[Paragraph No.2.1.7 (ii)]

IX. Losses relating to surcharge

Incorrect refund of surcharge on `To pay' traffic by .Western Railway to Rajasthan State Electricity Board resulted in loss of Rs.8.16 crores during May 1995 to March 1996. In South Eastern Railway, surcharge of Rs.3.72 crores was foregone, though there was delay in collection of freight on consignments booked as `Paid' traffic during May 1993 to October 1995. Northeast Frontier Railway did not recover surcharge and interest aggregating Rs.2.38 crores on account of dishonoured credit notes-cum-cheques during the period December 1991 to March 1995.

[Paragraphs No.2.1.9 (i), (ii) & (iii)]

X. Non-realisation of maintenance charges of LPG tank wagons

Since March 1976, the Railway Board could not execute an agreement with Indian Oil Corporation (IOC) for payment of maintenance charges by IOC in respect of jointly owned tank wagons. Consequently, Railway dues aggregating Rs.7.38

crores could not be realised for the period from 1988 to 1995 on Western Railway. Interest on these dues works out to Rs.1.84 crores.

[Paragraph No.2.1.12 (i)]

XI. Misappropriation of cash realised from outsiders on account of medical charges

Chittaranjan Locomotive Works failed to assess the exact amount of Government funds realised from outsiders on account of medical charges and subsequently misappropriated by an official. The amount involved in the defalcation, as assessed by Audit, works out to Rs.15.49 lakhs. Details of departmental/ police action initiated were not forthcoming.

(Paragraph No.2.2)

XII. Conversion of Muzaffarpur - Raxaul Metre Gauge section into Broad Gauge

Conversion of Muzaffarpur - Raxaul Metre Gauge section into Broad Gauge was completed in March 1995 at the cost of Rs.104.34 crores. The cost overrun of Rs.6.14 crores has not been regularised. The project was sanctioned in April 1992, without adequate financial justification. Poor contract management resulted in extra expenditure of Rs.1.16 crores in procurement of ballast. Further there was indiscriminate purchase of various items worth Rs.87.79 lakhs, under the category of direct supply. There was non-recovery of Rs.70.97 lakhs, spent in construction of a siding, from a private siding owner. Departmental claims of Rs.59.77 lakhs in respect of missing stores are yet to be settled. The section, opened in March 1995, was not taken over by the Open Line Organisation (September 1996). Consequently, revenue expenditure was getting included in the capital cost of the project.

(Paragraph No.3.1.1)

XIII. Construction of double line fly-over between Palsit and Saktigarh

Construction of double line fly-over between Palsit and Saktigarh was a part of the overall scheme of augmentation of running capacity in Khana - Saktigarh section.

Though the project was sanctioned on urgency certificate in July 1987 for completion within 5 years, the work remained incomplete (August 1996) despite expenditure of Rs.26.45 crores by March 1996. Poor planning necessitated 13 major deviations from the sanctioned detailed estimate involving extra expenditure of Rs.7.72 crores. Extending the length of the viaduct led to avoidable extra expenditure of Rs.7.69 crores; the reasons quoted for the extension were not corroborated by field conditions. Further, fraudulent payment of Rs.59.60 lakhs was made towards earth work. In respect of 3 items, stores were procured in excess to the extent of Rs.8.35 crores.

(Paragraph No.3.1.2)

XIV. Construction and maintenance of Road Over/ Under Bridges

Under the Indian Railways Act 1989, the Railways provide Level Crossings or Road Over/ Under Bridges, in consultation with the State Governments. Deviation from the stipulated cost sharing methodology in construction of 10 bridges resulted in extra/ avoidable expenditure of Rs.10.86 crores in Southern and South Central Railways. Further, both these Railways injudiciously constructed 4 other bridges at the Railways' cost aggregating Rs.5.64 crores. In another 3 cases, there was avoidable expenditure of Rs.61.38 lakhs due to lapses in project implementation. Non-completion of approaches, even after the construction of 8 bridges in Southern and South Central Railways, led to idle investment of Rs.4.27 crores. Northern, Northeast Frontier, Southern and South Central Railways did not realise maintenance charges aggregating Rs.3.01 crores in respect of 70 bridges.

(Paragraph No.3.1.3)

XV. Injudicious investment on dieselisation of Narrow Gauge system

Purchase of 27 NG diesel locomotives and setting up of a diesel loco shed at Pratap Nagar between September 1989 and July 1993 at the cost of Rs.29.71 crores in Western Railway was injudicious in view of the probable closure of the NG system except in Central India and hilly terrain by the year 2000. In fact by July 1994 itself, the requirement of these locomotives came down to 18.

(Paragraph No.3.1.4)

XVI. Mismanagement of Phase III of Divisional Computerisation Project

Mismanagement of Divisional Computerisation Project (Phase III) by the Board led to unfruitful expenditure aggregating Rs.2.91 crores, including Rs.2.16 crores advanced to and locked up with CRIS. The status of the project is uncertain.

(Paragraph No.3.1.5)

XVII. Infructuous expenditure on construction of goods by-pass lines

North Eastern Railway had incurred infructuous expenditure of Rs.2.28 crores on construction of two Metre Gauge by-pass lines, based on flawed justification and disregarding the orders of the Minister of Railways. Work on the lines was not stopped even on receipt of the Action Plan on uni-gauge system in December 1991 under which all MG development programmes needed to be frozen. Subsequently, the work was discontinued in June 1992 as per the Board's orders.

(Paragraph No.3.3.1)

XVIII. Outstanding dues against construction of a Road Over Bridge

Eastern Railway failed to execute the agreement with the State Government/ local authorities and also did not prefer the claim for Rs.2.88 crores towards cost of construction, maintenance charges, etc. for a road over bridge constructed as a joint project in 1980.

(Paragraph No.3.3.4)

XIX. Idle assets created

Injudicious decision not to implement the works in respect of water supply arrangements, though sanctioned, led to non-occupation of 84 staff quarters built at the cost of Rs.78.18 lakhs, for periods ranging between two and six years in Southern

Railway. In the same way, assets worth Rs.2.13 crores created in connection with electrification scheme remained idle since April 1994.

(Paragraphs No.3.3.8 and 3.3.9)

XX. Avoidable extra expenditure due to acceptance of incorrect billing of water charges

Acceptance of incorrect billing of water charges by Northern Railway resulted in extra expenditure of Rs.2.10 crores in 7 stations of two divisions.

(Paragraph No.3.4.2)

XXI. Avoidable extra expenditure due to non-execution of agreement

Contrary to the Board's orders, Southern Railway did not execute the agreement `under protest' with Tamil Nadu Electricity Board (TNEB) for supply of power. Consequently when TNEB did not honour the earlier commitment to supply electricity at the agreed concessional rates, the Railway could not refer the matter for arbitration. Thus there was extra payment of Rs.13.63 crores during 1979-80 to 1984-85. In contrast, a private company had obtained favourable judicial verdict in a similar case.

(Paragraph No.3.4.3)

XXII. Less recovery of repairs and maintenance charges due to non-revaluation of cost of portions of assisted sidings borne by the Railways

Non-revision of the cost of 30 assisted sidings on Nagpur and Mumbai divisions of Central Railway for periods ranging between 13 and 30 years had led to short recovery of Rs.2.05 crores towards repairs and maintenance charges.

(Paragraph No.3.4.5)

XXIII. Poor contract management in procurement of concrete sleepers

Poor contract management by Northeast Frontier Railway led to substantial financial detriment in 14 out of 21 contracts executed between December 1988 and

August 1996 for production and supply of 18.99 lakhs concrete sleepers worth Rs.58.88 crores. Inadequate conditions of contracts led to undue benefits of Rs.1.60 crores to the contractors, while wrong contract conditions led to extra liability of Rs.32.98 lakhs. Incorrect application of escalation charges resulted in extra expenditure of Rs.1.47 crores, inclusive of excise duty. Besides, there was avoidable extra payment of Rs.1.78 crores due to erroneous determination of benefits accrued in respect of MODVAT credits, as also loss of Rs.40.67 lakhs due to non-availment of MODVAT benefits.

(Paragraph No.4.1)

XXIV. Injudicious procurement of MG Wheel Lathes

In July 1990, COFMOW procured 3 MG wheel lathes worth Rs.9.43 crores for Western and Northeast Frontier Railways without proper justification, even though the Minister of Railways had communicated an Action Plan on uni-gauge system with direction to freeze all stores programmes concerning MG system.

(Paragraph No.4.3.1)

XXV. Avoidable expenditure on procurement of a Flash Butt Welding Plant

In December 1988, North Eastern Railway rejected the lowest tender of an indigenous firm of Rs.2.55 crores for purchase of flash butt welding plant on urgency certificate but accepted the offer of a foreign firm at the extra cost of Rs.1.29 crores. Later the Railway Administration rescinded the foreign contract and purchased the plant in March 1993 from the same indigenous firm at the cost of Rs.5.65 crores. This resulted in additional expenditure of Rs.3.10 crores.

(Paragraph No.4.3.2)

XXVI. Avoidable extra expenditure due to injudicious purchase of costly CNC-VTL machine

Incorrect assessment by Diesel Locomotive Works of its very requirement as also avoidable delay of years by COFMOW in processing purchase of a CNC-VTL machine, originally included in the Machinery and Plant Programme of 1981-82 at the cost of Rs.16 lakhs, led to avoidable expenditure on its acquisition in 1995 at the cost of Rs.1.59 crores. Though diverted to Wheel and Axle Plant, Yelahanka, it is yet to be commissioned.

(Paragraph No.4.3.3)

XXVII. Loss in procurement of steel

Injudicious award of contract to a private firm with questionable credentials, irregular action in changing the terms and conditions for payment, and failure to adhere to the codal provisions in booking and delivering consignments led to loss of Rs.59.47 lakhs being 98 per cent payment made by Central Railway on account of 498.84 MT of steel received short by consignees against orders for supply of 1026 MT.

(Paragraph No.4.4.3)

XXVIII. Avoidable expenditure due to delay in commissioning of Shunt Capacitor banks

In three instances, Eastern and Western Railways incurred avoidable extra expenditure of Rs.4.10 crores towards electricity charges due to delay in commissioning of Shunt Capacitor banks.

(Paragraph No.4.4.6)

XXIX. Loss due to excess consumption of High Speed Diesel Oil

Due to non-adherence to the norms fixed by the Railway Board, Tughlakabad and Ludhiana Diesel Locomotive Sheds of Northern Railway consumed excess HSD oil to the extent of 15.85 lakhs litres worth Rs.1.06 crores during 1993-1996.

(Paragraph No.4.4.7)

XXX. Loss due to non-recovery of cost of wooden sleepers

Northern, South Eastern and Western Railways suffered loss of Rs.1.05 crores on account of procurement of defective wooden sleepers.

(Paragraph No.4.4.9)

XXXI. Injudicious procurement of Steel Trough sleepers and CST-9 sleeper plates

Injudicious procurement of Steel Trough sleepers and CST-9 sleeper plates by the Railway Board in contravention of their own guidelines resulted in infructuous expenditure of Rs.1.10 crores.

(Paragraph No.4.4.11)

XXXII. Avoidable extra expenditure on procurement of Permanent Way materials

South Central Railway incurred avoidable extra expenditure of Rs.42.98 lakhs in procurement and use of new twin block RCC sleepers on loop lines, contrary to the Railway Board's orders and disregarding availability of released CST-9 sleepers.

(Paragraph No.4.4.12)

XXXIII. Avoidable extra expenditure on procurement of ballast

Contrary to the directives of the Railway Board, North Eastern Railway allowed the ballast procured to be transported by road instead of by rail in December 1991 even though the connected works of Siho-Ramdayalunagar doubling work were far behind the schedule. This resulted in extra expenditure of Rs.1.04 crores. The line was opened for traffic in April 1993, one year behind the schedule.

(Paragraph No.4.4.13)

XXXIV. Mismanagement in procurement, maintenance and utilisation of metro coaches and related machinery

Even though Metro Railway was aware in the late 1970's of delays in completion of construction of the Calcutta Metro Railway Project and knew in the mid 1980's that the traffic carried was very much less than projections made in 1971-72, it failed to take advantage of the provisions in the contract for supply of Metro Coaches that enabled suspension/ cancellation of the orders already placed. Consequently, there was a mismatch between the pattern of receipt and of commissioning of the coaches. As of July 1996, 8 coaches worth Rs.5.27 crores had not been commissioned at all, these remained unutilised for periods ranging between 5 and 12 years. Of the 136 coaches commissioned after delay of 1 to 104 months, 4 worth Rs.3.18 crores remained unutilised, while another 61 coaches worth Rs.46.47 crores remained substantially under-utilised. Besides, there was gross under-utilisation of maintenance facilities created by premature procurement of plant and machinery worth Rs.7.42 crores.

(Paragraph No.4.5.1)

XXXV Track renewals including maintenance

Track constitutes the basic infrastructure of the railway network. Indian Railways have a total of 62,660 route kms.

Though outlay for track renewal works increased from Rs.3,506 crores in the Seventh Plan to Rs.5,176 crores in the Eighth Plan, physical progress of track renewal works declined from 19,623 to 13,974 kms., leaving a balance of 4,726 kms. of track due for renewal (paras 5 & 6).

Retention of overaged tracks led to imposition of speed restrictions involving substantial loss of productivity. Besides, rail fractures, weak formation and derailments were common on the Railways which, over the period 1992-95, led to loss of Rs.37.98 crores due to accidents on account of track defects (paras 7.1 & 7.2).

Incomplete track renewal work between Katihar - Jogbani section (107 kms.) of Northeast Frontier Railway resulted in expenditure of Rs.4.50 crores remaining unproductive for over 5 years [para 8.3 (i)].

Northern Railway procured permanent way materials worth Rs.2.96 crores which could not be used for track renewal work and became obsolete [paras 10.1 (i) & (ii)].

On the other hand, permanent way materials worth Rs.3.67 crores were found short/ damaged in Northeast Frontier Railway during April 1990 to June 1995 (para 10.2). Similarly, permanent way materials worth Rs.3.14 crores were procured by Southern Railway for MG sections which were slated for gauge conversion. The materials remained unused [para 10.3 (i)].

Northern and Northeast Frontier Railways procured 4.68 lakh cums of ballast worth Rs.9.19 crores in excess of requirement during 1992-93 to 1994-95 (paras 13.2 & 13.3). South Central Railway failed to recover from one defaulting firm Rs.1.29 crores representing mobilisation advance paid and the penalty levied for failure to supply the ballast (para 13.4).

Rejection of the lowest offers resulted in extra expenditure of Rs.13.73 crores in procurement of switches and crossings and grooved rubber pads (paras 14.1 & 14.2).

Costly track machines (271 nos.) worth Rs.338 crores procured during 1992-93 to 1995-96 remained grossly under-utilised due to inadequate availability of blocks, break down of machines, etc. (para 15).

Central, Eastern and North Eastern Railways incurred avoidable expenditure of Rs.6.33 crores on certain items of routine maintenance of track by private agencies, though departmental labour was available (para 18.1).

(Paragraph No.5.1)

XXXVI. Working of Coaching Yards

Indian Railways had a fleet of 30,036 passenger coaches as on 31 March 1995. Repairs and maintenance of these coaches are undertaken by the Zonal Railways in the coaching yards/ depots. In all, there were 233 coaching yards/ depots.

The total coach requirement of the Railways is to be calculated inclusive of 10 per cent maintenance spare and 12.5 per cent traffic spare. The Railways, however, could not provide to Audit the details of total requirement. Consequently, the overall shortage cannot be quantified though there was evidence thereof. Apart from short composition of rakes, this factor also adversely affects the prescribed maintenance schedules as also planning of the maintenance set up (para 4).

Northern and South Central Railways did not provide for the minimum stipulated time for primary and secondary maintenance to the rakes in over 84 per cent cases (para 5).

On 6 Railways (Central, Eastern, Northern, North Eastern, Northeast Frontier and Southern) average sick line out-turn per day was significantly low ranging between 3.65 and 3.96 coaches against the expected level of 15. It was the lowest (1.52 coaches) in Central Railway (para 6).

Detention of ineffective coaches at the yards led to loss of earnings. On Northern and Western Railways alone, such loss aggregated Rs.7.23 crores in respect of 11 yards test-checked (para 7).

In Northern and South Eastern Railways, the shortfall in carrying out intermediate overhaul of coaches was to the extent of 45 per cent and between 47 and 92 per cent respectively (para 8).

In the context of non-availability of information on the total requirement of coaches with the Board and non-fixation of norms of out-turn for the sick lines, justification for the various works undertaken to provide additional infrastructural facilities in the yards needs substantiation (para 9).

Inordinate delay in execution of works for creation of additional infrastructural facilities in the yards led to cost and time over-run. In Eastern Railway alone, such cost escalation due to time over-run amounted to Rs.3.26 crores against the original sanctioned estimate of Rs.10.64 crores [paras 9.1.2 and 9.1.3 (i) & (ii)]. Southern Railway incurred unfruitful expenditure of Rs.2.64 crores on these works [paras 9.3.1 (ii), (iii) & (v)]. In South Eastern Railway, the yard facilities created at the cost of Rs.2.02 crores were not fully utilised [paras 9.4 (i) & (ii)].

(Paragraph No.5.2)

CHAPTER 1

FINANCIAL MANAGEMENT

1. Financial Results

1.1 The financial results of the Indian Railways for the year 1995-96 compared with the Budget Estimates (1995-96) and the actuals of the previous year (1994-95) are shown below:-

(Rupees in crores)

		Actuals 1994-95 (Rs.)	Budget Estimates 1995-96 (Rs.)	Actuals 1995-96 (Rs.)
1.	Gross Traffic Receipts	20100.99	21955.00	22417.85
2.	Excess of Miscellaneous Receipts over Expenditure *	297.23	231.16	242.12
3.	Working Expenses			
	i) Ordinary Working Expenses	12700.12	14790.00	14374.90
	ii) Depreciation Reserve Fund	1885.00	2000.00	2060.00
	iii) Pension Fund *	2005.00	1970.00	2090.00
4.	Net Revenue (1+2-3)	3808.10	3426.16	4135.07
5.	Dividend payment to General Revenues	1361.71	1371.16	1264.44
6.	Surplus appropriated to			
	i) Development Fund	257.62	350.00	297.20
	ii) Capital Fund	2188.77	1705.00	2573.43
7.	Capital-at-Charge	21762.92	22705.26	22249.83

* Appropriation to Pension Fund relates both to Working Expenses and to Miscellaneous Expenditure. Total appropriation to Pension Fund in Budget Estimates 1995-96 was Rs.1980 crores and Actuals 1995-96 were Rs.2100 crores, of which Rs.10 crores related to Miscellaneous Expenditure.

(i) The provision of Rs.2000 crores in the Budget Estimates for appropriation to Depreciation Reserve Fund (DRF) was augmented by Rs.60 crores in Supplementary Demand obtained in February, 1996 to meet the expenditure on works financed from this Fund. However, the Railway Convention Committee (RCC) (1991) Tenth Lok Sabha in their Ninth Report had recommended the contribution of Rs.2650 crores to DRF in 1995-96, subject to minor adjustments. This recommendation was made keeping in view the new assets added and the element of inflation, the size of the Annual Plan finally fixed and the capacity of the system to generate internal resources. The amount of Rs.2060 crores actually appropriated was Rs.590 crores less than the contribution recommended by RCC.

On the other hand, RCC had recommended the contribution of Rs.1900 crores to the Pension Fund (PF) in 1995-96, keeping in view the increase in the number of pensioners, the pensions being increased with each Dearness Allowance (DA) instalment, the likely withdrawals and the financial position of the Railways. The Ministry of Railways, however, appropriated Rs.1980 crores (Rs.1970 crores under Working Expenses and Rs.10 crores under Miscellaneous Expenditure in respect of Grants 1 and 2) to PF in the Budget Estimates after due consideration of factors such as estimated higher withdrawals, liberalisation of pension benefits, etc. Yet this amount was further augmented by Rs.120 crores in Supplementary Demand of February 1996 on the ground of anticipated higher outgo from PF. The amount of Rs.2100 crores actually appropriated was Rs.200 crores higher than the contribution recommended by RCC.

The final position in regard to appropriations to DRF and PF are as follows:

(Rupees in crores)

	Actuals 1994-95 (Rs.)	**RCC recommendations 1995-96 (Rs.)**	**Budget Estimates 1995-96 (Rs.)**	**Actuals 1995-96 (Rs.)**	**Closing Balance 1994-95 (Rs.)**	**Closing Balance 1995-96 (Rs.)**
DRF	1885	2650	2000	2060	1106.88	1270.17
PF	2015	1900	1980	2100	717.48	770.64

Such trend in higher appropriation to PF and less appropriation to DRF than recommended by RCC was noticed during 1994-95 also. In this connection, the Ministry was advised (January 1997) by Audit to intimate the Public Accounts Committee (PAC) as to (i) whether allocation to DRF and PF in the Budget Estimates which differed from the recommendations of RCC had the concurrence of RCC and (ii) if not, whether the Ministry had intimated RCC about these appropriations which differed from their recommendations. Further, the Ministry did not disclose the amount of appropriations recommended by RCC in the Budget documents while seeking the sanction of the Parliament for their Demands for Grants and Supplementary Demands.

Less appropriation to DRF had a bearing on the replacement of the existing capital assets, as, for example, mentioned in paragraph 5.1 (sub paragraph 6) of this Report. Besides, such an action enabled the Railways to end the year 1995-96 with the surplus of Rs.2870.63 crores with the Operating Ratio working out to 82.45 per cent for 1995-96, as mentioned in Paragraph 1.10 of this Report. Had the Railways made full contribution to DRF and PF as recommended by RCC, the actual surplus for 1995-96 would have come down to Rs.2480.63 crores with the Operating Ratio of 84.19 per cent which was higher than that (82.64 per cent) for the preceding year 1994-95.

(ii) The excess of Rs.815.63 crores in actual surplus vis-a-vis the Budget Estimates was due to -

(a) less expenditure under -

- \`Ordinary Working Expenses' - Rs.415.10 crores,
- \`Miscellaneous Expenditure' - Rs.30.01 crores, and
- \`Payment of Dividend to General Revenues' - Rs.106.72 crores,

(b) more receipts under -

- \`Passenger Earnings' - Rs.369.49 crores,

- `Goods Earnings' - Rs.165.40 crores,

- `Sundry Other Earnings' - Rs.132.40 crores, and

- `Other Coaching Earnings' - Rs.57.20 crores, and

(c) offset by -

(i) increase on account of

- `Appropriation to PF' - Rs.120 crores,

- `Appropriation to DRF' - Rs.60 crores,

- `Unrealised Earnings' - Rs.261.64 crores, and

(ii) decrease on account of

- `Miscellaneous Receipts' - Rs.19.05 crores.

Some of these are discussed in the subsequent paragraphs.

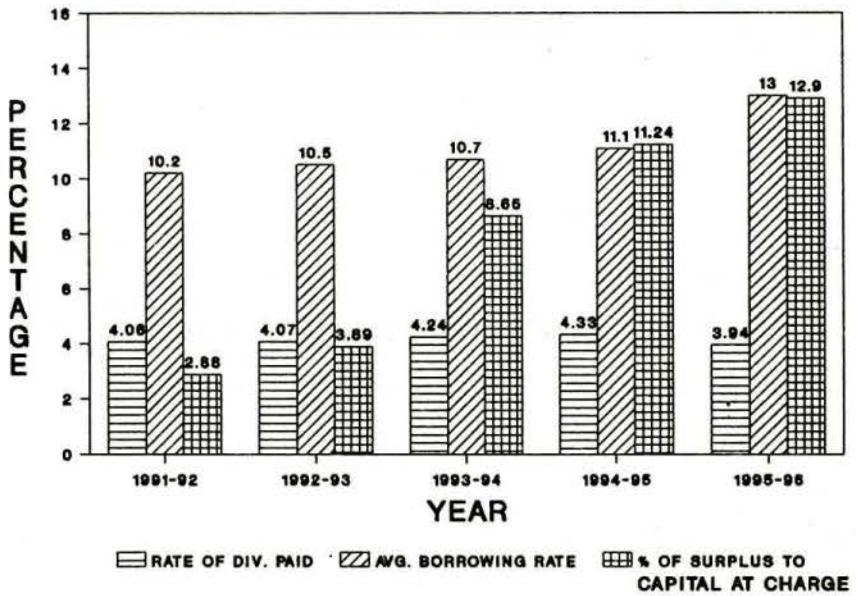
(iii) The Railways paid a dividend of Rs.1264.44 crores to the General Revenues during the year 1995-96. The budgeted dividend was Rs.1371.16 crores. One of the reasons for the shortfall was reduction of Capital-at-charge on account of transfer of credits aggregating Rs.444.52 crores from `Capital Fund' to `Capital' during 1995-96.

The Ministry reduced the Capital-at-charge to the extent of Rs.13.01 crores on account of disinvestment of their holding in Indian Railway Construction Company Limited (IRCON) (Rs.1.34 lakhs) and Container Corporation of India Limited (CCI) (Rs.13 crores). Though the disinvestments were made during 1992-93 and 1994-95 respectively, Capital-at-charge was reduced only during 1995-96 resulting in excess payment of dividend aggregating Rs.45.71 lakhs during the previous years. Further, the Ministry did not also reduce the Capital-at-charge, before the closing of the accounts, in respect disinvestments made during 1995-96. Consequently, excess dividend of Rs.6.94 lakhs was paid on the disinvested shares (Rs.1.98 crores) of CCI during 1995-96. Though the Ministry of Finance framed the procedures in October 1991 itself for the timely accounting of disinvestment, the same was nevertheless not followed.

After excluding the amount of subsidy of Rs.388.07 crores (Budget Estimates Rs.411.16 crores) received by the Railways during the year, the effective dividend paid worked out to 3.94 per cent of the Capital-at-charge against 4.33 per cent during the previous year.

The effective rate of dividend paid, the percentage of surplus to Capital-at-charge and the average borrowing rate of Government during the last five years ended 1995-96 was as under:

EFFECTIVE RATE OF DIVIDEND PAID, AVERAGE BORROWING RATE AND RATIO OF SURPLUS TO CAPITAL AT CHARGE



Gross Traffic Receipts

1.2 Passenger Earnings

(i) Passenger fares for A.C. First Class, A.C. 2-Tier Sleeper Class, A.C. 3-Tier, A.C. Chair Car and First Class in Mail and Express Trains were increased by 10 per cent. The monthly season ticket fares were increased by Rs.5 at the minimum distance to Rs.30 at a distance of 91 kms. and beyond. The quarterly season tickets were to be charged at 2.7 times the monthly season ticket fares, instead of existing 2.5 times.

Further, adjustments in fares due to inclusion of bed-roll charges for A.C. 2-Tier passengers and separate fare structures for Rajdhani, including August Kranti and Shatabdi Express trains, as also in the clerkage charges, etc. were made. On the other hand, some relief was proposed in passenger fares in respect of Kalka-Shimla, Siliguri-Darjeeling, Mettupalayam-Udhagamandalam and Pathankot-Jogindernagar hill sections by way of charging normal fares instead of inflated distance fares.

(ii) The passenger earnings of Rs.6124.49 crores, against the budgeted Rs.5755 crores during 1995-96, comprised of Rs.5376.22 crores and Rs.748.27 crores from non-suburban and suburban passenger traffic respectively. The major portion (Rs.4867.39 crores) to the extent of 79.47 per cent of these earnings (Rs.6124.49 crores) came from Sleeper Class-Mail/Express (Rs.1564.03 crores), Second Class-Mail/Express (Rs.1768.37 crores) and Second Class-Ordinary (Rs.1534.99 crores). Both the number of originating passengers and passenger kilometres registered increase during 1995-96 over the actuals of 1994-95 by 126.41 million passengers and 22,868 million passenger kilometres respectively. Northeast Frontier Railway was the only Zonal Railway which could not achieve the budgeted level of passenger earnings (Rs.114.01 crores). Shortfall was Rs.2.74 crores i.e. 2.40 per cent.

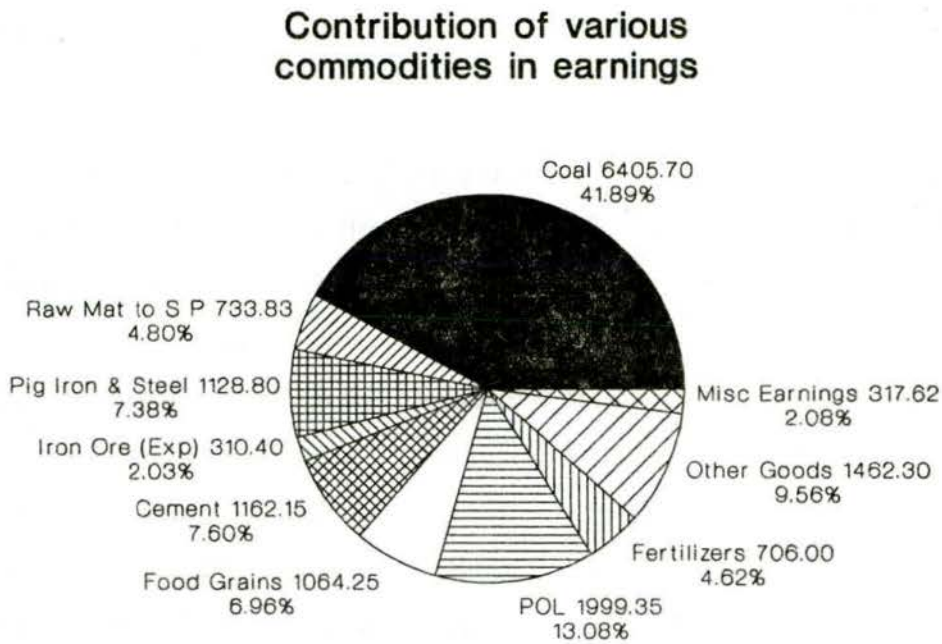
1.3 Goods Earnings

(i) The Budget proposals for 1995-96 envisaged an increase of 7 per cent in freight rates of all commodities except food grains for Public Distribution System (PDS), sugar and chemical manures (Divisions A, B and C). In addition, the classification of a number of commodities such as paper, footwear, coir products, tea, coffee, rubber, cotton raw - full pressed and half pressed, medical stores, milk powder, turmeric, electric appliances, agricultural implements (power-operated), etc. was reduced. However, while notifying the revised classification for the food grains, the Ministry did not categorise the same distinctly as those meant for `PDS' and `Other than PDS'. Failure to issue clearly defined classification and delay in taking remedial action led to manipulative practices resulting in short recovery of Rs.13.76 crores between January and December 1995, as explained in paragraph 2.1.2 (i) of this Report. Similarly, the Ministry did not prescribe any suitable condition so as to restrict the concessional tariff in respect of chemical manure Division C to the Indian farmers only. This omission resulted in revenue loss of Rs.3.97 crores between January 1994 and August 1996 in respect of export consignments, as mentioned in paragraph 2.1.2 (ii) of this Report.

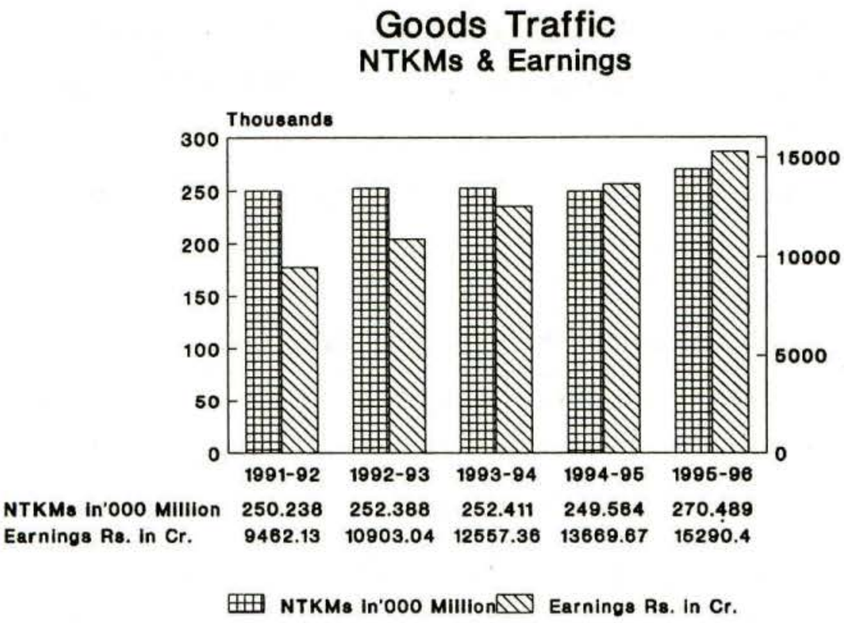
The above proposals including those in respect of passenger fares were estimated to yield Rs.750 crores. An increase of 25 million tonnes of revenue-earning traffic over the Revised Estimates of 1994-95 was also anticipated. Based on these, the goods traffic receipts were placed at Rs.15,125 crores, up by Rs.1425 crores over the Revised Estimates of 1994-95. In the Revised Estimates of 1995-96, the goods earnings were, however, placed at Rs.15,225 crores. The actual realisation from goods traffic during 1995-96 was Rs.15,290.40 crores. In physical terms, an increase of 25 million tonnes of originating traffic over the Revised Estimates of 1994-95 (373 million tonnes) was anticipated in the Budget Estimates of 1995-96 (398 million tonnes). The Railways were able to lift 390.69 million tonnes which was 5.69 million tonnes higher than the Revised Estimates of 1995-96 (385 million tonnes), but was 7.31 million tonnes less than the Budget Estimates.

Shortfall in earnings as compared to the Revised Estimates of 1995-96 were, however, noticed in Other Goods' (Rs.191.26 crores), Cement' (Rs.45.61 crores) and `P.O.L.' (Rs.3.46 crores). Three Zonal Railways viz. North Eastern, Northeast Frontier and Eastern fell short of Revised Estimates by 4.62 per cent (Rs.10.61 crores), 2.49 per cent (Rs.6.92 crores) and 1.16 per cent (Rs.21.03 crores) respectively. The major commodities carried in terms of tonnage and earnings therefrom during 1995-96 are given in Annexure (Page 28).

The bulk of earnings in 1995-96 came from carriage of Coal, P.O.L., Other goods (i.e. high rated commodities), Cement, Pig iron and Steel, Food grains, Raw materials to Steel Plants and Fertilizers.



(ii) During 1995-96, the Railways achieved originating traffic and Net Tonne Kilometres (NTKMs) of 390.69 million tonnes and 270,489 million NTKMs against the budgeted targets of 398 million tonnes and 278,766 million NTKMs respectively. Review of trend of originating traffic during the last five years ended 1995-96 indicated that there was near stagnancy in the growth of goods traffic (Tonnage Originating and NTKMs) particularly during 1992-93 to 1994-95; percentage increase in NTKMs in 1991-92, 1992-93 and 1993-94 over the immediate previous year being as low as 6.13, 0.86 and nil respectively. During 1994-95, there was a shortfall of 1.13 per cent in NTKMs as compared to the year 1993-94.



The trend in freight traffic by rail and road in Billion Tonne Kilometres (BTKMs) at the beginning of each decade from 1950-51 is given below:

Year	Rail Movement in BTKMs	Road Movement in BTKMs	Total	Percentage share of Rail	Percentage share of Road
1950-51	44.1	5.5	49.6	89	11
1960-61	87.7	35.0	122.7	71	29
1970-71	127.4	66.9	194.3	66	34
1980-81	158.5	98.0	256.5	62	38
1984-85	182.2	131.3	313.5	58	42

(Source: Indian Railways Corporate Plan 1985-2000, page 5)

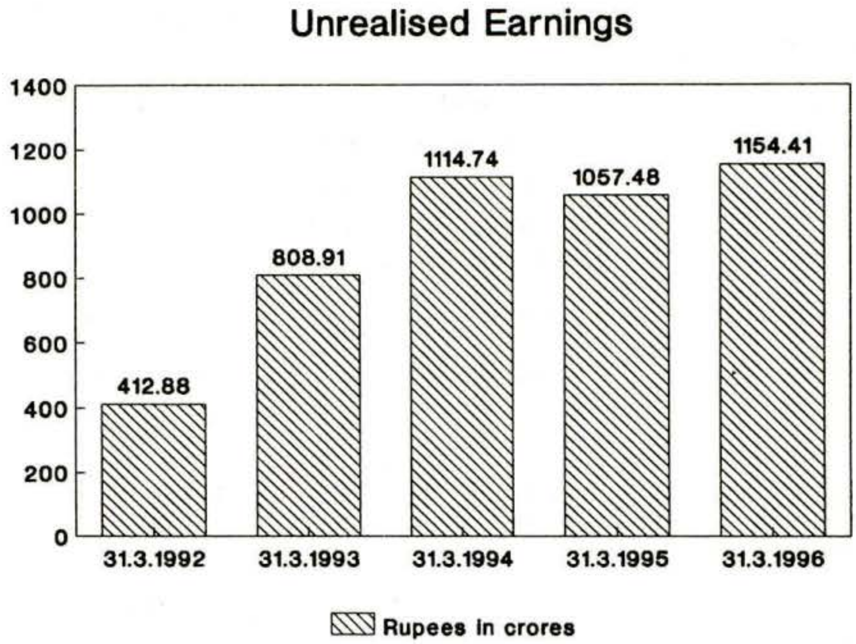
1.4 Unrealised Earnings

(i) The unrealised earnings (Traffic Suspense), which had steeply risen during 1992-93 and 1993-94, had decreased marginally by 5.14 per cent in 1994-95.

However, these unrealised earnings had again registered an increase of 9.17 per cent, from Rs.1057.48 crores at the end of March 1995 to Rs.1154.41 crores at the end of March 1996. The cumulative balance (Rs.1154.41 crores) at the end of March 1996 represented 5.13 per cent of the Total Traffic Earnings (Rs.22,494.49 crores) during 1995-96.

(ii) Nearly 84.32 per cent of the unrealised earnings (Rs.1154.41 crores) were on account of outstanding freight (Rs.973.40 crores). Northern Railway topped the list with the maximum outstanding amount of Rs.837.82 crores; of this, Rs.666.55 crores was due from the Badarpur Thermal Power Station (BTPS) managed by the National Thermal Power Corporation (NTPC). A comment regarding heavy outstanding freight recoverable from BTPS was made in Paragraphs 1.4 (ii) of the Reports of the Comptroller and Auditor General of India for the year ended 31 March 1994 and 31 March 1995 (No. 10 of 1995 and 1996) - Union Government (Railways). As per the extant rules, the Railways accept the goods for movement as `Paid' or `To Pay'. Under the `Paid' category, the freight is collected in advance before acceptance of the goods, while in respect of `To Pay' consignments, before delivery of goods to the consignee. In addition to freight, a surcharge (15 per cent for coal and 10 per cent for others), is also levied for `To Pay' consignments. Further, the Railways have provision to charge interest on any outstanding dues. However, the Railways have not observed these provisions and consequently, the outstanding freight against the power stations amounted to interest-free loan to them. This is inappropriate since the Railways were themselves compelled to raise loans by way of market borrowing at the rate of nearly 22 per cent per annum.

The Ministry stated (October 1996) that the Union Cabinet was approached in July 1996 for approving implementation of compulsory prepayment of freight for coal to the power stations and for enhancement of the budgetary support to the State Government of Delhi and Union Ministry of Power for the specific purpose of clearing the accumulated outstanding dues and that accordingly, prepayment of freight on power stations would be implemented with effect from 1 October 1996 and a Committee of Secretaries would examine the manner in which the outstanding Railway dues would be liquidated.



(iii) Demands Recoverable

The Demands Recoverable which represent outstandings in respect of (i) rent/ lease of railway land and buildings and (ii) interest and maintenance charges on sidings decreased by Rs.20.28 crores, from Rs.127.27 crores at the end of March 1995 to Rs.106.99 crores at the end of March 1996. However, about 2000 hectares of railway land continue to be encroached upon during 1992-93 to 1995-96.

1.5 Plan Expenditure

Internal Resources of the Railways are generated by way of the following funds:

Sl. No.	Fund	Source of Finance	Details of expenditure from the fund
1.	Depreciation Reserve Fund (DRF).	Revenue.	Renewal and replacement of capital assets.
2.	Development Fund (DF).	Revenue surplus available after payment of dividend. If no surplus is available, then from temporary loans from General Revenues.	Development works.
3.	Pension Fund (PF).	Revenue.	Pensionary charges.
4.	Capital Fund (CF).	Revenue surplus, if any.	Creation of assets.

As stated earlier, the extent of appropriations to DRF and PF are determined on the recommendations of the RCC.

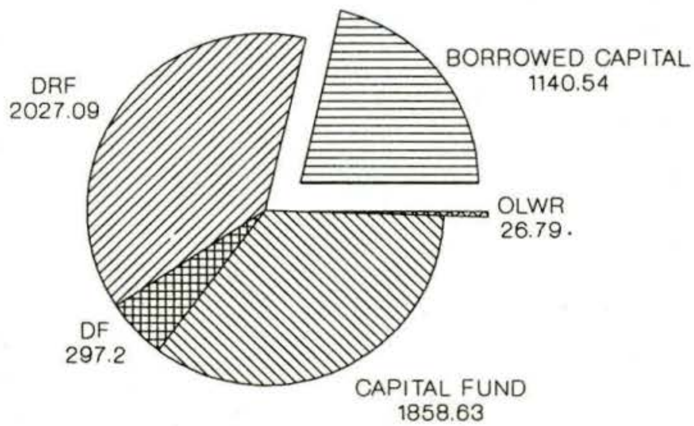
The Railways meet their plan expenditure under Capital division of Grant No.16 through the budgetary assistance from the General Revenues (called Capital) in addition to utilisation of funds available in DRF, DF and CF, apart from a small portion met from the Revenue Budget.

(i) Against the Budget Estimates of Rs.5250 crores and Revised Estimates of Rs.5573 crores, the Plan Expenditure for 1995-96 was only Rs.5350.25 crores. The Plan Expenditure of Rs.1140.54 crores met from the General Revenues during 1995-96 was Rs.9.46 crores less than the Budget and Revised Estimates. However, the expenditure (Rs.4209.71 crores) incurred from internal resources was Rs.109.71 crores more than the Budget Estimates but Rs.213.29 crores less than the Revised Estimates. Details of the Plan Expenditure for 1995-96 are as under:

(Rupees in crores)

	Sources of Finance	Budget Estimate (Rs.)	Revised Estimate (Rs.)	Actual Expenditure (Rs.)
1.	Borrowed Capital from General Revenues	1150	1150	1140.54
2.	**Internal Resources**			
i)	Depreciation Reserve Fund	2000	2060	2027.09
ii)	Development Fund	350	350	297.20
iii)	Capital Fund	1705	1968	1858.63
iv)	Open Line Works (Revenue)	45	45	26.79
	Total (Internal Resources)	**4100**	**4423**	**4209.71**
	GRAND TOTAL	**5250**	**5573**	**5350.25**

Sources of Plan Expenditure



INTERNAL RESOURCES Rs.4209.71 CRORES

Dependence on budgetary support provided by the Central Government (Borrowed Capital) to meet the Plan Expenditure declined from 49.78 per cent in 1989-90 to 21.32 per cent in 1995-96. The budgetary support was 24.22 per cent in 1994-95. But the amounts spent on acquisition, renewal and replacement of assets out of the funds generated from internal resources, viz., Depreciation Reserve Fund and Capital Fund, fell short of the Revised Estimates. However, at the end of March 1996, the Railways had a closing balance of Rs.1270.17 crores and Rs.1124.16 crores in the Depreciation Reserve Fund and Capital Fund respectively. Thus, the shortfall in creation of assets out of the available internal resources, as noticed during 1994-95, continued during 1995-96 also. Besides, there is a mechanism under which Indian Railway Finance Corporation (IRFC) acquired assets to the extent of Rs.985 crores through market borrowings during 1995-96 and the Railways hired the same assets on payment of hire charges at the rate of 22 per cent per annum to IRFC. These factors reflect adversely on the financial management of Indian Railways.

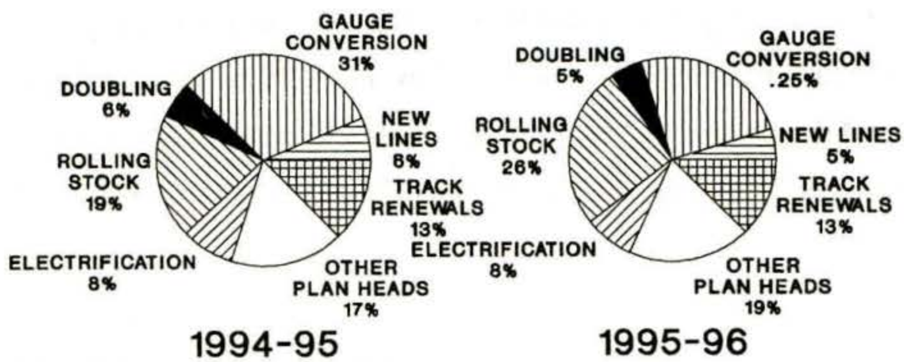
(ii) The distribution of Plan Expenditure (other than the expenditure not capitalised) met from the `Borrowed Capital' and `Internal Resources' for creation of Block Assets during 1992-93, 1993-94, 1994-95 and 1995-96 under the main Plan Heads is shown in the Table below.

(Rupees in crores)

Plan Heads	1992-93	1993-94	1994-95	1995-96
New Lines	269.18	225.76	234.36	206.25
Gauge Conversion	678.01	878.08	1140.14	1101.61
Doubling	214.03	228.88	206.35	217.62
Rolling Stock	694.29	946.55	694.32	1128.73
Track Renewals	540.53	479.47	465.16	555.10
Electrification Projects	232.90	275.75	291.06	347.59
Passenger Amenities	34.75	62.78	68.27	84.35
Other Plan Heads	1209.82	814.53	563.52	754.70
Total	**3873.51**	**3911.80**	**3663.18**	**4395.95**

The expenditure on creation of Block Assets under the Plan head `New Lines' declined in 1995-96 as compared to 1992-93 by 23.38 per cent. The expenditure under the Plan Head `Passenger Amenities' in 1995-96 was Rs.84.35 crores only, which represented 1.92 per cent of the total Block Assets (Rs.4395.95 crores) created during that year. Total expenditure on creation of Block Assets from the Borrowed Capital during 1994-95 was Rs.1144.78 crores which constituted 31.25 per cent of the total Block Assets created. During 1995-96, this amounted to Rs.1140.54 crores which constituted only 25.95 per cent of the total Block Assets created.

Distribution of Works Expenditure
(Borrowed Capital & Internal Resources)



1.6 Undischarged Liabilities

According to the recommendations of the Railway Convention Committee, in respect of new lines a moratorium is given on the payment of interest on investment during the period of construction and for five years after a line is opened to traffic. 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. The liability on this account, which was rising over the years, further increased by Rs.170.05 crores and stood at Rs.1132.21 crores on 31 March 1996. Unlike 1994-95, no payment towards deferred dividend was made in 1995-96 indicating that none of the new lines, in respect of which the dividend was deferred, was remunerative. The Ministry admitted (October 1996) that the outstanding liability could not be discharged due to non-generation of sufficient revenue. The Ministry stated that the Zonal Railways had been asked to review the position of the liability and take necessary action to write-off the liability in respect of the lines which were opened for traffic more than 20 years ago.

1.7 On-going Projects and Works

A comparative study of Railways Works, Machinery and Rolling Stock Programmes for the years 1991-92 and 1996-97 revealed that as many as 215 Projects and works (excluding the works costing below Rs.50 lakhs each, Rolling Stock Programme and Acquisition of Machinery and Plant, etc.) which were included in the Programme for 1991-92 were also included in the Programme for 1996-97 as detailed below:

(Rupees in crores)

	Plan Head	No. of projects	Anticipated cost	Outlay to end of ~~1994-95~~ 1995-96	Balance (3) - (4)	Percentage of progress in monetary value
	(1)	(2)	(3)	(4)	(5)	(6)
(a)	New Lines (Construction)	14	2874.25	1568.17	1306.08	54.56
(b)	Restoration of dismantled lines	1	184.68	87.50	97.18	47.38
(c)	Gauge Conversion	7	946.36	531.26	415.10	56.14
(d)	Doubling	22	1168.04	909.65	258.39	77.88
(e)	Traffic facilities - Yard remodelling & others	15	164.38	151.42	12.96	92.12
(f)	Computerisation	6	1107.61	220.25	887.36	19.89
(g)	Railway Research	4	18.82	13.63	5.19	72.42
(h)	Track Renewals	14	59.98	50.42	9.56	84.06
(i)	Bridge Works	46	282.56	106.05	176.51	37.53
(j)	Signalling and Telecommunication	21	224.83	167.31	57.52	74.42
(k)	Electrification Projects	8	1513.81	1089.69	424.12	71.98
(l)	Other Electrical Works	8	13.75	7.80	5.95	56.73
(m)	Workshops - including Production Units	26	576.44	502.87	73.57	87.24
(n)	Amenities for Staff	5	8.13	5.48	2.65	67.40
(o)	Staff Quarters	4	3.52	2.75	0.77	78.13
(p)	Other specified works	7	45.45	31.85	13.60	70.08
(q)	Passenger & Other Railway Users' Amenities	1	1.50	0.92	0.58	61.33
(r)	Metropolitan Transport Projects	6	2381.33	1948.23	433.10	81.81
	TOTAL	**215**	**11575.44**	**7395.25**	**4180.19**	**63.89**

The expenditure of Rs.7395.25 crores incurred on these works upto 1995-96 had remained partly/ wholly unproductive. No dividend was paid to the General Revenues in respect of the expenditure on new lines (Rs.1568.17 crores). In respect of other works in progress, only 50 per cent of the dividend was payable on the investment made during the current year and previous two years.

The Ministry accepted (September 1996) the factual position but contended that the Railway Projects were executed in phases and that after each phase was completed, it was immediately put to use and made productive.

The Ministry's contention is not tenable. The overall position in regard to on-going works was checked in one Railway Administration (Northern Railway) and the Central Organisation for Railway Electrification (CORE). It was noticed that 29 out of 215 prolonged on-going works pertained to Northern Railway and CORE. The total outlay in respect of these 29 works aggregated Rs.910.40 crores by the end of 1995-96 against the total anticipated cost of Rs.2292.70 crores. The percentage of progress in monetary terms in respect of these prolonged on-going works was only 39.71 to the end of 1995-96. These works needed balance outlay aggregating Rs.1382.30 crores for their completion.

In addition to the 29 prolonged on-going works, the Ministry had 170 other on-going works at the end of 1995-96 which were commenced subsequent to the year 1991-92 in Northern Railway and CORE. The total outlay in respect of these 170 on-going works aggregated Rs.1536.75 crores at the end of 1995-96 against the total anticipated cost of Rs.6023.24 crores. These works needed balance outlay aggregating Rs.4486.48 crores for their completion. The percentage of progress in monetary terms in respect of these works was 25.15.

Thus, at the end of 1995-96, the Ministry needed funds to the extent of Rs.5868.78 crores for completion of 199 on-going works in respect of Northern

Railway and CORE alone. However, the Ministry provided allocation aggregating Rs.753.25 crores for 1996-97 constituting only 12.83 per cent of the balance outlay needed. In respect of 29 prolonged on-going works, the allocation provided was only Rs.263.51 crores, constituting 19.06 per cent of the balance outlay needed for their completion; in terms of the total outlay needed, the provision during 1996-97 worked out to 11.49 per cent only.

On the contrary, the Ministry launched upon 102 new works during 1996-97 in Northern Railway and CORE at the anticipated cost aggregating Rs.666.93 crores. The provision made during 1996-97 in respect of these 102 new works aggregated Rs.128.09 crores and constituted 19.21 per cent of the total anticipated cost for these works.

While there has been a large number of on-going works, the Ministry has embarked upon new projects at the cost of the former. This has not only affected the expeditious completion of the on-going works but also resulted in scarce resources being thinly spread out.

1.8 Comments on Appropriation Accounts

The Summary of Appropriation Accounts (Railways) for the sums expended in the year ended 31 March 1996 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 (Page 253). The position is briefly summed up as under:

(Rupees in crores)

		Original Grant/ Appropriation (Rs.)	Supplementary (Rs.)	Total (Rs.)	Actual Expenditure (Rs.)	Saving (-)/ Excess (+) (Rs.)
I.	Revenue					
	Voted	24597.13	811.73	25408.86	25292.22	(-) 116.64
	Charged	*12.18*	*2.07*	*14.25*	*7.50*	*(-) 6.75*
II.	Capital - Assets Acquisition, Construction and Replacement (Expenditure met from Loan Capital, Capital Fund, Depreciation Reserve Fund, Development Fund and Revenue).					
	Voted	12295.26	15.17	12310.43	12019.75	(-) 290.68
	Charged	*6.50*	*7.38*	*13.88*	*4.24*	*(-) 9.64*
	Total					
	Voted	**36892.39**	**826.90**	**37719.29**	**37311.97**	**(-) 407.32**
	Charged	***18.68***	***9.45***	***28.13***	***11.74***	***(-) 16.39***

(i) The overall savings of Rs.423.71 crores (Appropriations Rs.16.39 crores and Grants Rs.407.32 crores) constituted 1.12 per cent of the total provision of Rs.37,747.42 crores, as against overall savings of 2.87 per cent in 1994-95. The saving was the net result of savings in fourteen grants and thirteen appropriations; and excess in four grants*

(ii) The supplementary grants (Rs.826.90 crores) and appropriations (Rs.9.45 crores) obtained during 1995-96 constituted 2.27 per cent of the original grants/ appropriations against 0.23 per cent and 0.62 per cent in 1993-94 and 1994-95 respectively. The supplementary grant (Grant No. 16 - Railway Funds) and supplementary appropriations (Appropriations Nos. 12, 13 and 16 - Capital) aggregating Rs.0.58 lakh and Rs.5.30 crores respectively obtained during the year remained unutilised as the savings under these grant/ appropriations were more than

* Grant No. 16 has three segments; reappropriation of funds is not permissible between the three segments.

the supplementary provisions.

(iii) In the Revenue section, there was an excess of Rs.603.43 crores in four grants (Grant Nos. 8, 12, 13 and 14). The excess requires regularisation under Article 115(1)(b) of the Constitution of India.

(iv) The overall savings in the final provision of Rs.1027.14 crores occurred in fourteen grants (Grant Nos. 1 to 7, 9 to 11, 15 and all 3 segments of Grant No.16 - Capital, Railway Funds and Revenue) and in all the thirteen appropriations and constituted 3.80 per cent of the total provision under these grants/ appropriations. Saving exceeded Rs.100 crores in four cases viz., Grant No. 5 (Rs.158.79 crores), Grant No. 10 (Rs.371.85 crores), Grant No. 15 (Rs.106.73 crores) and Grant No. 16 - Railway Funds (Rs.257.95 crores) and ranged between Rs.13 crores and Rs.24 crores in six other grants.

(v) Against the total saving of Rs.1027.14 crores, the amount surrendered at the final modification stage was Rs.535.83 crores. In one case (Appropriation No.11), funds surrendered were more than the actual saving.

(vi) In paragraph 1.8(vi) of Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 (No.10 of 1995) - Union Government (Railways) it was pointed out that the Railways do not provide explanations for variations between the original (sanctioned) grant or appropriation and the actual expenditure of the year under different sub-heads. The Public Accounts Committee in their Hundredth Report (1994-95) Tenth Lok Sabha, inter alia, recommended that parity should be maintained in presentation of all Appropriations Accounts of the Union Government from the year 1994-95.

In November 1995, the Ministry agreed to provide explanations to the variations with reference to the sanctioned provisions on the same basis as in the case of Appropriation Accounts - Union Government (Civil). The basic variations were two fold:

(a) The Ministry of Railways was explaining the variations with reference to the actuals vis-a-vis final grants, though in Civil there are two sets of explanations - firstly, with reference to the final grant vis-a-vis sanctioned budget provision and then actual expenditure vis-a-vis the final grant.

(b) The Ministry of Railways had been giving explanations with reference to minor heads whereas on Civil side, these are given with reference to sub-heads.

While in regard to (a) above, the Ministry has started following similar practice as in Civil, the relevant provisions of the Railway Financial Code - Volume I are yet to be amended to reflect the position as above. In regard to (b) above, the Ministry is still not able to follow the practice as on the Civil side fully. However, the Ministry has prepared a note for considerations of the Public Accounts Committee on this point.

(vii) Format of Supplementary Grant

The Parliament sanctions the original Demands for Grants at the minor-head/ sub-head level. Sanction in respect of Supplementary Demands for Grants should be obtained in the same format as that of the Original Grant. Paragraph 390 of the Indian Railway Financial Code Volume I (First reprint -1991) also stipulates this requirement. The Ministry, however, prepares the Supplementary Grant (both charged and voted portions) for the entire Grant, without reference to the minor-head/ sub-head. This affects the Parliamentary financial control.

The Ministry also allots such Supplementary Grants, as approved by the Parliament, to the Zonal Railways without minor/ sub-head wise break-up. In this situation, the final minor/ sub-head wise break up of the Supplementary Grants are available for the Zonal Railways only at the stage of Appropriation Accounts.

The Ministry stated (January 1997) that the Railway Budget for the ensuing year, inter alia, provided the revised requirements for the current year in full details by minor heads and sub-heads and, that it was their totals that lead to the amounts of

Supplementary Demands for the current year presented later. The contention of the Ministry is not tenable. Supplementary Demands are obtained even prior to the submission of the Budget for the ensuing year. Further, the figures of Revised Estimates at minor-head and sub-head levels, as also at the overall grant level, do not always represent the aggregate amounts of original and the Supplementary Demands due to reappropriations and surrender. On the contrary, Supplementary Demands always go to enhance the original provisions. Since the Ministry is required to explain variations at the minor-head/ sub-head levels and such variations represent the difference between the sanctioned provisions (including the Supplementary) and the actual expenditure, it is imperative that sanction of the Parliament is obtained in respect of Supplementary Demands at minor-head/ sub-head levels only.

(viii) Re-appropriation Orders

The reappropriation orders issued by the Ministry/ Zonal Railways do not indicate the reasons for the reappropriations. This requirement was pointed out to the Ministry by Audit in April 1996. However, the Ministry did not comply with the requirement. Consequently, explanations for variations in respect of Column 1 of the Appropriation Accounts were not susceptible of precise verification by Audit.

(ix) Recoveries in reduction of expenditure

The Demands for Grants/ Appropriations are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores, etc. procured in the past or expenditure transferred to other Departments or Ministries. While Appropriation Audit is done by comparing the gross expenditure with the gross amount of grants/ appropriations, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and defective budgeting. In Revenue section, against the estimated recoveries of Rs.2284.27 crores, actual recoveries were Rs.2512.66 crores. In Capital section, against estimated recoveries of Rs.11,106.76 crores, actual recoveries were Rs.10,856.67 crores.

1.9 Allocation of Traffic Receipts and Working Expenses between Passenger and Goods Services in 1994-95

The summary of end results for 1994-95 reflected the following picture in respect of Costed Accounts of Passenger and Goods Traffic (for both Broad Gauge and Metre Gauge).

(Rupees in crores)

Type of Traffic	**Receipts (Rs.)**	**Expenses (Rs.)**	**Gain(+)/ Loss(-) (Rs.)**	**Variation from financial accounts**
Passenger	6148.68	8064.77	(-) 1916.09	Due to addition of net sundry other earnings from Catering Services in receipts.
Goods	13669.67	9671.63	(+) 3998.04	Inclusion of certain overheads and exclusion of expenses on ferry and road services in expenses.

(i) About 23.76 per cent of expenses on passenger services during 1994-95 were left uncovered by actual receipts from passenger services. About 14.02 per cent of receipts from goods services during 1994-95 went to make up the loss in the operation of passenger services. There is variation in the extent of such subsidisation among different Railways. However, the subsidisation of passenger services has declined from 29 per cent in 1991-92 to 25 per cent and 24 per cent in 1993-94 and 1994-95 respectively.

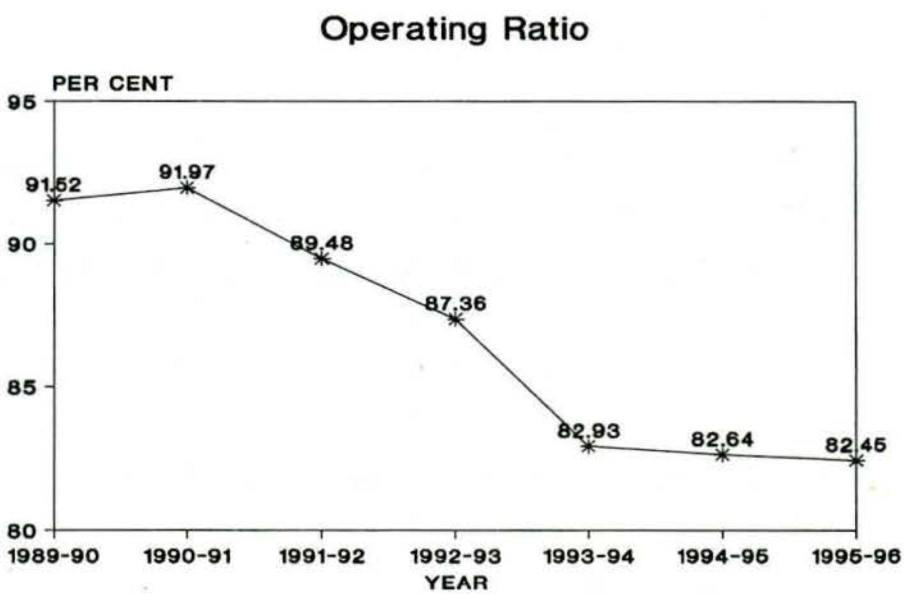
(ii) There was cross subsidisation between the various classes of passenger services provided by the Railways during 1994-95. The extent of such cross subsidisation also varied from one Zonal Railway to another. At the All India level, only the Mail/ Express fares from A.C. First Class (gain Rs.23.44 crores), A.C. Sleeper (gain Rs.198.24 crores), A.C. Chair Car (gain Rs.41.79 crores), A.C. III Tier (gain Rs.6.33 crores), Second Class (gain Rs.29.82 crores) and the share of sundry earnings (Rs.105.00 crores) helped to cover the cost of operation of passenger services. Large deficits arose from the carriage of Second Class (ordinary) passengers (Rs.1145.29 crores), parcel luggage and postal services (Rs.429.67 crores), Sleeper Class Mail/ Express (Rs.191.15 crores), EMU suburban services (Rs.187.82 crores), First Class Mail/ Express and Ordinary (Rs.171.11 crores), Catering services

(Rs.139.30 crores)* followed by Sleeper Class - Ordinary (Rs.56.37 crores). It is noteworthy that as distinct from intra-railway subsidising of passenger traffic, the Railways were subsidising parcel, luggage and postal services to a considerable extent.

1.10 Efficiency Indices

(i) 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 82.64 per cent in 1994-95, came to 82.45 per cent in 1995-96 for the Railways as a whole. As already stated in Paragraph 1.1 (i), the ratio would have been 84.19 per cent in 1995-96, had Railways made full appropriation to DRF as per recommendation of the RCC. Metro Railway, Calcutta continued to be the most loss making Railway with an operating ratio of 219.46 per cent.

The operating ratio of Indian Railways during the last seven years is shown in the chart below.



* As per the Profit and Loss Account of Railway Catering for the year 1994-95 (Proforma Account) printed in Appropriation Accounts - Part II, the Railways earned a profit of Rs.9.41 crores.

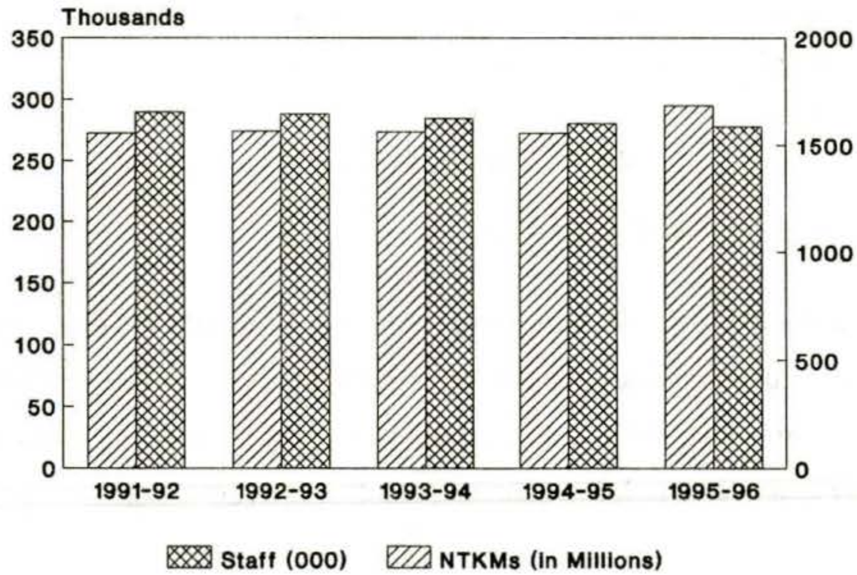
South Eastern and Western Railways continued to be the most profitable during 1995-96 with operating ratio of 63.93 per cent and 64.66 per cent respectively. Metro Railway, Northeast Frontier Railway, North Eastern Railway and Southern Railway with operating ratios of 219.46 per cent, 196.01 per cent, 158.21 per cent and 105.62 per cent respectively incurred heavy losses.

(ii) Staff Productivity: Staff productivity on the Railways is normally measured in terms of volumes of traffic handled per employee.

The strength of employees and the details of goods and passenger traffic in NTKMs in the last five years from 1991-92 to 1995-96 are given below:

Year	Staff (In Thousands)	Traffic (In Million NTKMs)	Traffic (Per Thousand employee) in NTKMs
1991-92	1654.1	272572	164.79
1992-93	1645.5	273695	166.33
1993-94	1625.5	273444	168.22
1994-95	1602.1	272239	169.93
1995-96	1586.4	294771	185.81

Staff Productivity



(iii) Capital-Output Ratio: The Railway Reforms Committee (RRC) observed (1984) that the ratio of net revenue to Capital indicated in Budget documents does not truly reflect the health of the Railway organisation because this ratio can be increased by reducing appropriation to Depreciation Reserve Fund and Pension Fund and also by increasing the fare and freight structure. According to the RRC, Capital-Output ratio (in terms of Capital employed for NTKM which is the real output) would be a more appropriate index to measure the productivity of the Capital employed. This would indicate the extent to which the innovating operating measures and technological advancements have helped in reducing the Capital-Output ratio. To achieve a higher rate of growth of national income, Capital-Output ratio has to be reduced. The following table shows the Capital-Output ratio for total traffic (in NTKMs), carried by the Railways during the 5 years ending 1995-96.

As on	Capital at Charge (Rs. in Millions)	Goods Traffic in Million NTKMs	Passenger Traffic in Million PKMs	Passenger Traffic in Million NTKMs	Total Traffic in Million NTKMs	Capital at Charge (in Paise) per NTKM
31-3-92	177125	250238	314564	22334	272572	65
31-3-93	201232	252388	300103	21307	273695	74
31-3-94	226206*	252411	296245	21033	273444	83
31-3-95	249248*	249564	319365	22675	272239	92
31-3-96	277149*	270489	342000	24282	294771	94

* Includes investment from Capital Fund.

The table indicates a steadily rising trend in the Capital-Output ratio which is indicative of the deteriorating productivity of the Railways. According to the RRC, one of the factors which has the debilitating effect of increasing the Capital-Output ratio is higher cost overruns due to non-completion of projects in time.

The Ministry stated (October 1996) that the 'Net Revenue to Capital-at-charge was a globally accepted financial ratio whereas 'Capital-at-charge per NTKM' was an efficiency indicator of physical performance. The Ministry, therefore, stated that the Budget document would continue to indicate only the former, being a financial ratio. Further that the latter ratio would be included in the list of efficiency indicators.

1.11 Recoveries at the instance of Audit

During 1995-96, Rs.17.79 crores were recovered or agreed to be recovered at the instance of Audit. The Railways in respect of whom more than Rs.1 crore was recovered or agreed to be recovered are Western Railway (Rs.6.40 crores), Southern Railway including Wheel and Axle Plant - Yelahanka and M.T.P.- Chennai (Rs.2.57 crores), Northern Railway (including Railway Electrification - Allahabad, R.D.S.O. - Lucknow, D.C.W.- Patiala, R.C.F. - Kapurthala and M.T.P. - Delhi) (Rs.2.57 crores), South Central Railway (Rs.2.09 crores), Central Railway including M.T.P. - Mumbai (Rs.1.67 crores) and South Eastern Railway (Rs.1.31 crores). An amount of Rs.1.16 crores was also recovered as a result of further review carried out at the instance of Audit.

ANNEXURE
[Reference Paragraph No.1.3 (i)]
Contribution of various Commodities in earnings in 1995-96

Commodity	Tonnage Originating (Millions)	Net Tonne Kilometres (Millions)	Earnings (Rupees in crores)	Percentage to total earnings	Percentage in 1994-95
Coal	184.42	111979	6405.70	41.89	41.18
P.O.L.	28.91	19277	1999.35	13.08	13.18
Cement	32.13	18642	1162.15	7.60	8.19
Pig Iron & Steel	12.05	12454	1128.80	7.38	8.05
Raw Materials to Steel Plants	38.95	14163	733.83	4.80	4.15
Iron Ore for Export	10.17	5943	310.40	2.03	2.09
Food grains	24.90	34568	1064.25	6.96	6.25
Fertilizers	23.69	21186	706.00	4.62	4.91
Other (high rated) Goods	35.47	32277	1462.30	9.56	10.20
Miscellaneous Goods Earnings	---	---	317.62	2.08	1.80
TOTAL	**390.69**	**270489**	**15290.40**		

CHAPTER 2

EARNINGS

2.1 TRAFFIC EARNINGS

2.1.1 SIDINGS

2.1.1 (i) South Eastern Railway: Non-recovery of cost of repairs from private/ assisted siding holders

Private/ assisted siding holders are required to reimburse the cost of maintenance undertaken by the Railways within the premises of private sidings. The siding holders are liable to reimburse the loss of, or damages to, the rolling stock unless such loss or damages is due to the negligence of Railway staff. For this purpose, a joint fact-finding inquiry is conducted by the Mechanical and Operating Departments of the Railways along with a representative of the siding holder.

Review by Audit (April 1994) of records of accidents/ de-railments in the private/ assisted sidings in Bilaspur division revealed that debits intimated by the Engineering Department were not raised by the Accounts Department against the siding holders on the ground that reports of joint fact-finding inquiry establishing the responsibility of siding holder had not ben furnished. Consequently, bills aggregating Rs.65.93 lakhs (as assessed by Audit) had not been raised against 18 siding holders, towards the costs borne by the Railways in the form of deployment of staff and supply of permanent way materials for repairing the damaged tracks on account of 58 accidents and 2 renewals during the period from June 1986 to June 1993.

The Railway Administration admitted non-recovery of the dues, but contended that the outstanding amount was subject to variation when actual particulars relating to cost of staff and permanent way materials were finalised. Bills to the extent of Rs.22.44 lakhs only had been preferred in respect of 19 out of 60 cases and Rs.3.80 lakhs recovered (May 1995).

Notwithstanding issue (July 1991) of a joint procedure order which, inter alia, prescribed a maximum period of 17 days for preferment of bills and a further period of 15 days for realisation of dues from the siding holders, in these 19 cases bills were preferred after delays ranging between 13 and 89 months. In the remaining 41 cases, bills were not preferred even after delays ranging between 28 and 112 months, as of October 1995. Delays in non-realisation of the dues after issue of bills in 9 out of the 19 cases were between 6 and 18 months. Such delays persisted even though the joint procedure order provided for monthly and quarterly review of outstanding dues from the private siding holders and suspension of Railway services in cases of non-payment.

Test check in audit revealed that joint fact-finding reports holding the siding owners responsible for the damages were available, but the siding agreements were pending execution (September 1994).

Thus outstanding dues aggregating Rs.62.13 lakhs towards provision of materials and labour during the period from June 1986 to June 1993 for repairing the damaged tracks of private sidings in Bilaspur division have not been recovered, even though the siding holders had specifically agreed to bear the costs. Similar dues outstanding in other divisions and in Bilaspur division after June 1993 need to be worked out.

The Railway Administration accepted (August 1996) the factual position and stated that bills to the extent of Rs.31.22 lakhs had been raised in respect of 30 cases and Rs.7 lakhs recovered as of May 1996. In respect of the remaining cases, special drive was being undertaken. The Railway Administration further stated that copies of the agreements had been forwarded to all the siding holders for their acceptance.

Incidentally, the Senior Divisional Safety Officer, Bilaspur had observed that the records of accident cases pertaining to the sidings were preserved only for five years in terms of codal provisions and that tracing of old records would not be possible prior to 1990. Thus the prospects of recovery of the Railway dues might not be bright. Further, the system of record management also needed improvement, since the old records could, notwithstanding the codal provisions, be destroyed only after it was certified that they were not required.

2.1.1 (ii) South Eastern Railway: Non-recovery of maintenance charges from a private siding holder

A private siding constructed to serve Bhilai Steel Plant (BSP) from Dadhapara Railway station was partially closed in October 1976 and loading was shifted to Exchange Yard. As a result of a meeting held in April 1977 with the BSP Authority, the Railway Administration agreed to maintain the siding upto buffer-end together with additional line for common loop including points and crossings for a total length of 3.28 track kilometres with immediate effect.

However, the Railway Administration did not execute any formal agreement with the siding holder before starting maintenance of the siding with railway staff. Expenditure incurred on this account on pay and allowances alone upto February 1995 came to Rs.20.94 lakhs. The Railway Administration also failed to raise any demand for these dues.

It was only after the lapse was pointed out in audit (February 1995) that the Railway Administration raised in October 1995 a demand for Rs.32.09 lakhs covering the period of 19 years since April 1977. However, the BSP Authority refused to pay on the grounds that (a) there was no agreement to prove that the track maintenance was assigned to the Railway Administration and that the track was being maintained by them and (b) bills were time-barred.

The Railway Administration admitted (February 1997) the factual position regarding non-execution of the formal agreement with the siding owner and consequently non-realisation of the Railway dues from the siding owner.

2.1.1 (iii) North Eastern Railway: Injudicious grant of credit note facilities to a siding holder

According to paragraph 2414 of Indian Railway Commercial Manual (Volume II), certain individuals or firms of good standing who have regular and adequate monthly transactions with the Railways are allowed the facility of payment of Railway dues by credit notes upto a fixed monetary limit. If this limit is reached, any subsequent transactions should be in cash only.

The Railway Administration granted the facility of payment of Railway dues through credit notes to a private firm from December 1989 to June 1990 for booking of stone traffic from Lalkuan to Anand Nagar. The firm furnished a bank guarantee bond for Rs.8 lakhs which was valid upto June 1990. Although the first lot of 5 credit notes for Rs.6.30 lakhs issued between 19 January and 3 February 1990 by the firm were dishonoured by the bank in March 1990, the facility was continued, contrary to the provisions of the agreement executed in December 1989 that in the event of credit notes being dishonoured, the facility would be withdrawn without notice.

Incidentally, the Divisional Commercial Superintendent had directed the Station Superintendent in January 1990 to continue extending the facility irrespective of the fact whether or not credit notes issued exceeded the fixed ceiling of Rs.8 lakhs, in order to avoid any inconvenience to the party. The firm issued 20 more credit notes upto May 1990 which were also dishonored by the bank. The outstanding dues against the party were Rs.33.56 lakhs (Rs.31.62 lakhs and Rs.1.94 lakhs towards freight charges and demurrage and wharfage charges respectively). The Railway Administration did not also encash the guarantee bond within the validity period.

Only in December 1991 was the matter referred to Central Bureau of Investigation (CBI) who found five Railway officials guilty. CBI also filed a charge sheet against the firm in the Court of Special Magistrate, Lucknow.

The Railway Administration stated (February 1996) that charge sheets had been issued to the charged officials and that enquiries were under finalisation. The Railway Administration also stated that for recovery of dues, a separate suit was being filed in the Court of Civil Judge, Gorakhpur. However it is ascertained that out of the 5 charged officials, 3 have since retired.

Undue favour shown to the firm thus resulted in non-realisation of Railway dues to the extent of Rs.33.56 lakhs. The freight charges due would further increase by Rs.1.58 lakhs on account of 5 per cent surcharge on To Pay' basis due to non-payment of freight.

The Railway Administration accepted (January 1997) the factual position but contended that the transactions were made as per the rules and that the monthly limit of Rs.8 lakhs was not exceeded in any month. Such a stand at the level of the General Manager and the Railway Board goes beyond any reasonable interpretation of the rules and strikes at the very roots of the financial interests of the Railways. The Railway Administration has not filed the civil suit for recovery of the dues; nor were the departmental enquiries completed, though charge sheets were issued in December 1993 and September 1994.

2.1.2 CLASSIFICATION

2.1.2 (i) Northern and: Western Railways — Incorrect classification of traffic

Prior to April 1994, Grain and Pulses were charged at `Class 80' in train loads and at `Class 85' in wagon loads.

In the Budget proposals of 1994-95, Grain and Pulses booked for `other than Public Distribution System' (PDS) were proposed to be classified at `Class 95' in train loads and at `Class 100' in wagon loads. Grain and Pulses meant for `PDS' continued to be charged at the existing classification.

While notifying the revised classification in March 1994, the Ministry of Railways (Railway Board) did not distinctly categorise Grain and Pulses as those meant for `PDS' and `Other than PDS'. Instead, the Ministry classified the same as `Sponsored' traffic chargeable at the existing class and `Other than Sponsored' traffic at the higher class. However, the term `Sponsored' was not clearly defined, nor did any Railway Administration immediately point out the ambiguity in the classification. Consequently, in order to avail the benefit of lower class, a consignor was merely required to give a declaration on the forwarding note that the commodities were `Sponsored' and such declaration endorsed by the Railway Booking Staff on the invoices as well as the Railway Receipts.

As a result, food grain traffic sponsored by Food Corporation of India (FCI) under Open Market Sales Scheme (OMSS) for sale to private parties was also charged at the lower class. This included consignments of rice sponsored by FCI on behalf of private parties for export which gave them undue benefit. Though the forwarding notes of these consignments clearly indicated that the food grains were meant for export, the Railway Administration did not take note of it, but instead extended the concessional freight charges meant for PDS.

The omission was first pointed out by Audit during the check of accounts of Coimbatore Goods Shed during January 1995. The Southern Railway Administration corrected the mistake and also took up the matter with the Ministry in July 1995 but the Ministry did not take urgent remedial action. It was only in November 1995 that the Ministry amended the special condition and made it obligatory for the consignor to declare that the commodities were sponsored and meant for PDS. Further, the Ministry failed to give immediate effect to the remedial action but stipulated that the revised declaration would come into force from 1 January 1996.

Failure to issue clearly defined classification, as reflected in the Budget proposals, and delay in taking remedial action led to manipulative practices resulting in short recovery of revenue of Rs.13.76 crores between January and December 1995 in respect of the traffic booked from 47 stations of Northern Railway and from one station of Western Railway. Loss of revenue from August to December 1995 alone works out to Rs.8.37 crores in respect of originating traffic in Northern Railway. Similar losses in respect of other Zonal Railways need to be ascertained. Even after 1 January 1996, instances of irregular concession continued in Northern Railway.

The matter was referred to the Northern and Western Railway Administrations and the Railway Board in March 1996, April 1996 and November 1996 respectively; replies have not been received (February 1997).

2.1.2 (ii) Northern, North: Eastern, Northeast Frontier and Western Railways — Loss of revenue due to incorrect application of concessional tariff

Prior to September 1992, Chemical Manures (fertilisers) were classified for charging freight under two groups, Divisions A and B, as indicated below:-

Commodity	Classification	
	Wagon load	Train load
Division A	125 A	115 A
Division B	110 A	100 A

Based on the recommendations (August 1992) of the Joint Parliamentary Committee on Fertilisers, the Ministry of Railways (Railway Board), with a view to give relief to the farmers, identified 17 items including Single Super Phosphate (SSP) from `Chemical Manures - Division A and B' and placed these under a new group `Chemical Manures - Division C' with concessional rates of tariff at `Class 90 A' for wagon loads and `85 B' for train loads, with effect from 5 September 1992. Two more items viz. `Potassium Chloride' and `Ammonium Sulphate Phosphate' were also added to the `Division C' based on the approval given at the Directorate level only, as noticed from the records made available to Audit. Sanctions of the Government were issued to the field formations giving effect to the concessions to these two items from 28 September 1992 and 1 March 1993 respectively.

While extending the concession, the Ministry proposed to withdraw the exemptions given in the 1992-93 Budget proposals in respect of diesel, sugar and oil cake besides imposing 3 per cent increase in the freight rate of coal, on the grounds of minimising the loss on account of social burden. However the Ministry did not prescribe any suitable condition to be fulfilled by the consignors of the fertilisers so as to restrict extension of the concessional tariff to the Indian farmers only. Consequently, export consignments of SSP meant for Bangladesh were also charged at the concessional tariff, resulting in unintended benefit and short collection of freight charges. The Ministry's file in this regard was requisitioned by Audit on 16 September and 24 October 1996, but the same has not been made available (February 1997) on the grounds of not being traceable.

Failure of the Ministry to restrict the benefit of concessional tariff to the identified beneficiaries resulted in revenue loss of Rs.3.97 crores between January 1994 and August 1996 in respect of export traffic of SSP from twelve stations of Northern Railway (Rs.3.15 crores), three stations of North Eastern Railway (Rs.37.86 lakhs), one station of Northeast Frontier Railway (Rs.11.24 lakhs) and one station of Western Railway (Rs.32.96 lakhs) as noticed in test check. Loss in respect of other stations, and for the period prior to January 1994, would be extra and needs to be ascertained.

The Northern Railway Administration contended (February 1997) that separate classification was not prescribed for commodities utilised within the country and those exported and further that in the absence of any specific condition attached to 'Division C' classification, freight charges at concessional rates were correctly levied on export consignments also. This is not tenable since 'Division C' was created specifically to provide the benefit of concessional freight charges to the Indian farmers.

The lapses were brought to the notice of the Western Railway Administration in June 1996. These were also referred to the North Eastern and Northeast Frontier

Railway Administrations and the Railway Board in November 1996; reply has not been received (February 1997).

2.1.3 ROUTING

2.1.3 (i) Central and: Southern Railways — Loss due to non-rationalisation of longer routes

Rule 125 (1) (b) of Goods Tariff Part I, Volume I, as it existed prior to 1 November 1994, provided that the goods would be despatched by the shortest route at the charges by the cheapest route i.e. the route by which the freight charges were at the lowest. However, Railways Act (current provision is at Section 71 (1) (b) of the amended Railways Act 1989) empowers the Central Government to carry any goods or class of goods by such routes and at such rates, as may be specified by general or special order issued in the public interest.

In exercise of the power under this Section, the Central Government can, notwithstanding anything contained in the aforesaid Goods Tariff Rule, issue an order under the Goods Tariff Rule 125 (1) (h) whereby the goods specified in the order can be carried and charged by a route specified therein or by either of the two alternative routes over which such goods are actually carried, even if it is not the cheapest route.

In February 1976, the Ministry of Railways (Railway Board) had advised the Zonal Railways to indicate the details of longer routes over which a definite stream of traffic was, as a regular measure and without exception, routed while the freight was booked and charged by the shortest route, to enable the Ministry to rationalise these longer routes so that freight could be charged with reference to the actually carried longer routes. The Zonal Railways were required to furnish these details by not later than 31 March 1976.

The Ministry did not, however, establish a system for subsequent and periodical review of similar cases for consideration and issue of rationalisation orders despite the fact that orders issued under Section 71 of the Act would automatically expire after one year unless renewed for a further term not exceeding one year at a time. Consequently, the Zonal Railways are not, as a regular standing measure, referring to the Ministry cases of longer routes over which the traffic was being regularly carried while the freight was being booked and charged by the shortest routes. The Zonal Railways also justified their failure by inviting a reference to the amendment to Goods Tariff Rule 125 (1) (b) with effect from 1 November 1994 under which goods would be charged by the shortest route but carried by the operationally feasible route. However, such contention is not tenable since even after the aforesaid amendment, the longer route could still be rationalised under the Goods Tariff Rule 125 (1) (h) in terms of Section 71 (1) (b) of the Act.

Failure of the Ministry to establish a system for periodical reporting by the Zonal Railways, and review by the Ministry, of cases of longer routes over which traffic was being carried regularly while the freight was being booked and collected by the shortest route resulted in short realisation of freight of Rs.13.76 crores in 3 instances on Central and Southern Railways.

The details are given below:

(a) Central

(i) In paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 (No.10 of 1992) Union Government (Railways), a reference was made highlighting loss of revenue of Rs.1 crore between January 1989 and June 1991 on account of non-rationalisation of the longer route via Kanpur Goods Central - Lucknow over which cement traffic from Maihar on Central Railway was moved to Faizabad on Northern Railway.

In their Action Taken Note (ATN) for submission to the Public Accounts Committee on this audit paragraph, the Ministry of Railways (Railway Board) stated (August 1995) that cement was a high profit yielding commodity for the Railways and that rationalisation of longer route would have definitely resulted in loss of traffic which the Railways could not afford. The Ministry also justified movement over longer route on the ground that as per amended provisions of Goods Tariff Rule 125 (Part I -Volume I) with effect from 1 November 1994, goods could be moved over operationally the most feasible route with the freight being charged by the shortest route.

The contentions of the Ministry are not tenable as under:

- Firstly, cent per cent cement traffic from the cement siding, Maihar is moved over the longer route. Secondly, the Ministry had admitted that capacity utilisation of the shortest route on Allahabad - Prayag section was approximately 150 per cent and therefore there was no scope of carrying this traffic on the shortest route. Thirdly, in December 1987 itself, the Northern Railway Administration had issued instructions for movement of the traffic over the longer route. In view of these factors, non-rationalisation of longer route is inappropriate and does not safeguard the financial interests of the Railways.

- The Ministry could not substantiate their apprehension that the traffic would shift to the road in case rationalisation of the longer route was undertaken.

- Even after the amendment, Goods Tariff Rule 125 (1) (h) enables the Ministry to rationalise the longer route under Section 71 (1) (b) of the Railways Act 1989.

- During vetting of the ATN by Audit, the Ministry failed to specify how the powers under the amended provisions of Rule 125 of Goods Tariff had been delegated to decide that a longer route was not required to be rationalised, even though goods traffic was moved over such route.

- Similarly, despite being specifically asked (October 1995) for by Audit, the Ministry did not clarify (September 1996) as to (i) whether the Central

Railway Administration had informed the Railway Board of the need to move the cement traffic over the longer route without rationalising the same, subsequent to the Board's circular of February 1976 directing the Zonal Railways to submit proposals to rationalise longer routes over which cent per cent traffic was moved and (ii) whether a conscious decision was taken by the Board not to rationalise the longer route.

Failure to rationalise the longer route, despite known difficulties in moving traffic by the shortest route, resulted in continued short collection of freight in respect of cement traffic from Maihar and Satna to Faizabad. During the period from July 1991 to May 1996, the short collection amounted to Rs.5.29 crores. This is in addition to Rs.1 crore already pointed out for the period from January 1989 to June 1991.

The matter was brought to the notice of the Railway Administration and the Board in July 1996 and October 1996 respectively; reply has not been received (February 1997).

(ii) A private cement siding was opened at Paricha on Jhansi - Kanpur section in June 1991 and the traffic commenced from this siding in January 1992. Since then the cement traffic from this siding to Aligarh, Moradabad, Ghaziabad, Shaharanpur, Muzzafar Nagar, Etah, Meerut City, Shikohabad and Mainpuri stations on Northern Railway had been booked and charged by the shortest route via Yamuna bridge, but always carried on the longer route via Kanpur Central, on the verbal instructions of Chief Controller (CSC)/ Sectional Controller (SCOR).

Despite the traffic congestion and other problems on the shortest route and the operational advantages over the longer route being known, the Railway Administration did not even inform the Board, not to speak of approaching the Board for rationalisation of the longer route. This resulted in short recovery of freight of Rs.7.68 crores during January 1992 to March 1996.

The matter was brought to the notice of the Railway Administration and the Board in May 1996 and October 1996 respectively; reply has not been received (February 1997).

(b) Southern

Prior to September 1993, the Petroleum, Oil and Lubricants (POL) traffic from Irumpanam was booked and carried to Vilangudi and Madurai via Shoranur, Erode, Karur and Dindigul which was the shortest route. Consequent to the commissioning of the BG line between Tulukkapatti and Maniyachchi on Virudhunagar - Maniyachchi section in June 1993, the POL traffic was, as a regular measure, diverted through the longer route via Quilon, Trivandrum, Tirunelveli, Maniyachchi and Virudhunagar with effect from 1 September 1993. This route is longer than the shortest route by 20 Kms. (Vilangudi) and 14 Kms. (Madurai).

Despite cent per cent movement of POL traffic over the longer route, the Railway Administration did not approach the Board for rationalisation of this longer route, resulting in loss of revenue of Rs.79.44 lakhs between September 1993 and December 1995. The loss is recurring.

The Railway Administration maintained (April 1996) that movement over longer route, in preference to the shortest route, provided them multifarious operational advantages such as saving in fuel consumption and reduction in turn-round time, but justified their inaction to rationalise the longer route on the grounds that flexibility of movement through either of the two routes would be lost during accidents and floods.

The contention of the Railway Administration is not tenable because in times of emergency, the shortest route could be still resorted to as the operationally feasible route, even after rationalisation of the longer route.

The matter was referred to the Railway Administration and the Board in May

1996 and October 1996 respectively; reply has not been received (February 1997).

2.1.3 (ii) South Central Railway: Loss of earning capacity due to irregular booking of cement to destinations of South

In line with the decision taken in the Inter-Ministerial Working Group (IMWG) for rationalisation of rail movement of cement in the country, the Railway Board reiterated in March 1992 their earlier instructions of September 1991 stipulating that the South Central Railway Administration should progressively stop loading of cement from factories located in the area North of Kazipet to the South.

In disregard of the instructions of the Board, the Railway Administration however accepted indents and supplied wagons to a private cement siding served by Raghavapuram station located in the area North of Kazipet, for loading cement to destinations located in the South.

Scrutiny in audit revealed that there was an upward trend in booking of cement traffic from this siding towards the South as follows:

Year	Total No. of rakes moved from the siding	Total rakes placed for movement towards the South	Percentage
1991-92	247	51	20.64
1992-93	221	79	35.74
1993-94	207	93	44.92
1994-95	240	133	55.41
1995-96	191	122	63.87

Consequently, the loaded rakes bound for prohibited destinations suffered detention at Raghavapuram station. Between January 1994 and December 1995, 48,447 wagon days were lost on account of detention of the loaded wagons bound for destinations in the South resulting in loss of earning capacity of Rs.5.61 crores.

The Railway Administration attributed (June 1995) the detention of the loaded rakes at Raghavapuram station to change in traction, as the track towards the siding has not been electrified.

The contention of the Railway Administration is not tenable as under:

- Despite the facts that there was change in traction from electric to diesel locomotive and vice versa in the movement of rakes from Raghavapuram station to the siding and back respectively, and that such traction change accounted for detention for six hours which included the running time from Ramagundam for a diesel locomotive which was utilised for such traction change, the Railway Administration injudiciously notified the siding for through distance booking and thereby granted the benefit of telescopic rates to the siding owner.

- Even after taking into account the detention time on account of traction change, the total wagon days lost aggregated 44,671 resulting in loss of earning capacity of Rs.5.17 crores between January 1994 and December 1995.

- The Railway Administration specifically admitted (June 1995) that cement rakes bound for restricted and unamenable destinations suffered detention at Raghavapuram because usual clearance of these loaded stock from Raghavapuram would only have led to their subsequent stabling enroute resulting in blocking of running lines and disrupting train operations.

- The Railway Administration did not obtain approval of the Board for movement of cement rakes towards the South, as required.

- Instead of progressive reduction, percentage of cement rakes that moved towards the South increased to over 300 per cent from 1991-92 to 1995-96, in total disregard to the orders of the Board.

The Railway Administration further contended (February 1997) that orders of the Board on the basis of the decisions of IMWG were not mandatory and that as per the Indian Railways Act 1989, the Railways were bound to accept any traffic subject to operational restrictions or the rationalisation scheme in force. The Railway Administration also stated that approval by the Board for deviation in the Board's orders was not necessary and that detentions to wagons were caused due to multifarious reasons. The Board concurred with the interpretation and contentions of the Railway Administration.

These contentions at the level of the General Manager and the Board are rather extraordinary and tend to defeat the very objective of the institution of `Inter-Ministerial Working Group (IMWG) on Rationalisation of Rail Movement of Cement' The decisions of IMWG in July 1991 had the approval of the Development Commissioner for Cement Industry (DCCI), Ministry of Railways and 23 representatives of Cement Industries including the President and Secretary General of Cement Manufacturers' Association. In the IMWG meeting, the Ministry of Railways confirmed that under the Railways Act, rationalisation of cement movement would be undertaken. The IMWG decided that surplus cement available in Ramagundam cluster of factories of Andhra Pradesh, consisting inter alia of the private cement factory served by Raghavapuram station, should move towards deficit States of Delhi, Haryana, Punjab, Western Uttar Pradesh and Jammu and Kashmir in the Northern Region and that cement movement from this cluster to the South and East should be stopped progressively. The Board's letter dated 10 September 1991 addressed to the Chief Operating Superintendent (COPS), South Central Railway communicated these highlights of the rationalisation scheme of cement movement as per IMWG decisions and also stipulated that variations to the scheme necessitated by the needs of the cement industry and the Railways' operational exigencies should be allowed within 5 to 8 per cent, after consultation with the Board on day to day basis.

If no formal rationalisation order was issued, it only reflected the lackadaisical manner in which the Railways undertook the follow-up action for implementation of their own decisions.

2.1.4 DISTANCE COMPUTATION

2.1.4 (i) Eastern and South: Eastern Railways — Loss of revenue due to incorrect computation of distance

Non-observance of correct procedure in calculation of distance resulted in short collection of revenue of Rs.71.61 lakhs during April 1991 to March 1996 on Eastern Railway (2 cases) and South Eastern Railway (1 case) as indicated below:

(a) Eastern

Under the rules, in calculating distance for charge, any fraction of a kilometre is to be taken as a kilometre.

(i) The actual distance between Kalyani and Naihati is 10.37·kilometres as per the Eastern Railway (Sealdah Division) Working Time Table. Accordingly, the distance charged from Kalyani to Naihati should be 11 kilometres. The Local Distance Table accordingly specified the chargeable distance from Kalyani to Naihati as 11 kilometres.

It was however, observed during test check by Audit (April 1996) of the issue of printed card tickets and season tickets at Kalyani station that the distance from Kalyani to Naihati and vice-versa was erroneously charged as 10 kilometres. As a result of this error, the Railway Administration charged less fare and suffered loss of revenue of Rs.31.44 lakhs during the period from April 1991 to March 1996 on sale of printed card tickets and monthly and quarterly season tickets from Kalyani to Naihati (Rs.19.90 lakhs) and from Naihati to Kalyani (Rs.11.54 lakhs). The loss is recurring. The Railway Administration carried out inspection of these two stations regularly but the mistake was never highlighted.

The mistake was referred to the Railway Administration and the Railway Board in June 1996 and September 1996 respectively; reply has not been received

(February 1997).

(ii) As per Sealdah Division Working Time Table, the distance from Ranaghat to Gangnapur station is 10.07 kilometres. As such, the chargeable distance from Ranaghat to Gangnapur should be 11 kilometres. The Junction Distance Table No.1 (Part I) in force from 1 April 1990 also confirms the distance between the two stations as 11 kilometres.

The Railway Administration erroneously treated the chargeable distance between Ranaghat and Gangnapur as 10 kms. in respect of monthly, quarterly and vendor season tickets leading to loss of revenue of Rs.22.29 lakhs from 1 April 1991 to 20 October 1995, as noticed in test audit. Loss subsequent to this period would be extra. The Travelling Inspectors of Accounts failed to detect this error during their inspections.

This mistake was brought to the notice of the Railway Administration and the Railway Board in August 1995 and October 1996 respectively; reply has not been received (February 1997).

(b) South Eastern

With effect from 1 November 1994, the method of computation of distances for charging freight within the South Eastern Railway was changed. Prior to this date, distances were computed between the originating and destination stations on a 'through distance' basis as laid down in 'Table No.2' in force from January 1972 . This Table was replaced by 'Table No.3' which contained distances from stations to adjacent junctions. Distances were to be computed by adding the distance from the originating station to the adjacent junction, the destination station to its adjacent junction and the distance between these two junctions.

Test check of records at Haldia Dock Complex, General (HDCG) showed that freight for goods traffic was incorrectly charged upto May 1995 on the distance from

HDCG to Bondamunda (BNDM) as 400 Kms. (395 Kms. + 5 Kms. siding distance) on the basis of `Table No.2'. The correct chargeable distance should have been 401 Kms. [HDCG to Durgachak (DZK) 5 Kms. + DZK to Panskura (PKU) 59 Kms. + PKU to BNDM 337 Kms.] as per `Table No.3' effective from 1 November 1994.

As freight charges are levied on a slab basis and a higher slab starts from 401 Kms., the error in computation of distance resulted in undercharging of freight to the tune of Rs.17.88 lakhs for regular booking of commodities like cooking coal and P.O.L. during the period from November 1994 to May 1995 (for coking coal) and from January to March 1995 (for P.O.L.).

The matter was taken up with the Railway Administration and the Railway Board in March 1996 and September 1996 respectively; reply has not been received (February 1997).

2.1.4 (ii) North Eastern Railway: Overpayment of freight charges on cast iron sleeper plates

The Ministry of Railways (Railway Board) finalised contracts (July 1991) with two firms of Nagpur for supply of cast iron sleeper plates at Allahabad City and Lalkuan. The firms were permitted to transport the material by road subject to the condition that freight would be reimbursed as per rail or road, whichever was lower, supported by certificate from the Commercial Department of the Railway Administration about the correct rail freight applicable.

Even though the actual distance from Nagpur (BG) to Allahabad Junction (BG) is 912 Kms. via Naini and Allahabad Junction (BG) is situated within 25 Kms. of destination station of Allahabad City (MG), the Commercial Department issued the certificate for a longer route of 1867 Kms. from Nagpur (BG) to Allahabad City (MG) via Barauni. Consequently the Railway Administration paid Rs.56.56 lakhs instead of Rs.30.22 lakhs as reimbursement of transportation charges which resulted in over-payment of Rs.26.34 lakhs.

Similarly the actual distance from Bhilai (BG) to Lalkuan (MG) is 1442 Kms. via Katni, Agra and Yamuna Bridge with transhipment facility on foreign Railway. However the Commercial Department issued the certificate for longer route of 2076 Kms. via Asansol/ Barauni. Consequently the Railway Administration paid Rs.37.26 lakhs instead of Rs.27.54 lakhs as reimbursement of transportation charges which resulted in over payment of Rs.9.72 lakhs.

The Railway Administration justified (May 1996) payment of transportation charges for longer routes by stating that any traffic moving from BG to MG stations on this Railway would invariably be routed through Barauni Junction which was the transhipment point. The contention of the Railway Administration is not tenable since as per provisions of Rationalisation Scheme of June 1990, booking of traffic from/ to a station involving transhipment is not permitted when such traffic could be booked from/ to another station situated within 25 Kms. of the station without involving transhipment. Also, the Commercial Department failed to choose the permissible cheaper route from Bhilai (BG) to Lalkuan (MG) with transhipment facility on foreign railway.

The Railway Administration reiterated (November 1996) their earlier stand stating that Allahabad Junction (BG) was not a transhipment point so that the facility of transhipment from Allahabad Junction (BG) to Allahabad City (MG) could not be availed; this would warrant movement of the freight over the longer route via Barauni Junction. This is not tenable. As stated earlier, the consignment actually moved from Nagpur to the destinations by road. The issue involved only reimbursement of the freight charges. In terms of Paragraph 1.4 of Rationalisation Scheme of June 1990, the materials to be obtained at Allahabad City (MG) should be booked (from Nagpur) to Allahabad Junction (BG) only, since the former was located within a distance of 25 kms. of the latter.

The Railway Administration further contended that the freight to Lalkuan (MG) could not be booked over the shorter route via Katni, Agra, Yamuna Bridge since the transhipment facility was not available at these stations. This is not correct. In terms of Paragraph 8.4 of the Rationalisation Scheme, Agra East Bank transhipment point was available enroute. Further, the office of Financial Adviser and Chief Accounts Officer (FA&CAO) (Goods) in their letter dated 18 October 1996 confirmed the correctness of the distance as pointed out by Audit.

2.1.5 HAULAGE

Central Railway: Avoidable haulage of loaded coal wagons

According to the Railway Board's order of May 1985, all originating goods trains with roller bearing stock are required to be given intensive repairs at either the originating station or the next train examination (TXR) station in the direction of movement if facilities for intensive repairs do not exist at the originating station.

Coal traffic in train loads is booked in roller bearing BOX wagons from Nandan Washery Siding and Damua Siding of Western Coal Fields served by Hirdagarh station on Amla - Parasia branch line on Nagpur division. Prior to May 1993, intensive examination of trains was done at Hirdagarh, the originating station itself, before their movement towards destinations, although Hirdagarh was not nominated by the Zonal Railway Administration as a yard for train examination.

The Divisional Railway Administration decided in (April 1993) that the trains originating from Hirdagarh would be taken to Junnardeo, a station 11 kms. beyond Hirdagarh in the opposite direction of the movement of trains, for intensive examination and repairs to arrest the non-standard methods/ practices adopted at Hirdagarh in train examination and repairs. This arrangement entailed extra haulage of 22 kms. per train.

Between July 1993 and February 1996, 1629 loaded goods trains were hauled from Hirdagarh to Junnardeo and back resulting in avoidable expenditure of Rs.1.27 crores on extra haulage.

The Divisional Railway Administration stated (April 1996) that developing infrastructure for Carriage and Wagon (C&W) examination at Hirdagarh would involve expenditure of Rs.74.54 lakhs which was not justifiable in view of inadequate workload.

The contention of the Railway Administration is not tenable because the Railway Administration had admitted (March 1996) that except the path way costing Rs.4 lakhs, facilities for intensive examination were in existence at Hirdagarh. Further development of C&W examination facilities would have involved one-time investment of Rs.45 lakhs and annual recurring expenditure of Rs.21.23 lakhs only. Furthermore, the Divisional Railway Administration did not inform the Zonal Railway Administration about the practice of avoidable haulage of trains to Junnardeo.

The matter was referred to the Railway Administration and the Board in July 1996 and October 1996 respectively; reply has not been received (February 1997).

2.1.6 DEMURRAGE/ DETENTION

2.1.6 (i) Eastern Railway: Loss of earning due to unnecessary detention of loaded wagons

(a) In connection with doubling work between Garwa Road and Sonnagar, a steel girder worth Rs.2.75 lakhs was sent by Depot Store Keeper, Plant Depot, Mughalsarai in a BFR wagon bearing No. SE 40150 on 20 July 1988 for despatch to Inspector of Works, Garwa Road at Japla. But this wagon was actually despatched to Garwa Road on 9 November 1991 only, after inordinate detention of more than 3 years at Mughalsarai. Thereafter, the wagon took nearly six months to reach Japla on 6 May 1992. By then, Bridge No.171 for which the girder was intended was completed by using pre-stressed concrete (PSC) girder after incurring additional expenditure of Rs.4.30 lakhs.

The said-wagon was therefore despatched to Inspector of Works, Bermo on 14 May 1992, on orders of Chief Engineer (S&C), for utilisation in Phusro - Jarangdih

Division (PJD) works. The wagon took another two years to reach Bermo on 20 April 1994 by which time the girder was no longer needed for this work too. Due to non-availability of crane and lack of storage space, the girder could not be unloaded at Bermo and the wagon was sent to Gomoh where the girder was finally unloaded on 29 March 1995, after another 11 months had passed. Thus, a period of almost seven years elapsed before the BFR wagon could be unloaded ultimately at Gomoh. The Railway Administration attributed (July 1995) the lapse to mismanagement of Operating and Traffic Departments.

Due to lack of co-ordination between different departments, the Railway Administration incurred loss on account of earning capacity of the wagon to the tune of Rs.24.82 lakhs consequent to avoidable detention of 2444 days at different places. Besides, the Railway Administration incurred extra expenditure of Rs.4.30 lakhs on the PSC girder for Bridge No.171. The capital cost of the girder amounting to Rs.2.75 lakhs also remained blocked unnecessarily for more than 7 years.

(b) In another case, the Railway Administration placed requisition for PSC slabs in October 1992 and September 1993 to replace wooden sleepers on girder bridges upto 6.1 metres span. Four BRH wagons containing the PSC slabs arrived at Dankuni station between January and May 1994. But these remained stabled there for more than 17 months and were finally unloaded in December 1995 only. One of these four wagons was partially unloaded at Dankuni and diverted to Burdwan where it had been waiting to be unloaded so far (April 1996). The Railway Administration attributed the delay in unloading to non-availability of a combination of factors such as traffic blocks, power and cranes.

There was always shortage in supply of BRH wagons with reference to indent thereof. In fact the Railway Board issued instructions in December 1994 not to use BRH wagons for loading by Engineering Department. Even in this context, the Railway Administration failed to expeditiously unload the four BRH wagons which resulted in loss of earning of Rs.37.13 lakhs.

Thus, the Railway Administration had incurred loss aggregating Rs.61.95 lakhs towards earning capacity due to belated unloading of wagons.

The matter was referred to the Railway Administration and the Board in May 1996 and December 1996 respectively; reply has not been received (February 1997).

2.1.6 (ii) South Central Railway: Avoidable loss of earning capacity of wagons due to abnormal detentions

The Ministry of Railways (Railway Board) placed a contract in July 1991 with M/s. `G' for supply of 9 units of Traction Sub-station Transformers required for Railway Electrification Organisation. According to the amendment of January 1992 issued by the Board, 5 of these transformers were allotted to Assistant Controller of Stores (ACOS), Railway Electrification, Kazipet who was the interim consignee. These five transformers were received between July and December 1992. The ACOS, after obtaining directives from the Chief Project Manager, belatedly rebooked the wagons in which the transformers were received as under:

- 7 wagons containing two transformers to ACOS, Vijayawada for safe custody since the site for installation was not ready at Tenali;
- 2 wagons containing one transformer to Sanathnagar; and,
- 2 wagons containing two transformers to Waddepalli.

The 7 wagons were initially received at Kazipet in November/ December 1992 and were rebooked to Vijayawada in January 1993. While 2 of these wagons were unloaded at Vijayawada in April 1993, the remaining 5 were unloaded in September 1993 only, though received in April 1993. These wagons had thus suffered detention for periods ranging from 133 to 183 days, resulting in loss of earning capacity of Rs.17.22 lakhs.

Likewise, the 2 wagons meant for Sanathnagar were originally received at Kazipet in July 1992 and were rebooked to Sanathnagar in the same month but were unloaded in July 1993 only, after detention of 380 days which resulted in loss of earning capacity of Rs.12.58 lakhs.

Similarly, the 2 wagons meant for Waddepalli were initially received at Kazipet in December 1992 but were rebooked to Waddepalli in March 1993 and unloaded there in the same month. Both these wagons, thus, suffered detention between 77 and 97 days resulting in loss of earning capacity of Rs.3.19 lakhs.

Thus, improper procurement/ distribution programme of the traction transformers resulted in heavy detention to wagons and consequential avoidable loss of their earning capacity aggregating Rs.32.99 lakhs.

The Railway Administration attributed (November 1995/ July 1996) the delay to non-availability of site and rail crane. The Railway Administration further stated that unloading of transformers required provision of cross track which was not possible till such time site was finalised and earth filling done. The contention of the Railway Administration is not tenable as the transformers meant for Tenali were finally unloaded on the ground with dunnage. Similar action in respect of other transformers was not taken which led to abnormal detention to the wagons.

The matter was referred to the Railway Board in December 1996; reply has not been received (February 1997).

2.1.7 NON-WEIGHMENT OF WAGONS/ GOODS

2.1.7 (i) Eastern Railway: Loss due to non-weighment of coal wagons

Two 100 tonne weigh bridges were commissioned at Kusunda station in October 1988 and January 1995 respectively. However, between January 1995 and March 1996, the Railway Administration could weigh only 37,997 (79 per cent) out of 48,315 BOX wagons despatched to different destinations.

Of the 37,997 wagons so weighed, 22,194 representing 58 per cent were found to be overloaded. Of those found overloaded, as many as 11,336 (30 per cent) were overloaded beyond the tolerance limits thereby attracting penal freight. Accordingly, penal freight of Rs.4.11 crores was realised. This high percentage of overloading was indicative of the tendency of the consignors to load the wagons in excess of the permissible carrying capacity.

Of the 10,318 wagons that passed unweighed, 9705 representing 94 per cent could not be weighed due to failure of weigh bridges. Contrary to the rules, no weighment was done either enroute or at the destination stations, although the wagons passed through Andal station where weigh bridge facilities were available. Also, the materials were delivered as per the weight recorded on the Railway Receipts and on the basis of minimum weight.

The Railway Administration failed to ensure that at least one of the two weigh bridges remained operational at all times. Arrangement was not made either for weighment of the wagons enroute or at the destination. On the basis of the trend of overloading of wagons beyond tolerance limits at Kusunda station and the realisation of penal freight, as observed in the case of wagons that were weighed, loss of revenue on account of penal freight not collected would be of the order of Rs.1.12 crores.

The Railway Administration stated (February 1997) that the two weigh bridges at Kusunda were installed by M/s. Bharat Cooking Coal Ltd. (BCCL) and the Railway Administration had no direct responsibility for their maintenance. The Railway Administration accepted the fact of overloading to the extent of 58 per cent and overloading beyond tolerance limits of about 30 per cent of the wagons weighed.

2.1.7 (ii) Western Railway: Loss due to non-weighment of goods

The Railway Administration placed three purchase orders in October and November 1992 on a firm for supply of 133 metric tonnes of TISCON Steel Bars of various dimensions at the cost of Rs.16.90 lakhs. The consignment was to be sent to the Inspector of Works (IOW) (Survey and Construction), Indore.

The firm prepared the consignments for dispatch in small lots, weighed the same on 7 and 8 January 1993 on a non-railway Cart Weigh Bridge (CWB) and brought these to the Railway Goods Depot on 7 and 18 January 1993. Contrary to the rules, the Railway Administration did not ensure that the consignments tendered for dispatch in small lots were weighed in full by the Railway staff on Railway weighing machine. Further, the Railway Administration did not issue Railway Receipts (RR) with the qualification `said to contain'; instead, clear RRs were issued. As per details on the invoice and RRs, the booked quantity was 139.44 metric tonnes.

The consignments were loaded in three wagons on 10 and 18 March and 14 April 1993, but the wagons were despatched on 26 March, 12 and 17 April 1993. Thus the consignments were detained for about two/ three months at the Goods Depot before loading and there was further detention at the yard after loading. Reasons for delays in allotment of wagons and their detention before dispatch were not forthcoming from the records made available to Audit.

The consignments were received at Indore in June and July 1993 in the same wagons with all bundles in sound condition without any disturbance to packing and interference enroute. However IOW, Indore, who was the consignee, suspected heavy shortages and requested for re-weighment of consignment in wagon no.60698 which was turned down by the Commercial Department, though the rules prescribe that at least ten per cent of consignments offered in small lots should be weighed immediately after un-loading at the destination station. Thereafter, unloading and reweighment was done by the consignee after making Panchnama. The reweighments revealed short receipt of 74.99 metric tonnes of TISCON bars worth Rs.9.10 lakhs. As the consignments were booked against clear RRs, the firm could not be held responsible for the shortages.

The Railway Administration admitted (September 1995) the shortage and stated that the consignments were lying at the booking station for more than 2 months and that the shortages appeared to have taken place at the booking station, though it was not possible to substantiate the point in view of the documentation available. While the Financial Advisor and Chief Accounts Officer (FA&CAO) confined her role to mere presentation of the facts of the case during finalisation (November 1994) of reply to Audit, the Chief Administrative Officer held that it was a case of fraud and proposed its handing over to the Vigilance Branch, to which the General Manager concurred. In November 1994, the file was sent to the Vigilance Branch who returned it to the FA&CAO in January 1995 for keeping it in safe custody. Despite reminders in December 1995 and April and June 1996, details of the investigation were not made available by the Railway Administration (August 1996).

Meanwhile, Audit further noticed similar shortages of 182.83 metric tonnes of steel worth Rs.22.42 lakhs in ten other cases of supplies made by the same firm to different Railway consignees between February and November 1992. In August 1995, the loss was brought to the attention of the Railway Administration who did not furnish their reply despite reminders nor respond to a request for a tripartite meeting (August 1996).

Thus due to non-observance of the prescribed rules for weighment of goods, the Railway Administration incurred losses aggregating Rs.31.52 lakhs towards shortages of steel received. Besides, refusal of the Railway Administration to reweigh the consignments at Indore in June/ July 1993 resulted in avoidable detention to two BFR wagons for 4040 hours and consequential loss of Rs.3.54 lakhs towards earning capacity of the wagons.

The matter was referred to the Railway Board in October 1996; reply has not been received (February 1997).

2.1.8 NON-REVISION OF WEIGHT CONDITION

Western Railway: Loss of revenue due to delay in revision of weight condition

Rules permit loading of general merchandise in Metre Gauge (MG) 4-wheeled wagons to the extent of one tonne over and above the marked carrying capacity of the wagons.

During inspection of Rajkot division in October 1993, Member Traffic (MT), Railway Board directed that loading of MG wagons on the Wankaner - Navlakhi section be further increased by one tonne, in order to achieve full utilisation of the carrying capacity of BOX wagons at the Wankaner transhipment point by transhipping 3 MG wagons into one BOX wagon.

The Chief Commercial Manager (CCM), Western Railway circulated these instructions telegraphically to all the concerned on 29 October 1993. Based on this, the Assistant Commercial Manager (ACM), Rajkot division issued a wireless message on 3 November 1993 to the concerned for observance of instructions. However, the instructions were implemented on Wankaner - Navlakhi section from 23 January 1994 only, subsequent to publication of these instructions in Through Rate Circular. The ACM attributed (November 1995) the delay to lack of information. Delay of approximately 3 months in implementation of these orders resulted in loss of revenue of Rs.14.54 lakhs on originating salt traffic on this section.

The minimum weight condition for salt is 18 tonnes (180 quintals) when loaded in MG 4-wheeled wagon as prescribed in the Goods Tariff. However, after implementation of the order of Member Traffic, the actual loading of salt on Wankaner - Navlakhi section was being done to the extent of 20.3 [18.3 (carrying capacity) +1+1] tonnes (203 quintals) per MG 4-wheeled wagon. It is, therefore, evident that actual loadability of salt is higher than the prescribed weight condition of 18 tonnes, pointing to the need for upward revision.

In January 1995, Audit urged the Railway Administration to take action to revise the tariff weight condition of salt from 18 tonnes per MG wagon to the marked carrying capacity of the wagons used plus 2 tonnes.

per cent thereafter.

In the Audit Reports for the years ended 31 March 1989, 31 March 1991 and 31 March 1995, instances had been reported where the Northern Railway Administration and the Western Railway Administration had allowed consignors to book traffic on `Paid' basis, but had actually realised the freight charges after the goods were accepted for booking and in some cases had issued Railway Receipts (RR) after dispatch of the goods. This was despite the Railway Board's instructions issued in October 1989 for issue of RRs and collection of freight charges on paid consignments without delay.

During test check of the records at 3 stations in the South Eastern Railway (Harad, Bijuri and Chirimiri), it was seen that consignments of coal were booked as `Paid' traffic to different destinations, but RRs were issued and freight collected after lapse of 2 to 5 days from the date of completion of loading. This was a regular feature at these stations and no reasons were on record to explain the deviation from rules as reiterated by the Board.

This resulted in recurring loss to the Railways. Since these consignments could not be treated as `Paid', the surcharge on `To pay' consignments foregone worked out to Rs.3.72 crores during May 1993 to October 1995 in the cases noticed during test check.

The matter was referred to the Railway Administration between March 1995 and January 1996; the reply of the Railway Administration that `To Pay' surcharge was not leviable is not tenable in view of the Board's own instructions of October 1989.

The matter was referred to the Board in October 1996; reply has not been received (February 1997).

2.1.9 (iii) Northeast Frontier Railway: Non-levy of surcharge

In paragraphs 3.8 and 2.1.1(i) of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1992 (No.10 of 1993) and 31 March 1995 (No.10 of 1996) Union Government (Railways), mention was made of non-levy of surcharge of Rs.29.91 lakhs by Eastern, Northern and South Eastern Railway Administrations and of surcharge and interest aggregating Rs.1.11 crores by Western Railway Administration respectively, on account of dishonoured credit notes-cum-cheques.

Under instructions issued by the Railway Board, when credit notes tendered for payment of freight are dishonoured, the traffic should be treated as `To pay' and the prescribed surcharge at the rate of 5 per cent levied.

Test check (September 1994) in audit revealed that 1085 credit notes-cum-cheques received from 25 different booking stations in Northeast Frontier Railway during the period from December 1991 to March 1995 were dishonoured by bankers due to non-availability of funds and the Cash Office of the Financial Adviser and Chief Accounts Officer (FA&CAO) encashed the same only on subsequent presentation after lapse of 1 to 9 months. However, the Railway Administration did not recover the surcharge aggregating Rs.1.56 crores from December 1991 to March 1995. Also, the Railway Administration failed to recover interest on belated payments in these cases . The loss by way of interest computed by Audit on the amount of delayed payments made after 30 days worked out to Rs.81.51 lakhs, calculated at the rate of 12 per cent per annum.

The Railway Administration stated (July 1996) that credit notes-cum-cheques as received along with CR Notes are sent to bank for encashment on the next day. The reply is not tenable because it took 5 to 134 days by the Cash Office even to present the cheques to bank for encashment. The Railway Administration further stated that all the concerned parties had been advised to pay the surcharge.

2.1.10 ENGINE HIRE CHARGES

2.1.10 (i) Eastern Railway: Loss due to short realisation of engine hire charges

Anpara Thermal Power Station (ATPS) under Uttar Pradesh State Electricity Board made a special requisition to the Railway Administration in November 1994 for placement of loaded coal rakes from Krishnashila station in Dhanbad division to their siding premises with Railway's own power till repair of their two defective engines. The Divisional Mechanical Engineer (DME) consented (November 1994) to the proposal, subject to advance payment of engine hire charges at the rate of Rs.1976 per hour. However no agreement was executed with ATPS nor was the basis for the rate of hire charges specified. Thereafter, diesel engines were provided by detaching these from trains in the Chopan Railway circuit and shunting operations started from November 1994 against advance payment of Rs.2 lakhs.

Subsequently, the Senior DME preferred (between January and December 1995) six bills aggregating Rs.40.83 lakhs towards engine hire charges for the period from November 1994 to October 1995 correctly applying the rate for shunting by specially requisitioned engines (Rs.1894 per loco per hour upto 9 August 1995 and Rs.2120 thereafter).

However, on the same account and for the same period, the Head Goods Clerk (Anpara) of the Divisional Commercial Department also preferred (between December 1994 and November 1995) 12 bills aggregating Rs.18.70 lakhs only, by erroneously adopting the lower rates of hire charges (Rs.1420 per loco per hour upto 9 August 1995 and Rs.1590 thereafter) as applicable for regular shunting and by incorrectly computing the shunting time. The Head Goods Clerk committed the mistake because the Senior Divisional Commercial Manager (Sr.DCM) failed to inform him that such hire charges bills were to be dealt with by the Divisional Mechanical Department.

It was only in November 1995 that the Head Goods Clerk stopped raising bills on being informed of the correct arrangements. Subsequently, Sr.DME raised (between December 1995 and May 1996) five more bills aggregating Rs.35.73 lakhs towards hire charges for the period from November 1995 to March 1996. The bills for shunting charges and loco hire charges were preferred without having these vetted by the Accounts Department.

ATPS refused to pay the enhanced hire charges aggregating Rs.76.56 lakhs as raised by the Mechanical Department on the grounds that:

(i) on similar occasions in April and May 1994, bills at lower rates had been preferred and payments made by ATPS were accepted by the Railway Administration;

(ii) the engines were not detained long in the siding so as to warrant higher charges; and,

(iii) duplication of bills could not be accepted.

ATPS paid hire charges aggregating Rs.16.92 lakhs only, as of April 1996.

Though the Senior Divisional Accounts Officer advised Sr.DME and Sr.DCM in January 1996 to execute an agreement with ATPS and suspend further services till such action, the Divisional Railway Administration did not take any effective action to finalise an agreement. Instead it continued to make diverted engines available to ATPS for shunting operations.

Thus due to failure to execute an agreement with ATPS for levy of correct engine hire charges, the Railway Administration incurred loss of Rs.59.63 lakhs towards non-recovery of engine hire charges for the period from November 1994 to March 1996.

The Railway Administration maintained (February 1997) that the bills preferred by the Head Goods Clerk (Anpara) at the lower rates of hire charges were correct since the diesel engines made available to ATPS were not specially requisitioned. This is not tenable. The Senior DME in his letter dated 10 April 1995 to ATPS had confirmed that the diesel engines were provided after detaching them from the trains of Railway Circuit of Chopan; further that these locomotives were specifically requisitioned by ATPS and hence hire charges at higher rates were leviable. Moreover under the arrangements, it was the Senior DME; and not the Head Goods Clerk, who was authorised to deal with such hire charges bills.

2.1.10 (ii) Eastern Railway: Non-revision of hire charges of Accident Relief Train

The Railway Administration supplied to Calcutta Port Trust (CPT) Accident Relief Train (ART) comprising an engine and six 8-wheeler bogies with ART staff and equipments for restoration work of derailment. The Railway Administration fixed the hire charges in respect of ART by taking into account the engine and crane haulage charges, shunting charges for the engine and detention charges for the coaches, as notified through the Tariff Circulars of the Railway Board and the Goods Tariff Rates brought out by Indian Railway Conference Association (IRCA).

Accordingly, the Railway Administration revised the rates leviable for ART engine and bogies in November 1984. But in the absence of specific guidelines from the Board regarding the modality for fixation of charges and the periodicity for revision, the revised charges did not include the cost of ART staff. Also, the charges fixed in November 1984 remained unrevised despite the fact that shunting charge for train engine and the detention charge per coach, on the basis of which ART engine and bogie charges respectively were fixed, were revised subsequently.

Though non-revision of ART hire charges was pointed out in audit in May 1986, it was only in November 1993 that Sealdah Divisional Railway Administration submitted a proposal to Chief Mechanical Engineer (CME) for revision of hire charges with effect from 1 April 1993. However, the Railway Administration failed to revise these charges so far, but sought the orders of the Board in January 1994 and

November 1995 for such revision. The Board's directions also were not forthcoming.

Thus non-existence of an established system for determination of ART hire charges with regular periodicity of revision resulted in loss of Rs.55 lakhs from April 1993 to February 1996 alone in one division. Loss in respect of other periods, as also in other divisions, would be extra.

The matter was referred to the Railway Administration and the Board in February 1996 and October 1996 respectively; reply has not been received (February 1997).

2.1.11 SPECIAL TRAINS

Northern Railway: Non-recovery of charges for special trains

In terms of Northern Railway Rates Advice No.4 of 1982, for movement of para-military forces by train, the booking station should calculate the chargeable fare and freight for coaching and goods stock and obtain vouchers/ credit notes from the concerned para-military force authorities. These vouchers/ credit notes are subsequently sent to the Traffic Accounts Office (TAO) for recovery of the charges through the consolidated carriage bills.

From Bari Brahmana Railway station, four special trains were booked during July, August and October 1993 for transportation of Border Security Force (BSF) personnel and stores. The station staff calculated the freight charges for the stores and obtained credit notes from the BSF. However, they failed to prepare special tickets for the BSF personnel travelling in coaching vehicles attached with these trains. Consequently no credit notes were obtained. In the absence of any vouchers and credit notes, the TAO could not raise debits against the BSF, resulting in non-recovery of fare of Rs.6.92 lakhs.

Besides, in two cases, credit notes of August and October 1993 for Rs.20.69 lakhs sent by the BSF towards freight charges of stores were received by the station for onward transmission to the TAO through the Cash Office. While station records indicated that receipt of the first credit note for Rs.10.80 lakhs was acknowledged by the Cash Office, acknowledgement for the second credit note was not received by the station. None of the credit notes was, however, received in the TAO. Consequently, recovery of Rs.20.69 lakhs could not be effected.

Thus fare and freight charges aggregating Rs.27.61 lakhs, as ascertained in audit, remained unrealised.

The omission was referred to the Railway Administration and the Railway Board in September 1995 and October 1996 respectively; reply has not been received (February 1997).

2.1.12 OTHERS

2.1.12 (i) Western Railway: Non-realisation of maintenance charges of LPG tank wagons

Liquid Petroleum Gas (LPG) is transported from Gujrat Refinery Siding, Bajuwa through a fleet of tank wagons jointly owned by the Indian Oil Corporation (IOC) and the Railways. In March 1976, the Railway Board had intimated the Railway Administration and IOC the general terms and conditions of the agreement to be executed between the two parties for maintenance of the tank wagons. However, the agreement had not been executed so far (December 1996).

According to one of the conditions of the draft agreement, IOC was liable to pay for maintenance of the barrels of the tank wagons, to be undertaken by the Railway Administration, at the rate of 5 per cent per annum on the capital cost of the barrels. However, due to non-execution of the agreement, the Railway Administration failed to realise maintenance charges aggregating Rs.7.38 crores for the period from January 1988 to December 1995 alone. Maintenance charges in respect of other periods would be extra and need to be ascertained.

A mention was made about non-realisation of these Railway dues in Paragraph

23 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (No.10 of 1991) - Union Government (Railways). The Ministry of Railways (Railway Board) in their corrective/ remedial action taken note of June 1995 stated that the revised standard agreement to be executed between IOC and the Railways had been sent to the Zonal Railways and that all payments would be made as per the revised agreement. However in July 1995, Audit had pointed out that the agreement with IOC had not yet been finalised and consequently, corrective action was yet to be taken on the earlier Audit observations.

It has since been observed in audit that the agreement has not been concluded as on 16 December 1996. Consequently maintenance charges of Rs.7.38 crores, for the period from 1988 to 1995, has not been realised as on 16 December 1996. Interest on this amount, calculated at the simple interest rate of 10 per cent per annum, worked out to Rs.1.84 crores between January 1990 and December 1995 alone.

The matter was brought to the notice of the Railway Administration and the Board in April 1996 and November 1996 respectively; reply has not been received (February 1997).

2.1.12 (ii) Northern Railway: Non-recovery of cost of duty card passes

The Zonal Railways have taken on lease a number of telegraph/ telephone lines and wires from Department of Telecommunications (DOT) on payment of rentals. For maintenance of these communication networks by DOT, the Railways, on getting the approval of the Railway Board every year, issued free duty card passes to the DOT officials for undertaking journeys by trains. The DOT, in turn, allowed rebate of Rs.1.73 per km. per annum on the rentals paid by the Railways.

In December 1988, the Board, in consultation with DOT, decided to forego the rebate of approximately Rs.4 lakhs in a year and to raise debits against DOT for the duty card passes issued to DOT officials, the estimated cost of which was Rs.5.57 crores, based on the number of passes issued.

In consultation with DOT, the Board finalised in March 1992 the norms for raising such debits. In June 1992, the Zonal Railways were asked to furnish details of passes (I class and II class) actually issued to DOT officials. However, debits for Rs.52.39 lakhs for 1992-93 in respect of 1272 passes were raised against DOT only in February 1994. DOT accepted the same, but requested the Board to direct the Zonal Railways to raise these debits against the concerned Telecom Circles for quicker settlement.

Accordingly the Zonal Railways were directed in April 1994 to raise debits aggregating Rs.52.39 lakhs for 1992-93. However, except the Eastern (Rs.9.01 lakhs), Northeast Frontier (Rs.0.19 lakh) and Southern (Rs.10.35 lakhs) Railway Administrations, other Railways had not taken action in this regard (May 1996). Consequently, debits aggregating Rs.32.84 lakhs (Central-Rs.3.09 lakhs; Northern-Rs.11.87 lakhs; North Eastern-Rs.3.69 lakhs; South Central-Rs.7.64 lakhs; South Eastern-Rs.4.22 lakhs and Western-Rs.2.33 lakhs) were still to be raised for 1992-93 alone. Details of debits not raised for the period subsequent to 1992-93, as also recovery for the debits raised so far, need to be ascertained. Incidentally, the Board permitted the Zonal Railways in June 1995 and May 1996 to renew card passes to DOT officials upto 31 March and 30 September 1996 respectively.

The matter was referred to the Northern Railway Administration (who had the maximum amount of debit to be raised for 1992-93) and the Board in March 1995 and September 1996 respectively; reply has not been received (February 1997).

2.2 NON-TRAFFIC EARNINGS

Chittaranjan Locomotive Works (CLW): Misappropriation of cash realised from outsiders on account of medical charges

Rules provide that medical facilities in Railway Hospitals can be extended to outsiders on payment of the prescribed charges. In November 1986, the CLW Administration changed the existing procedure of collecting medical charges during office hours at the office of the Chief Medical Superintendent (CMS) by the Dealing Assistant (DA). Under the new procedure, outsiders were required to deposit medical charges with the Cashier of Cash and Pay Office and thereafter produce the Cash Receipt (CR) to the sister-on-duty for forwarding the Case Sheet and CR to the DA, for noting the details in the `Register of Admission of Non-Railway Patients' maintained by him, as also in the Case Sheet (Bed Head Ticket) which was returned to the office of Matron for retention. The new procedure was got noted on 5 December 1986 by the DA who was holding the post since 15 July 1984.

However in violation of the new procedure, the DA had collected Rs.15.49 lakhs towards medical charges from 3904 outsiders directly for 38 months between June 1991 and October 1994. Records for the months November 1991, February 1993 and March 1994 were not available. Out of Rs.15.49 lakhs, a sum aggregating Rs.10.83 lakhs had been collected from 2271 outsiders as shown in the Bed Head Tickets but CR numbers as proof of depositing the amount with the Cashier were not indicated. Also, there was no entry at all in respect of these 2271 patients in the Register of Admission. For the balance amount of Rs.4.66 lakhs, being the medical charges in respect of 1633 outsiders, there were entries in both the Bed Head Tickets and the Register of Admission, giving reference to CR numbers. However while a sum aggregating Rs.2.71 lakhs in respect of 480 out of 1633 patients had been recovered as per the entries in the Register of Admission, only Rs.389 was deposited with the Cashier, as reflected by the CR entries. Further, the CR entries did not tally with those in the Register of Admission in these cases.

Non-implementation of the new procedure to discontinue the practice of collecting medical charges from the outsiders directly by the DA was pointed out in audit to the Financial Adviser and Chief Accounts Officer (FA&CAO) in January 1988 through a Special Letter. The lapses included (a) non-maintenance of Cash Book Register; (b) incomplete reference in the Registers as to CR No., date and amount, details and address of the patients, signature of the patients/ introducers and particulars of doctor's reference; and (c) non-submission of registers to the superior authorities. A reference to seizure of money value registers by Vigilance Wing during June-August 1985 was also made with the suggestion that the enquiry findings should be finalised expeditiously and the report furnished to all concerned for remedial action. However the CLW Administration neither took corrective action nor replied to the Audit observations, despite being repeatedly reminded during April 1988 to June 1995.

It was only in August 1995 that, in connection with an appeal for refund of outside patient treatment charges, the CLW Administration discovered that the DA, holding the post from 15 July 1984 to 29 November 1994 did not deposit with the Cashier the medical charges collected by him directly from the outsiders. An internal audit conducted by a Special Committee constituted by CMS confirmed (September 1995) the misappropriation of funds and estimated that the loss would be Rs.67,000 for a month. In June 1996, the CLW Administration also confirmed that the previous DA committed gross irregularities and that the practice of collecting medical charges at the CMS office was discontinued in September 1995. However the CLW Administration failed to investigate the exact amount misappropriated. Also details of departmental/ police action taken against the errant official, as also action to recover the misappropriated Government funds had not been indicated, though the defalcation was referred to the General Manager by the CMS in September 1995.

The matter was again referred to the Railway Administration (July 1996) and also to the Railway Board (June and September 1996) respectively; reply has not been received (February 1997).

CHAPTER 3

WORKS AND CONTRACT MANAGEMENT

3.1 PROJECTS

3.1.1 North Eastern Railway: Conversion of Muzaffarpur - Raxaul Metre Gauge section into Broad Gauge

1. Introduction

The 129.93 kms. Metre Gauge (MG) line from Muzaffarpur to Raxaul via Sagauli was opened to traffic in various stages between 1883 and 1909. Several attempts were made between 1964 and 1990 to examine the financial viability of conversion of this section into Broad Gauge (BG). However, these proposals were not found financially justified. In 1992, the Ministry of Railways (Railway Board) adopted uni-gauge policy and Muzaffarpur - Raxaul gauge conversion was sanctioned in April 1992. The converted BG section was opened to traffic in March 1995, against the target of December 1994.

2. Scope

This review covers planning and execution of the gauge conversion project.

3. Highlights

- The project was sanctioned in April 1992, without adequate financial justification.

  [Paragraph No.5 (i)]

- Poor contract management resulted in extra expenditure of Rs.1.16 crores and Rs.9.63 lakhs in procurement of ballast and cables respectively.

  [Paragraph No.6 (i) (a) & (b) and (iv)]

- There was indiscriminate purchase of various items of tools, plants and consumable stores (under the category of direct supply) worth Rs.87.79 lakhs, even though no provision for the same existed in the estimates and the contracts.

[Paragraph No.6 (iii)]

- As per the estimates, credits for released material were likely to be Rs.13.66 crores. However released material account has not been prepared. Consequently, the project is attracting higher dividend liability. Details of preferment of departmental claims of Rs.59.77 lakhs in respect of missing stores were not available.

[Paragraph No.7 (i) & (ii)]

- Rs.70.97 lakhs spent in construction of a private siding have not been realised from the party.

[Paragraph No.8 (i)]

- The section was opened in March 1995, but yet to be taken over by the Open Line Organisation. The result is continued inclusion of revenue expenditure in the capital cost of the project.

[Paragraph No.8 (ii)]

4. Objectives

One of the considerations for conversion of this section into a BG line was that the contiguous lines of Eastern Railway were BG lines which posed difficulties on account of transhipment. Since this route served Nepal, it was also held that the conversion would provide better transport infrastructure. Besides, the conversion was expected to accelerate socio-economic development of North Bihar. This aspect, in the absence of concrete data, was not susceptible to verification by Audit.

5. Poor Financial Management

(i) Financial justification

In 1964, conversion of Samastipur - Raxaul section via Muzaffarpur was found financially unviable. The second appraisal conducted in 1981 indicated the rate of return to be 0.7 per cent only. At that time, the Associated Finance considered that the proposal was not operationally necessary. The third financial appraisal of March 1990 revealed that the rate of return was 6.04 per cent only, against the viability criterion of 10 per cent fixed by the Railway Board. This estimated rate of return was computed by taking into account the projected traffic of a paper mill proposed to be set up at Kumarbagh. However the paper mill which was proposed in February 1982 has not materialised so far (December 1996).

Further studies conducted in September 1990 indicated that the project was still financially not remunerative, the returns being only 7.59 and 7.30 per cent with M+4 and M+7 sleeper densities respectively. After taking into account the projected traffic of Kumarbagh paper mill, the returns worked out to 10.34 and 10.14 per cent respectively. Still, the Financial Advisor and Chief Accounts Officer (FA&CAO) (Construction) observed that the project was not financially viable and that the coming up of Kumarbagh paper mill was not definite. He further added that many points brought out in the appraisal were not susceptible of verification in Finance.

The fifth study was conducted in June 1991 with reference to (i) BG doubling between Barauni - Samastipur - Muzaffarpur and (ii) gauge conversion project between Muzaffarpur - Gorakhpur via Sagauli - Valmikinagar Road and between Sagauli and Raxaul. After combining the earnings of the above two projects and that of the Kumarbagh paper mill, the rate of return worked out to 15.65 per cent.

However in the sixth appraisal undertaken by the Railway Administration in May 1994 after giving effect to the material modifications and upgradation of track structure and of signalling specifications (Standard II), the rate of return worked out to only 7.91 per cent. The Railway Administration improved the estimated return to 9.76 per cent in their appraisal of 27 May 1994 by including the anticipated traffic from the Kumarbagh paper mill and provision for Standard III interlocking.

In July 1994, the Railway Administration projected a return of 18 per cent based on the projected containerised and general goods traffic as indicated in the report prepared by the Rail India Technical and Economic Services Limited (RITES) in connection with construction of Nepal Government's rail link between Birganj (in Nepal) and Raxaul. Here again the projected traffic of the Kumarbagh paper mill was taken into account. However, in 1981 itself FA&CAO had stated that in-flow of traffic to Nepal via this route might not materialise as a result of opening of another viable road route to Kathmandu via Butwal which was more economical. The General Manager had also observed that gauge conversion of the section was neither operationally required nor was expected to be of any operational advantage later. No concrete step has been taken so far (December 1996) to construct the rail-link and rail-cum-road terminal in connection with linking of Raxaul and Birganj. Further, as stated earlier, the Kumarbagh paper mill never materialised. Consequently, the test of remunerativeness accepted to justify the project financially was not convincing. The project was sanctioned in April 1992 without consideration of its financial justification independently.

(ii) Financial performance

In 1992, the Board directed that the cost of conversion was to be kept low within Rs.50-Rs.60 lakhs per km. However, the average cost of conversion on this project worked out to Rs.80.30 lakhs per km. The original estimate was sanctioned in April 1992 for Rs.75.09 crores with CST-9 sleepers and Standard I signalling. However, on consideration of the estimated increase of Gross Metric Tonne (GMT) on the lines, the track structure was changed to PSC sleepers and Multiple Aspect Colour Light (MACL) signalling resulting in material modification, enhancing the cost to Rs.98.20 crores which was sanctioned by the Board in July 1994. The actual expenditure of Rs.104.34 crores at the end of 1995-96 exceeded the modified estimate by Rs.6.14 crores which has not been regularised (August 1996).

Further, the actual expenditure of Rs.5.41 crores and Rs.71.74 crores was in excess of the budget allotments by Rs.4.41 crores and Rs.22.14 crores during 1992-93 and 1994-95 respectively.

Though the converted section was opened to traffic in March 1995, the Railway Administration has not prepared the completion estimate so far (May 1996).

6. Poor Contract Management

(i) Extra expenditure on procurement of ballast

(a) The work of conversion of Muzaffarpur - Raxaul section was originally sanctioned in April 1992 with 200 mm ballast cushioning. Consequent to change in track structure, the ballast cushioning was increased to 250 mm in July 1994 through material modification. After taking note of the quantity of 0.65 lakh cums ballast available after deep screening, the total quantity of ballast required was computed as 2.43 lakhs cums which was further increased to 2.48 lakhs cums. However, the Railway Administration entered into 12 contracts in September 1992 (11 contracts) and January 1993 (1 contract) for supply of 70,000 cums of ballast at the rate of Rs.185 per cum. Subsequently, supplementary contracts were executed with the same 12 original contractors between June 1994 and February 1995 for supply of additional quantity of 1.65 lakhs cums of ballast at the higher rate of Rs.195 per cum. Thus failure to envisage correct track structure and incorrect estimate of ballast requirements resulted in extra expenditure of Rs.16.26 lakhs towards procurement of 1.63 lakhs cums additional quantity of ballast actually procured.

(b) Against the total revised requirement of ballast (2.48 lakhs cums), the Railway Administration procured 2.71 lakhs cums. While 2.33 lakhs cums of ballast was procured by rail transport at Railway Material Consignment (RMC) rates (ballast cost Rs.185/ 195 per cum + RMC freight Rs.93.58 per cum), the balance 37,236 cums were procured by road transport at the cost of Rs.508 per cum (30,016 cums) and Rs.757.68 per cum (7,220 cums). The road transport of ballast was not accepted by the Associated Finance, since the practice was against the norms of the Railways.

Procurement of 37,236 cums of ballast by road transport at higher rates resulted in extra expenditure of Rs.99.73 lakhs. Of this, about 22,000 cums of ballast worth Rs.129.73 lakhs was procured in excess of requirement. Reasons for (a) road transport, (b) basis for the supply rates adopted and (c) difference in procurement rates were not forthcoming from the records made available to Audit.

(ii) Exorbitant increase in cost of carriage and laying of PSC sleepers

Rate analysis enclosed with the sanctioned estimate provided for the expenditure of Rs.39.46 lakhs on carriage and laying of PSC sleepers. However, the payments made to the contractors for this work worked out to Rs.1.92 crores, as of June 1996. Thus, the actual cost on the work amounted to Rs.1.48 lakhs per km. against the estimated cost of Rs.0.30 lakh per km. Though the increase in cost was Rs.1.52 crores (486 per cent), reasons for the same were not investigated by the Railway Administration.

(iii) Injudicious procurement of stores

The Railway Administration resorted to indiscriminate purchase of various items (direct supply of stores) worth Rs.87.79 lakhs and charged the project cost accordingly. Incidentally, the original sanctioned estimate did not make any provision for tools, plants and consumable stores. Further, in the contracts also, a condition was made that the contractors should make their own arrangements for the above items. The Deputy Chief Engineer (Construction), Samastipur justified (January 1997) the procurement of these items for some departmental works and for maintaining the line departmentally after conversion. He further claimed that assessment of requirement for these items was made carefully, even though no documents except DS-2 was available. The contention was not tenable for the reasons stated earlier. The converted line was required to be handed over to Open Line Organisation within 60 days of its commissioning. Further, most of the items were procured through three traders only, after disregarding the available stock, resorting to splitting of orders and without proper rate analysis. Substantial quantity of these items remained unutilised.

(iv) Procurement of signalling power cables at higher rates

Consequent to material modification related to signalling, the Railway Administration decided to get the two varieties of cables required through special limited tenders, on the ground of meeting the target date of completion by the end of December 1994. Two local tenders were invited and the offer of one of them was accepted in September 1994 at the rates of Rs. 1 lakh and Rs.1.5 lakhs per km. respectively. The Tender Committee found the rates acceptable since these were either on par with the previous accepted rates or the increase was considered reasonable due to increase in price of copper. However, these cables were available in the market at the rate of Rs.0.82 lakh and Rs.0.91 lakh per km. and were procured as such by the Railway Administration in April and November 1995. Failure to obtain competitive offers resulted in extra expenditure of Rs.9.63 lakhs.

7. Poor Stores Management

(i) Non-released materials

As per the revised sanctioned estimate, credits for the released materials were estimated at Rs.13.66 crores. Although the new line was opened in March 1995, the released material account has not been prepared so far (June 1996). Consequently, the project continued to attract higher dividend liability.

(ii) Non-settlement of Departmental claims

In 28 cases, materials such as rails, sleepers, ballast and hydraulic track lifting-cum-slewing devices, worth Rs.59.77 lakhs, were despatched by a firm, but were either not received or short-received by the Railway consignees between February 1994 and December 1995. Details of formal claims lodged with the Chief Commercial Manager were not forthcoming.

8. Poor Project Management

(i) Non-recovery of siding cost

Deposit works in respect of public sector undertakings could be undertaken by the Railways after receipt of initial cash deposit of 20 per cent of the estimated cost, subject to the minimum of Rs.3 lakhs, as a revolving fund to be replenished regularly at two weeks notice. In case of delay or default in payment, the concession of periodical deposit should be withdrawn by the Railway Administration and the full cost should be obtained as deposit.

The Railway Administration constructed a private siding in March 1995 for M/s. Bharat Wagon and Engineering Company Limited (BWEL) at Muzaffarpur at the estimated cost of Rs.70.97 lakhs. However, neither the estimate for the work has been got accepted, nor was the cost deposited by BWEL so far (May 1996). The party has started using the siding.

(ii) Non-handing over of the section

Rules envisage that after commissioning of a project, the section should be taken over by the Open Line Organisation from the Construction Organisation within 60 days. Though the section was opened in March 1995, it has not been taken over by the Open Line Organisation so far (September 1996). Debits for maintenance after opening of the line have not been raised against the Open Line Organisation till December 1996. This has burdened the project cost with maintenance expenses. Since the Railway Administration did not account the maintenance expenditure separately, this practice leads to avoidable dividend liability.

The matter was referred to the Railway Administration and the Board in August 1996 and January 1997 respectively; reply has not been received (February 1997)

3.1.2 Eastern Railway: Construction of double line fly-over between Palsit and Saktigarh

1. Introduction

As a part of the overall scheme of augmentation of running capacity in Khana - Saktigarh section of Eastern Railway, re-modelling of Barddhaman Yard and ancillary work (Phase I) was allowed to be taken up on urgency certificate in July 1987 by the Railway Board for which Rs.77 lakhs were allotted. The work comprised:-

(a) provision of a double line fly-over between Palsit and Saktigarh; and,

(b) extension of down passing siding at Saktigarh station.

The work was undertaken with a view to eliminate the existing surface crossing of main line (up) and Howrah - Barddhaman chord line (down) and thereby generate additional line capacity in Barddhaman - Saktigarh section, in order to cope up with the existing as well as future traffic requirements. The work was originally scheduled to be completed within a period of five years, i.e. by 31 March 1992. However, the detailed estimate in respect of the work was sanctioned by the Board for Rs.22.58 crores only in July 1991 i.e., 4 years after sanction of the work on urgency certificate. Non-completion of the work even as of August 1996 has led to the entire investment of Rs.26.45 crores made upto March 1996 remaining unfruitful.

2. Scope

The review covers planning and execution of the fly-over during the period upto 31 March 1996.

3. Highlights

- Sanction of the project under urgency certificate was not justified.

  [Paragraph No.4 (i)]

- There were 13 major deviations from the sanctioned detailed estimate due to planning lacuna; the financial implication thereof was Rs.7.72 crores.

  [Paragraph No.4 (iii)]

- There were substantial irregularities in accounting/ estimation leading to net under-statement of the project expenditure by Rs.1.99 crores.

  [Paragraph No.4 (iv)]

- Extending the length of the viaduct by 813 metres led to avoidable extra expenditure of Rs.7.69 crores. Reasons quoted in support of doing so were not clearly established as per field conditions.

[Paragraph No.5 (i)]

- Delay in construction of the support structure for the girder spans in the first place and thereafter in the procurement of the spans affected the project completion.

[Paragraph No.5 (ii)]

- There was fraudulent excess payment in respect of earth work aggregating Rs.59.60 lakhs due to wrong recording of quantity in the compaction quality control register. Besides, the resultant litigation impeded progress of the work.

[Paragraph No.6 (i)]

- Contract management was poor. Load testing of the piles, abutments and girder spans was not undertaken during construction.

[Paragraph No.6 (ii)]

- In respect of 3 items alone, stores were procured in excess to the extent of Rs.8.35 crores.

(Paragraph No.7)

4. Financial Management

(i) Urgency Certificate not justified

Rules provide that only the following works could be sanctioned under `Urgency Certificate':

(a) Works which were considered to be necessary to safeguard life or property or to repair the damage to the line caused by flood, accident or other unforeseen contingency, so as to restore or maintain through communication.

(b) Works considered urgent but not falling within (a) as for instance, works required to meet the immediate needs to traffic.

Though the work was sanctioned in July 1987, the main work of fly-over was started only in February 1990, which indicated that there was no urgency in the work. Further, as of June 1996, only the RCC viaduct and 50 per cent of earth work had been completed. The works of bridges, station building and two other service buildings, 7.45 kms. permanent way works, signal and telecommunication works, electrical works including traction distribution were not even started (July 1996), even though the last revised date for completion of the entire project was March 1995.

(ii) Expenditure without sanction

Rules provide that excess expenditure upto only 25 per cent over the original estimated cost could be regularised by the General Manager without the need for revised estimates; in other cases, previous sanction of the Board was necessary. However against the sanction of Rs.22.58 crores accorded in respect of the detailed estimate, the aggregate expenditure was Rs.26.45 crores as of March 1996. The excess expenditure (Rs.3.87 crores) was to the extent of 15 per cent. In addition, further works worth Rs.14.30 crores were yet to be taken up. In December 1994, the Railway Administration submitted the revised estimate for Rs.32 crores which was yet to be sanctioned by the Board (August 1996).

(iii) Major deviations from sanctioned estimate

Four major new items of work involving substantial expenditure of Rs.1.36 crores were included in the revised estimate in December 1994, after submission of the detailed estimate in December 1989. These included cement concrete toe wall (Rs.79.20 lakhs), major bridge over a gas line (Rs.25.80 lakhs), staff quarters - types I and II (Rs.18.03 lakhs) and construction of bridge no.167A (Rs.12.96 lakhs).

On the other hand, the revised estimate included proposals for deletion of three major works at the aggregate cost of Rs.1.17 crores. These works were new bridge no.2 (Rs.66.70 lakhs), high level platform wall (Rs.40.94 lakhs) and earth work for nullah cutting (Rs.9.71 lakhs).

In six items alone, quantity over-run was to the extent of Rs.5.19 crores in the revised estimate. These included viaduct (Rs.2.33 crores), central fly-over (Rs.1.23 crores), retaining wall (Rs.1.18 crores), earth work (Rs.21.50 lakhs), diversion of GT road (Rs.12.24 lakhs) and extension of bridge no.188 (Rs.11.14 lakhs).

Since the detailed estimate was required to be prepared after requisite survey, these major deviations from the sanctioned plan and the detailed estimate were indicative of inadequate survey and planning of the project. During the survey, the Railway Administration did not take into account even such obvious factors as presence of a nullah and gas pipe line in the vicinity of the alignment.

Though the Board had sanctioned the detailed estimate in July 1991 after deletion and reduction of the scope of some items of work, the Railway Administration retained some of these in the revised estimate without justification and in violation of the Board's instructions and disregarding the observations of the Associated Finance. Deviations in respect of these items were explained in the revised estimate as 'excess due to inclusion of items'. The items thus included injudiciously in the revised estimate were fencing (Rs.4.55 lakhs), permanent way and ballast (Rs.3.76 lakhs) and other than permanent way and ballast (Rs.44.27 lakhs). In respect of the last two items, the Railway Administration had incurred expenditure, even before approval of these items by the Board.

(iv) Irregular accounting

Expenditure amounting to Rs.43.72 lakhs incurred on this work was irregularly debited to other works. This related to contractor payments (Rs.27.13 lakhs) and payment of salaries and allowances (Rs.16.59 lakhs). On the other hand, expenditure of Rs.1.52 crores pertaining to other works was irregularly booked to this work. This related to (i) cost of stores adjusted without actual issue and transfer of stores

(Rs.56.73 lakhs), (ii) debits which were not identifiable with the fly-over work (Rs.18.05 lakhs), (iii) expenditure which was not debitable to this project (Rs.59.51 lakhs), and (iv) salaries and allowances of other units (Rs.17.64 lakhs).

Further, credits amounting to Rs.2.82 crores were irregularly afforded to this work. These related to (i) cost of materials not identifiable with this work (Rs.11.85 lakhs) and (ii) cost of sleepers and fastenings (Rs.2.71 crores).

In the revised estimate of December 1994, the Railway Administration adopted the rate of Rs.0.99 lakh per metre for 140 metres of additional length of viaduct instead of Rs.1.17 lakhs per metre with reference to the actual cost of the viaduct. This error resulted in under-estimation of the project cost by Rs.25.20 lakhs in respect of this item alone.

5. Project Management

(i) Extra expenditure due to extending the length of viaduct

The final works programme estimate of September 1986, prepared after a survey, provided for 330 metres of RCC viaduct and PSC girders on RCC piles against the total length of the fly-over of 3650 metres. However the length of viaduct was increased to 1050 and 1283 metres in the detailed estimate of December 1989 and the revised estimate of December 1994 respectively. The actual executed length was 1143 metres which resulted in cost escalation of Rs.7.69 crores, after adjusting the saving of Rs.1.83 crores in earth work.

The Railway Administration provided the RCC viaduct instead of earthen embankment on the grounds (i) to avoid acquisition of more paddy fields, (ii) the area being densely populated and (iii) high cost of land. However, no saving in the land area of 17.10 hectares of paddy land, which was initially required to construct 330 metres of viaduct, could be achieved after increasing the length of viaduct and reducing the length of earthen embankment. On the other hand, 4.66 acres of additional land was proposed for acquisition in 1993. Further, the land was not densely populated since it mainly comprised paddy land, vested land and PWD land, homestead comprised 0.80 hectare of land. Also the cost of the land acquired in 1992 was Rs.9015 per acre which was not high. Furthermore, in respect of Khana fly-over in connection with doubling of Khana - Jhapterdhal Phase I project (which was a part of the overall scheme and was in the adjacent area) sanctioned in June 1994, there was no provision for RCC viaduct and the entire fly-over was being constructed with earthen embankment, after acquiring 20.08 hectares of paddy land.

(ii) Avoidable delay in construction

The original proposal of the work was for a single line fly-over. In November 1986, the Railway Administration decided to construct a double line fly-over. However, the detailed estimate of December 1989 did not include the cost of the second span. Still, supply order for two spans was placed on Manmad Workshop, Central Railway in August 1988. The mistake was corrected in the revised estimate of December 1994.

Though the girders were received in parts between February 1991 and March 1992, these could not be used since the contract for RCC embankments, the support structure for the girders, was placed in December 1992 only and the work was completed in April/ June 1995, against the estimated completion period of April 1994. Therefore the Railway Administration diverted the girders for a similar work at New Farakka. It was only in July and November 1995 that two orders for supply of the girders were placed on Manmad Workshop and a public sector undertaking in Calcutta respectively. While the period of eighteen months had been specified for supply of the girder by the public sector firm, no time limit was prescribed in respect of supply by Manmad Workshop. Thus delay in construction of the support structure and in the procurement of the girder spans affected the project completion.

The estimated lead time of construction of support structure as well as for manufacture and erection of 76.2 metres girder spans in central fly-over was 18 months. As stated earlier, the girders were first ordered in August, 1988, but the orders for construction of RCC support structures were placed in August and December 1992 only. Thus the Railway Administration failed to synchronise both the items of works suitably.

6. Contract Management

(i) Fraudulent excess payment

The earth work portion of the fly-over was divided into three sections namely A, B and C. All the three sections were awarded to a firm at the cost of Rs.2.82 crores. While section C was to be started in February 1992 and completed in October 1992, the other two were to begin in July 1992 and be completed in September 1993.

In June 1993, the Assistant Engineer in charge, who had taken charge in May 1993, reported serious irregularities in recording of quantity in the compaction quality control register of sections A and B. He also reported that records relating to section C were not handed over to him, but the compaction quality control register was found in the contractor's tent.

The irregularities included (a) recording of higher layers (levels) of earth work in the compaction quality control register than the layers actually executed and (b) lapses in proper maintenance of level books. The irregularities led to fraudulent excess payment to the contractor. The excess payment was Rs.48.25 lakhs and Rs.59.60 lakhs as worked out by the Associated Finance and Audit respectively. In addition, stores worth Rs.8.23 lakhs drawn by the firm were not returned to the Railway Administration though these were not utilised by the firm for railway work.

The matter was taken up by the Vigilance Department in June 1993 and investigation was in progress. The contract was rescinded by the Chief Engineer in February 1994 but the contractor had gone to court. Since the çase was to be finally decided, the work remains incomplete since March 1993.

(ii) Load testing not done

The terms of construction of viaducts provided for load testing of piles, abutments and PSC girder spans constituting the viaduct stage by stage. The two contractors for viaducts no.1 to 4 did not conduct the load tests. The Deputy Chief Engineer accepted the mistake of not getting these tests done. Subsequently, the contractors did not agree to have static non-destructive load tests done on the girder spans. Though the contractors were not paid Rs.6.5 lakhs provided in the agreements for load testing, the Railway Administration floated in December 1995 a risk and cost tender for static load testing. However, load testing of completed piles was not possible.

7. Stores Management

Excess procurement of stores

In respect of three items alone, cost of the stores procured exceeded the amount provided in the revised estimate by Rs.8.35 crores as under:

(Rupees in lakhs)

Sl. No.	Item	OE	RE	Actual	Excess over RE
1.	Rails and Fastenings	91.88	152.95	647.41	494.46
2.	Stone ballast	20.40	44.10	149.80	105.70
3.	Points and Crossings	12.89	10.15	244.88	234.73
	Total	125.17	207.20	1042.09	834.89

The excess procurement mostly related to the period prior to June 1991 when the work was under the supervision of Deputy Chief Engineer (Construction), Asansol. Though the work was transferred to the control of the Chief Engineer, Howrah since June 1991, the stores procured by Asansol division were not transferred to the works-site at Saktigarh or works stores at Barddhaman.

8. Other Points

(i) Over-charging of establishment cost

Against the provision of Rs.1.39 crores in the estimate, the establishment charges booked were Rs.2.14 crores as of March 1996 and came to 11.06 per cent which was above the prescribed limit of 7.2 per cent. This was due to prolonged construction period as a result of delay in tendering and execution of work. Though the Budget provisions were sanctioned during 1987-88 to 1989-90, the construction work of the fly-over started only in February 1990, i.e. 31 months after the sanction.

(ii) Delay in execution of deposit work

In February 1994, the Railway Administration deposited Rs.33.80 lakhs with Damodar Valley Corporation (DVC) for shifting of a high tension transmission line at the location of the fly-over. But the work had not been executed (June 1996), although it was due to be completed within six months of remittance of money. The matter was not pursued effectively with the DVC who were not reminded after May 1995.

(iii) Extra claim by the contractor

Due to non-availability of the required quantity of reinforcement steel and cement during December 1993 to March 1994, there was delay in supply of these materials by the Railway Administration; consequently, one of the contractors for construction of the viaducts claimed Rs.6.80 lakhs for idle labour and establishment charges for four months. The claim was yet to be settled (June 1996).

The matter was brought to the notice of Railway Administration and the Board in August 1996 and January 1997 respectively; reply has not been received (February 1997).

3.1.3 Northern, Northeast: Frontier, Southern and South Central Railways — Construction and maintenance of Road Over/ Under Bridges

1. Introduction

In discharge of the statutory obligations under Sections 16 to 19 of the Indian Railways Act 1989, the Indian Railways provide Level Crossings (LC) or Road Over Bridges (ROB)/ Road Under Bridges (RUB), in consultation with the State Governments. For construction of ROB/ RUB on cost sharing basis, the Railway Board has prescribed a minimum criterion of 1 lakh Train Vehicle Units (TVU) per day which is a multiplied figure of the number of trains and number of road vehicles passing the LC per day. This traffic density condition is relaxed in the following cases only:

(a) suburban sections with high frequency of train services; and,

(b) near stations where detentions to road traffic are high due to railway operations.

2. Scope

This review covers matters related to construction and maintenance of ROB/ RUB by Southern and South Central Railways during the period between 1991-92 and 1995-96. Besides, it highlights non-recovery of maintenance charges in respect of ROB/ RUB upto the period 1995-96 in Northern and Northeast Frontier Railways.

3. Background

During 1991-92 to 1995-96, in Southern Railway construction of 12 bridges was completed and 34 bridges were under construction as of March/ October 1996. The details are given below:

(Rupees in lakhs)

Sl. No.	Category	No. of Bridges	Railway's share	Non-Railway Share	Total sanctioned cost	Actuals *
1.	Railway's Account	9	1491.20	NIL	1491.20	738.61
2.	Cost sharing	22	2981.42	5460.25	8441.67	1877.47
3.	Deposit Account	15	NIL	2155.24	2155.24	1078.31
	Total	46	4472.62	7615.49	12088.11	3694.39

(* October 1996)

In South Central Railway, 37 bridges were completed/ under construction during 1992-93 to 1995-96. The details are given below:

(Rupees in lakhs)

Sl. No.	Category	No. of Bridges	Railway's share	Non-Railway Share	Total sanctioned cost	Actuals *
1.	Railway's Account	2	79.88	Nil	79.88	122.99
2.	Cost sharing	30	4759.01	6294.66	11053.67	1670.56
3.	Deposit Account	5	Nil	241.97	241.97	190.86
	Total	37	4838.89	6536.63	11375.52	1984.41

(* October 1996)

4. Highlights

- Poor management resulted in surrender of Rs.2.14 crores (about 30 per cent of the budget) earmarked for construction of bridges in South Central Railway during 1991-92 to 1994-95.

(Paragraph No.5)

- Southern and South Central Railways injudiciously constructed four bridges at the Railways' cost aggregating Rs.5.64 crores.

(Paragraph No.7)

- Deviation from the stipulated cost sharing methodology in construction of bridges resulted in extra/ avoidable expenditure of Rs.10.86 crores in respect of 10 bridges in Southern and South Central Railways.

(Paragraph No.8)

- Defective planning resulted in avoidable/ extra expenditure of Rs.2.24 crores, as also cost and time overrun in respect of 2 bridges in Southern and South Central Railways.

(Paragraph No.9)

- There was avoidable expenditure of Rs.61.38 lakhs in 3 cases in Southern and South Central Railways due to lapses in project implementation.

(Paragraph No.10)

- In respect of 8 bridges in Southern and South Central Railways,.there was idle investment of Rs.4.27 crores due to non-completion of the approaches, even after construction of the bridges.

(Paragraph No.11)

- In 6 instances, Southern and South Central Railways did not ensure closure of level crossings immediately after construction of the bridges and also did not obtain refund of Rs.6.92 crores being the construction cost of Railways' share in respect of the bridges proper and approaches. Besides in 12 cases, Northeast Frontier, Southern and South Central Railways did not realise Rs.37.37 lakhs towards maintenance charges of the level crossings not closed.

(Paragraph No.12)

- Northern, Northeast Frontier, Southern and South Central Railways did not realise maintenance charges aggregating Rs.3.01 crores in respect of 70 bridges.

(Paragraph No.13)

5. Financial Management

Funds required to meet the Railway's share of expenditure till 1993-94 were provided from the Accident Compensation, Safety and Passenger Amenities Fund (ACSPF). From 1994-95 onwards, such expenditure is being charged to the Development Fund.

In South Central Railway, funds earmarked for construction of ROB/ RUB could not be put to use and were surrendered to the extent of Rs.2.14 crores during 1991-92 to 1994-95 due to non-commencement of work of 9 new ROBs and slow progress in respect of other bridges. The unutilised amount represented 30 per cent of the total Budget grant of Rs.7.22 crores earmarked for the purpose.

6. Project Management

As of March 1996, 19 bridge works were to be taken up for construction in South Central Railway. Of these, work in respect of 16 bridges was not commenced at all, even though the stipulated period of completion was 18 months. Of these, ten bridges were programmed for construction between 1987-88 and 1994-95 and as such the delay in non-commencement ranged between 12 and 84 months. Construction work in respect of six bridges programmed during 1995-96 has also not been commenced.

The remaining three bridges which were programmed during 1990-91 and 1991-92 were in progress as of March 1996. However, the progress achieved in respect of these bridges was only between 35 and 75 per cent.

7. Unjustified bridges on Railways' cost

Under the provisions of the Railways Act, it is not obligatory for the Railways to provide ROB/ RUB. It is enough if the Railways have provided LC and maintained it. Anything more than a LC needs be done only when the State Government or the local authority places a requisition. Also, for the purpose of construction of a bridge on cost sharing basis, there should be a minimum traffic density of 1 lakh TVU per day. Contrary to the extant provisions and without adequate justification, Southern and South Central Railway Administrations undertook construction of four bridges at the Railways' cost aggregating Rs.5.64 crores as under:

Southern

(i) In February 1995, the Railway Administration proposed conversion of level crossing no.12 near Yelahanka into a ROB at the estimated cost of Rs.12 crores. The bridge was mainly justified by heavy detentions to road traffic at the LC. The TVU was estimated to be 1.34 lakhs.

In February 1995, Chief Engineer, National Highway, Bangalore, however, refused to share the cost of the bridge. Subsequently, the Railway Administration proposed to construct a RUB instead of ROB on consideration of cost. In June 1995, Member (Engineering) changed the design from 2 to 4 lanes at the extra cost of Rs.95 lakhs, to meet the future traffic requirements. In September 1995, construction of a 4 lane RUB was approved by the Competent Authority at the cost of Rs.4.09 crores, as one time exception not to be quoted as a precedent in future.

Since justification for the RUB was primarily road traffic, embarking upon the project by the Railways suo moto was injudicious.

(ii) As a part of Bangalore City - Mysore gauge conversion project, contracts for two ROBs were awarded in August 1988 on detour no.9. While one ROB was in lieu of LC no.83, the other was in lieu of an arch bridge and also LC no.82. Though the second ROB had taken care of the requirements of LC no.82, the Railway Administration awarded in February 1995 the work of construction of a third ROB specifically in lieu of LC no.82 at the cost of Rs.31.50 lakhs, .on the orders of the

Competent Authority. Since the traffic density at the location of the bridge worked out to be only 5080 against the minimum requirement of 1 lakh TVU, the construction of the third bridge was not justified. Expenditure of Rs.9.46 lakhs has been incurred on this work so far (June 1996).

South Central

(iii) The survey report of the work 'Doubling of track between Vikarabad and Godamgura' provided for two unmanned LC gates at chainage nos. 3120 and 5008 at the cost of Rs.1.88 lakhs. Due to existence of curves and cuttings, Chief Engineer (Construction) (CE-C) decided for two manned LC. During execution of the earth work in December 1989, it was noticed that the provision of LC was not feasible as the track ran in deep cutting. Therefore, diversion of the existing road alongside rail track alignment was proposed, being the best and cheaper option.

In November 1990, the State Government agreed to this proposal at the cost of Rs.18.60 lakhs including the cost of acquisition of land. However, CE(C) during his inspection on 28 May 1991 decided in favour of LC since diversion of road was time consuming. In February 1992, the State Government concurred with the proposal. However, the Railway Administration again preferred (February 1992) diversion of the road on grounds of safety and high recurring expenditure involved in manning the LC. In March 1993, the State Government intimated that diversion of road would take about 12 months after acquisition of land.

Thereafter, in June 1993 the Railway Administration treated diversion of the road as a difficult proposition and decided in favour of ROB. However, the Railway Administration disregarded the fact that the traffic density was 2244 TVU only. The proposal for ROB had not emanated from the State Government, nor did they agree to share the cost. Further in July 1993, the Deputy CE proposed ROB at chainage no. 3120 only, with diversion of road at chainage no. 5008, in view of heavy expenditure. However, the Railway Administration constructed two bridges at the two locations at the cost of Rs.1.23 crores. Prior approval of the Board, though required, was not obtained.

In February 1994, the Railway Administration sought the approval of the Board for the bridges claiming them as material modifications to the doubling project. The Board pointed out in September 1995 that the Railway Administration had contravened all the rules in construction of these two bridges. Approval of the Board for construction of the bridges is awaited. Thus construction of 2 ROBs at the cost of Rs.1.23 crores is irregular.

8. Shortcomings in cost sharing arrangements

In December 1989, the Board had consolidated the important aspects of the extant policy and instructions on LC and bridges which, inter alia, specified the cost sharing methodology to be adopted in construction of bridges at the instance of the sponsoring authorities. However deviations from the stipulated provisions resulted in extra, avoidable expenditure of Rs.10.86 crores in Southern and South Central Railways in respect of 10 bridges as under:

Southern

(i) Based on legal opinion, the Board had held earlier in December 1966 that the Railways were under no obligation to provide any accommodation works at the Railway's cost unless an adjoining owner/ occupier had come into the field earlier than the date of commencement of railway construction. In February 1973, the National Highway Authorities initiated a proposal to construct one ROB to link the Wellington Island in Kerala with the proposed National Highway by-pass crossing Ernakulam - Alleppey (ERS-ALLP) new Broad Gauge (BG) line. Railway's share of the project cost was worked out to be Rs.3.76 crores.

However, the traffic survey for the ERS-ALLP line had been completed in September 1971 itself, whereas the proposal for link road was mooted in February 1973. While the link road alignment was approved by the Ministry of Surface

Transport (MOST) only in February 1981, the BG line project work was taken up by the Railways in 1979. Further, the link road was declared as National Highway in 1986 only. Hence, sharing of the cost by the Railway Administration was unwarranted.

Though the Associated Finance had brought out these aspects, the Board approved the work in May 1993 on cost-sharing basis as a special case, not to be quoted as a precedent in future. Thus, bearing the cost of Rs.3.76 crores was not justified.

(ii) Bangalore - Madras National Highway no.4 crosses the railway line near Krishnarajpuram. A conventional ROB at this location in replacement of the existing ROB was proposed in April 1977 by the National Highway Authorities on deposit terms in view of bad road alignment. However, in August 1993 it was decided in the Inter-Ministerial meeting to construct 180 metres long cable stay bridge. The difference in the cost of the conventional bridge and cable stay bridge was Rs.7.09 crores which was to be equally shared (Rs.2.36 crores) by the Railways, Government of Karnataka and MOST. This proposal was approved by the Board in February 1994, since the cable stay bridge was considered beneficial to the Railways. Firstly, the space available below the bridge and the viaducts would be commercially used; secondly, the bridge would provide a column free large area for unrestricted expansion of the railway track; thirdly, it would provide an aesthetically beautiful monument; and lastly, it would help in imbibing a new technology.

However, Krishnarajpuram yard had little scope for improvement in terms of lengthening, widening and regrading, as both ends were confined by very steep falling gradients and sharp approach curves. Further, MOST claimed that the benefits of commercial exploitation should accrue only to them since a major portion of the project cost (Rs.37.23 crores) was to be borne by them. Thus, the Railway Administration did not obtain the benefits of cost-sharing, though the liability was accepted on the assured benefits to the Railways.

Besides, departmental charges amounting to Rs.2.49 crores was also waived by the Railway Administration on the ground of mastering a new technology.

(iii) In August 1993, the Board approved reconstruction of an existing ROB near Bidadi station at the cost of Rs.47.51 lakhs, on out of turn basis. The work was justified on the ground of sharp curve on the road approaches. As per the revised estimate, the Railway's share amounted to Rs.63.67 lakhs.

Decision to reconstruct the bridge was not justified because in May 1992 the Railway Administration had stated that the ROB was in sound condition and there was no need for its dismantling and reconstruction. Also, the revised estimate sanctioned in February 1991 for Bangalore - Mysore conversion project did not envisage reconstruction of this bridge. As the reconstruction of ROB was not necessary either on condition basis or with reference to BG standards, the expenditure of Rs.63.67 lakhs by the Railways was unwarranted.

(iv) As a part of the Karur - Dindigul - Maniyachchi - Tuticorin (KDMT) project, construction of a ROB across Palani Road between Ambathurai and Kodaikanal Road station had been taken up in July 1992 by the Railway Administration. The approved plan provided for 30 metres level at bridge portion with 15 metres on either side. During execution, the level portion was increased to 40 metres at the instance of National Highway Authorities. Consequently, the contract value increased by Rs.9.32 lakhs. As the changes were made at the instance of National Highway Authorities, increase in the cost was chargeable to them, but the cost was borne by the Railways.

(v) As a part of Karur - Dindigul - Maniyachchi - Tuticorin BG project, the Railway Administration had built one RUB in Madurai city and the same was ready for opening in January 1993. The work involved widening of the existing width of RUB from 20 to 39.36 feet. As per extant rules, the Railway Administration was liable to share the cost only for the width of 24 feet. As against the estimated cost of

Rs.80.06 lakhs, the Railway Administration has spent Rs.85.33 lakhs so far (May 1996). Additional expenditure of Rs.33.30 lakhs (as assessed in audit) in respect of extra width of 15.36 feet provided had not been recovered from Madurai Corporation even after more than three years, though in January 1990 the Corporation had agreed to share the cost of widening the bridge. The Railway Administration had not even assessed the share of the Corporation.

(vi) The work of ROB at Coimbatore North station in lieu of a LC was included in the Annual Works Programme for 1986-87 with Railway's share of cost at Rs.56.78 lakhs and that of National Highways Rs.1.59 crores. This bridge was one of the projects carried out by Tamil Nadu Urban Development Project (TNUDP), who was responsible for finalisation of road approaches. To suit the demands of TNUDP for a 15 metres roadway instead of 7.5 metres roadway in the original plan, the cost of ROB was further revised to Rs.2.88 crores from the original cost of Rs.2.15 crores with an increase in Railway's share of cost from Rs.56.78 lakhs for the original width of 7.5 metres to Rs.121.60 lakhs and that of TNUDP's share to Rs.1.67 crores. Since expansion of the roadway was to meet the requirements of the Road Authority as also the delay in taking up the work was due to the delay in finalising the roadway plan by TNUDP, bearing the additional cost of Rs.64.82 lakhs by the Railway Administration was not justified.

South Central

(vii) In respect of construction of two ROBs and two RUBs near Duvvada (May 1995) and at Nellore (July 1994) and Nizamabad (December 1992) on deposit terms, aggregate expenditure of Rs.53.92 lakhs was incurred by the Railway Administration in excess of deposits made by the sponsoring authorities. The Railway Administration did not claim the extra amount spent (July 1996).

9. Inadequate preliminary works

In June 1978, the Southern Railway Administration directed that plan for construction of ROB/ RUB should cater to the requirements for BG clearance and likely electrification in the next 25 years. Further, in October 1991, the Board stipulated that before inclusion of bridge works in the Annual Works Programme, the Railways should ensure that all preliminary and associated works were complete. These works included finalisation of plan/ estimate, commitment from the sponsoring authority to close the LC, commitment for adequate funds and commencement and completion of the works within a reasonable time, acquisition of land and arrangement for diversion of traffic during construction of the bridge. However, inadequate preliminary works resulted in avoidable or extra expenditure of Rs.2.24 crores, as also cost and time overrun in Southern and South Central Railways in respect of 2 bridges as enumerated below:

Southern

(i) In November 1992, construction of ROB at Ambalapuzah was proposed at the revised estimated cost of Rs.2.50 crores, as a part of Alleppey - Kayankulam new BG line project. However, the work of ROB could not commence before opening of the line for passenger traffic in November 1992 on the ground that the National Highway Authorities had introduced major changes in plans and drawings at the cost of Rs.69.59 lakhs, which included the summit vertical curve. Subsequently, the work began only in September 1993 and the cost of ROB escalated to Rs.5.03 crores by September 1994. Failure to carry out the bridge work along with the new BG line project as planned and provided for in the estimate thus resulted in avoidable cost escalation of Rs.1.83 crores (May 1996). This amount is likely to go up as the contractor had demanded price escalation.

South Central

(ii) Construction of ROB at Kavali on Vijayawada - Gudur electrified section was proposed in March 1985 at the cost of Rs.1.13 crores which was revised to Rs.1.56 crores in December 1989 with the shares of the Railways and of the State Government as Rs.85.04 lakhs and Rs.71.12 lakhs respectively. In the detailed estimate of

December 1989, fresh proposals costing Rs.42.90 lakhs were made to have a clear span of 11.8 metres on either side of the bridge to accommodate 4 more tracks to meet future requirements. In October 1990 the Board suggested curtailment of the end spans of bridge proper and catering to the future requirements of the yard remodelling through approach viaducts. However, approach viaducts could not be extended as the State Government had already commenced the work on them. Consequently, the Railway Administration had to construct the additional two spans and incurred the extra expenditure of Rs.40.50 lakhs towards the Railway's share of cost.

10. Lapses in Execution

There was avoidable expenditure of Rs.61.38 lakhs in 3 cases in Southern and South Central Railways due to lapses in project implementation. The details are given below:

Southern

(i) A contract for construction of ROB near Arakkonam station was awarded in May 1991 at the cost of Rs.1.34 crores. The work could not be completed within the stipulated period by February 1993 mainly due to non-removal of Overhead Electrification (OHE) lines and power line by the Electrical Department of the Railways. Consequently, currency of the contract had to be extended upto March 1996 on the Railway's account and the contractor was paid price escalation of Rs.15.62 lakhs. This was directly attributable to the failure of the Railway Administration in removing the hindrances to the work in time.

(ii) In February 1992, a contract for the construction of ROB near Tellicherry station was awarded at the estimated cost of Rs.48.58 lakhs. The work was to be completed by May 1993. Due to poor progress of work, the contract was terminated in April 1993. However, the contract was revived in May 1993 on the assurance of the contractor that the work would be completed expeditiously. Accordingly the work was required to be completed by December 1993. However the work had progressed only upto 48 per cent till March 1994. Still, the Railway Administration extended the validity of the contract upto June 1994. Poor contract management has resulted in avoidable expenditure of Rs.27.46 lakhs due to cost over-run on account of labour and material.

South Central

(iii) The Railway Administration had constructed (November 1990) one ROB including the approaches between Bibinagar and Nadikudi at the Railway's cost. When the Railway Administration requested the State Government to take over the bridge approaches, they refused on the ground that the width of the approaches was only 10 to 10.5 metres as against the standard width of 12 metres and that black cotton soil instead of specified non-plastic soil was used in the approaches. Subsequently, the State Government prepared an estimate for Rs.25.30 lakhs for widening the approaches and for carrying out the repairs and completed these works. The Railway Administration had to deposit a further sum of Rs.18.30 lakhs with the State Government in November 1995. Thus, failure of the Railway Administration in providing the required width and specified soil during the construction of the approaches resulted in payment of Rs.18.30 lakhs to the State Government by the Railways.

11. Idle Investment

In respect of 8 bridges in Southern and South Central Railways, there was idle investment of Rs.4.27 crores due to non-completion of the approaches, even after construction of the bridges. The details are given below:

Southern

(i) In seven cases, the Railway Administration had completed their portion of bridge works between June 1990 and December 1995 at the aggregate cost of Rs.3.98 crores but the bridges were not commissioned due to delay on the part of State Governments or Road authorities in completion of approach roads because of tardy progress. Consequently investment of Rs.3.98 crores made by the Railways continued to remain idle (May 1996).

South Central

(ii) The construction of ROB at Mehaboobnagar was undertaken in 1991 without the sanction of the estimate on the grounds of importance and urgency as a special case. The Board approved the work in November 1991 but directed that a reasonable time frame for completion of the work should be ensured jointly by the State Government and the Railways. However, neither a time schedule was fixed nor timely completion of approaches could be ensured. Construction of bridge and subway was completed by the Railways in June 1993 at the cost of Rs.29.20 lakhs. However the State Government had not commenced the work on approaches so far (June 1996) due to non-finalisation of drawings. This resulted in idle investment of Rs.29.20 lakhs on the bridge proper for more than 3 years. The Railway Administration has not realised (July 1996) Rs.14.50 lakhs from the State Government towards their share of cost.

12. Non-closure of Level Crossings

In the event of existing LC not being closed after due notification by the State Government immediately after opening of ROB for traffic, the conditions of standard agreement provide for recovery of the entire expenditure incurred by the Railways from the sponsoring authorities. In addition, the non-closure of LC gate after completion of construction of ROB entails refund of the amount of re-imbursement made to the State Government from the 80 per cent segment of Railway Safety Works Fund (RSWF). In 6 instances, Southern (4 cases) and South Central (2 cases) Railways did not ensure closure of the LCs immediately after construction of the bridges and also did not prefer claim amounting to Rs.6.92 crores towards refund of Railway's share of expenditure on bridge proper and approaches.

In addition, non-closure of LC also resulted in continued maintenance of 2 LCs at the cost of Rs.5.42 lakhs in Northeast Frontier Railway between October 1977 and March 1996. Besides, in respect of 10 other cases in Southern and South Central Railways, LCs had to be maintained due to delay in completion of road approaches for which bills amounting to Rs.31.95 lakhs (May 1986 to April 1996) had not been preferred yet.

Northeast Frontier

(i) In respect of 2 LC's at Alipurduar and Lumding, maintenance charges aggregating Rs.5.42 lakhs for the period from October 1977 to March 1996 were outstanding (January 1997).

Southern

(ii) The Railway Administration constructed four bridges in lieu of LC's on cost sharing basis. Contrary to the agreements which provide for closure of LC on opening the ROB, there had been inordinate delay ranging between 18 and 40 months in closure of the LCs due to delay in completion of approach roads pertaining to 3 bridges, resulting in continued maintenance of the LCs. This resulted in avoidable expenditure of about Rs.9.50 lakhs during January 1993 to April 1996. In respect of one bridge, Railways portion of ROB had been completed in December 1995 but the LC was still to be closed (August 1996). Despite non-closure of the LCs, the Railway Administration has not claimed the cost of construction aggregating Rs.3.17 crores from the State Government in respect of these bridges.

South Central

(iii) In respect of six ROBs and one RUB completed between 1986 and 1996, there were delays ranging from 2 to 10 years in completion of approaches by the State Government. The Railway Administration has not preferred (June 1996) bills for Rs.22.45 lakhs relating to the period from May 1986 to March 1996 towards the cost of maintenance of LC gates, contrary to the terms and conditions of the standard agreement.

(iv) At Gudivada and Bhimavaram, two ROBs were opened for traffic in March 1991 and February 1993 respectively. However, the LC gates continued to be in operation. Consequently, the State Government who had sponsored the ROB did not refund Rs.3.76 crores towards the expenditure incurred by the Railways in respect of the bridges proper and approaches (Rs.2.20 crores), and the funds released from Railway Safety Works Fund (Rs.1.56 crores). The Railway Administration also has not preferred a claim (July 1996).

13. Non-recovery of maintenance charges

As per the codal provisions, before undertaking construction of any bridge, the Railway Administration should execute with the sponsoring authority an agreement covering the details of liability with regard to the initial cost of construction, recovery of maintenance charges and other costs.

Accordingly the sponsoring authority was required to contribute towards the annual maintenance charges in respect of bridges constructed in lieu of LC gates if the bridge structure exceeded the standard width of 7.2 metres required for two-lane road traffic. In such cases, the maintenance charges at the rate of 2.5 per cent of the sponsoring authority's share of the cost of bridge structure for additional width was to be levied annually with supervision charges thereon at the rate of 12.5 per cent or at the percentage mutually agreed upon, as also freight and incidental charges on stores at the rate of 7 per cent. The rate of annual maintenance charges was to be revised every five years by the Railways. Further, the maintenance charges were to be paid in advance of the period to which these related. Failure to execute agreements and recover the maintenance charges was noticed in Northern, Northeast Frontier, Southern and South Central Railways. Consequently the Railways did not realise maintenance charges aggregating Rs.3.01 crores in respect of 70 bridges. The details are given below:

Northern

(i) The Railway Administration had not executed any agreements with the sponsoring authorities in respect of 15 bridges constructed upto March 1996 in Delhi, Jodhpur and Lucknow divisions. Consequently, maintenance charges aggregating Rs.46.04 lakhs were not realised as under:

(Rupees in lakhs)

Sl. No.	Division	No. of bridges	Amount
1.	Delhi	13	35.37
2.	Jodhpur	1	3.59
3.	Lucknow	1	7.08
	Total	15	46.04

The outstanding dues pertained to the period as early as 1964. The Railway Administration has not preferred any claim for Rs.37.59 lakhs so far (November 1996). Similar position prevailed in respect of ROB/ RUB in Ambala and Moradabad divisions also. However details of outstanding maintenance charges could not be ascertained in audit due to inadequate maintenance of records.

In January 1993, the Board held that whenever a bridge was constructed on deposit terms, an undertaking from the sponsoring authority was obtained indicating commitment for the initial cost as well as maintenance charges and that such consent itself constituted an agreement and further that the formal agreement, if not signed, could be executed at any time later. However the Railway Administration could not execute the formal agreements despite lapse of 4 years after the issue was pointed out by Audit. Consequently, the maintenance charges could not be realised.

Northeast Frontier

(ii) The Railway Administration did not realise maintenance charges aggregating Rs.27 lakhs in respect of 5 ROB's for the period upto March 1996 as under:

(Rupees in lakhs)

Sl. No.	Bridges	Opening Date	Maintenance Charges (Rs.)	Sponsoring Authority	Remarks
1.	ROB at Km. 48/10-11 at Tinsukia	April 1987	13.43	Government of Assam	Agreement not executed; no claim preferred.
2.	ROB at Km. 13/2-3 at Guwahati	April 1988	8.25	Government of Assam	Agreement not executed; no claim preferred.
3 & 4.	ROB at Km. 24/11-12 near Ranipatra and ROB at Km.85/ 7-9 near Dholhaja	May 1974	3.48	Government of Bihar	Bills preferred. (April 1993/ November 1996)
5.	ROB near Binnaguri	1991	1.84	Government of West Bengal	Bills preferred. (1989/ 1996)
	Total		27.00		

In respect of ROB at Tinsukia, the Railway Administration did not also prefer any claim for realisation of about Rs.44.32 lakhs from the State Government of Assam towards their share of cost of construction and the departmental charges. Further, the Railway Administration constructed road decking on 3 bridges in Alipurduar division in 1982-83 but had not recovered (August 1996) Rs.40.84 lakhs on account of maintenance charges, cost of staff and signalling from the State Government of West Bengal upto 1992-93. From 1993-94 onwards, no bill was preferred in this regard; reasons were not forthcoming from the records.

Southern

(iii) In Bangalore, Madras, Palghat and Tiruchchirapalli divisions, maintenance charges aggregating Rs.1.18 crores in respect of 27 bridges alone were outstanding since 1963 onwards.

South Central

(iv) For 11 ROB's constructed between 1969 to 1996, maintenance charges aggregating Rs.38.35 lakhs were outstanding for recovery as of March 1996 from various sponsoring authorities. Out of total dues, Rs.29.40 lakhs in respect of two ROBs at Ghorpuri and Malakpet could not be realised for want of copies of agreement to be made available by the Railway Administration to the State Government as requested by the latter in May 1994 and February 1996 respectively.

(v) Similarly, annual maintenance charges of Rs.19.06 lakhs in respect of 7 other bridges constructed between March 1983 and July 1994 on deposit terms were also to be preferred. Further the Railway Administration has not preferred bills for Rs.11.28 lakhs against the State Government towards the cost of maintenance charges for the extra width provided in respect of two ROBs at Lalapet and Sanatnagar and completed in February and November 1990 respectively.

The matter was referred to the Southern, South Central and Northeast Frontier Railway Administrations and also the Board in June 1996, July 1996, November 1996 and January 1997 respectively; reply has not been received (February 1997).

3.1.4 Western Railway: Injudicious investment on dieselisation of Narrow Gauge system

A proposal for the gradual replacement of Narrow Gauge (NG) steam locomotives by diesel locomotives was sent by the Railway Administration to the Railway Board in November 1983. The proposal also brought out the necessity of setting up a NG Diesel Shed at Pratap Nagar in Vadodara to provide efficient maintenance to NG diesel locomotives. In February 1984, the Board asked the Railway Administration to send proposal for the NG Diesel Shed at Pratap Nagar with initial capacity to home 20 NG locomotives and expandable capacity for 40 locomotives to meet the requirements of Vadodara division.

The Railway Administration prepared (September 1984) a detailed proposal for providing a NG Diesel Shed to home initially 20 NG diesel locomotives with scope for expansion to 50 locomotives in future, on the ground that due to the vintage of the existing fleet of 86 NG steam locomotives and un-economical operation thereof, the whole fleet needed replacement by 46 diesel locomotives.

At the time of vetting the proposal, the Associated Finance referred to the Board's letter of January 1984 whereby the Railway Administration had been asked to close 16 NG lines as per the recommendations of the Railway Reforms Committee (RRC) and the Board's subsequent instructions of July 1984 to the Railways regarding the need for (i) reducing the losses sustained in operating un-economic branch lines and (ii) introducing Diesel Rail Cars which could lead to the closure of Steam Loco Sheds and savings in fuel cost and maintenance. The Associated Finance, therefore, observed that in view of NG lines already running into heavy losses, alternative measures like introduction of Diesel Rail Cars should be examined before taking a decision on creating maintenance facilities involving investment of Rs.2.53 crores. The Railway Administration, however, sent the proposal, as recast involving investment of Rs.2.16 crores, to the Board in September 1984 stating that the points raised by the Associated Finance needed to be decided by the Board within the framework of overall policy on the subject.

In July 1985, the Board included this work in their Annual Works Programme 1985-86 at the anticipated cost of Rs.2.16 crores. In September 1987, the Associated Finance of the Railway Administration once again referred to the recommendations of RRC for closure of the NG system in a phased manner and reiterated that the proposal was not viable in view of unremunerativeness of NG passenger services. They further emphasised that in view of the Board's recommendation of June 1987 for axing of the non-profitable projects, it would not be judicious to invest in the purchase of 46 NG diesel locomotives and in developing infrastructure facilities for their maintenance.

Still, the Ministry of Railways made a commitment in the Lok Sabha in 1987 that NG diesel locomotives would be introduced on the Western Railway from 1989-90 and that the Diesel Loco Shed at Pratap Nagar was being set up for their maintenance. In view of these facts, the Board contended (November 1987) that the proposal for deletion of the work as suggested by the Railway Administration in

September 1987 could not be considered.

Consequently, the Railway Administration procured 27 NG diesel locomotives between September 1989 and July 1993 at the rate of Rs.1 crore each. The Diesel Loco Shed was also set up at Pratap Nagar by June 1990 at the cost of Rs.2.71 crores.

With the progressive decrease in NG services, the daily average of 50 NG trains in 1983-84 came down to 21 trains in 1993-94. Accordingly, in July 1994, the Railway Administration reported that the total requirement of NG diesel locomotives was only 18 against the then holding of 27. Of the 9 surplus NG diesel locomotives, 5 were transferred to the Eastern Railway between November 1994 and March 1995. However, the balance 4 NG diesel locomotives worth about Rs.4 crores continued to remain idle at Pratap Nagar (June 1996).

The Railway Administration stated (January 1996) that the dieselisation of the NG section had become inevitable due to stoppage of the manufacture of steam locomotives in the country and due to the existing steam locomotives running overage. The above contention of the Railway Administration is not tenable for the reasons stated earlier. In the wake of the Corporate Plan of the Railways for the years 1985-2000 and the RRC recommendations for closure of the NG system, except in Central India and hilly stations, in a phased manner by the year 2000, the Railway Administration failed to plan the actual requirement of NG diesel locomotives. With the gradual decrease in number of NG trains, the skeleton services could have been managed with the available steam locomotives of lesser age for a further period of 10 to 20 years through good maintenance.

Thus expenditure on the purchase of 27 NG diesel locomotives and setting up of a Diesel Loco Shed for maintenance thereof, at the aggregate cost of Rs.29.71 crores was not judicious.

The matter was referred to the Board in December 1996; reply has not been received (February 1997).

3.1.5 Mismanagement of Phase III of Divisional Computerisation Project

In Paragraph 3.23 of the Report of the Comptroller and Auditor General of India for the period ending 31 March 1989 - No.10 of 1990 - Union Government (Railways), a mention was made about avoidable expenditure of Rs.30.57 lakhs incurred at Varanasi on site-preparation, besides non-adherence by Jhansi and Ratlam divisions to the norms fixed by the Railway Board, during phase II of the Divisional Computerisation Project. In the Action Taken Report, Ministry of Railways (Railway Board) informed the Public Accounts Committee in November 1994 that instructions had been issued to keep to the barest minimum the cost in respect of all computerisation projects, whether on hand or to be taken up in future.

Under phase III of the project, computerisation of nine divisions namely Adra, Bhopal, Bombay Central, Delhi, Howrah, Hyderabad, Katihar, Samastipur and Trivandrum was provisionally approved for inclusion in the Final Works Programme of 1990-91, subject to availability of funds, at the initial cost of Rs.30 lakhs per division. The work of system design, procurement, installation and commissioning of the computer systems was entrusted to the Centre for Railway Information Systems (CRIS) on turn-key basis, while preparation of site was the responsibility of the Zonal Railways within the overall limit of the Budget. Though the project was originally scheduled to be completed by March 1992, detailed estimates in respect of only five divisions (Bhopal, Bombay Central, Delhi, Samastipur and Trivandrum) were sanctioned by November 1991.

In relaxation of his earlier restriction (February 1992) that CRIS should not be entrusted with stores functions such as procurement of equipments, the Financial Commissioner approved on 31 March 1992 an advance payment of Rs.1.92 crores to CRIS on the grounds that (i) CRIS had already undertaken the market survey, (ii) the site preparation and posting of managers in many of the divisions were complete, and

(iii) procurement function by the Board at that juncture would further delay the project. In March 1993, approval for further release of Rs.24 lakhs in respect of Hyderabad division was given.

Though CRIS issued tenders for procurement of powerful and multiuser mini-computers in June 1993, the Board initially advised them in November 1993 to procure personal computers only, but then agreed to the original proposal of CRIS in December 1993. However, a decision was taken by the Board in February 1994 to assess the benefits/ savings achieved in earlier computerisation projects and not to consider any new scheme, pending such assessment.

In June 1994, an independent evaluative study on the Divisional Computerisation Project was entrusted to Rail India Technical and Economic Services Limited (RITES) at the cost of Rs.10.50 lakhs on the grounds that (i) the hardware of 16 divisional computers installed in phases I and II of the project had become due for replacement, (ii) hardware was to be procured for other divisions identified for phases III and IV and (iii) hardware of the Zonal computers had also become due for replacement. In view of this study, the Board advised CRIS in July 1994 not to proceed with the procurement of computers for implementing phase III of the Divisional Computerisation Project. However, CRIS was advised to complete the software development on Personnel Management Information Systems (PMIS), the new software being developed during phase III of the project.

In October 1995, RITES recommended (i) acquisition of new hardware and transfer of existing applications (phase I), (ii) re-development of applications and training as also development of new identified applications (phase II), (iii) implementation of re-developed applications (phase III) and (iv) covering of new divisions (phase IV)

In December 1995, the Board accepted the recommendations of RITES and appointed RITES as technical consultants for procurement of new computer systems in the 18 divisions covered under the original phases I and II, as also 23 new divisions. In March 1996, the Board informed the Zonal Railways that the new computers were being procured centrally by the Board and asked the Railways to surrender funds allocated for divisional computerisation since the procurement would take time. On 13 August 1996, the Board convened a progress meeting on divisional computerisation in which representatives of RITES and 3 private computer firms participated, along with the Railway authorities from the Board and divisions. However representatives of CRIS were not invited nor were the modalities of repayment of the advance of Rs.2.16 crores by CRIS discussed.

In this connection, the following observations are made:

- Entrusting stores functions such as procurement of computers to an autonomous body on behalf of the Government is not normal practice. Besides advance payment of Rs.2.16 crores was sanctioned to CRIS on the last day of financial year 1991-92 despite the Board's earlier restrictions to such payments and even prior to invitation of tenders. The Board did not also consider making such advance payments in instalments.

- Under the Standard Conditions of Contracts, payments for the stores are normally made in instalments with 95 per cent of payments on each consignment of stores against proof of inspection and despatch and the balance 5 per cent on receipt of stores in good condition by the consignee. Payment of the entire amount of Rs.2.16 crores is contrary to the codal provisions.

- Similarly, the usual practice of obtaining security deposit from the suppliers was not insisted upon by the Board and thus the financial interests of the Government were not protected.

- Even though the PMIS software package was under development by CRIS since 1987, even by October 1992, i.e. six months after the original schedule of completion, CRIS developed and tested only 5 out of 9 modules. CRIS did not also keep up the specific target given to complete the software by June 1994. Thus, the Board did not get the benefit of expenditure of Rs.45 lakhs paid for the software development.

- CRIS was set up to expedite early completion of computer projects. Though the entire performance of CRIS was monitored by the Governing Council headed by the Minister of Railways, they were slow in executing the project. As a result, the very purpose of creation of CRIS was defeated in this case.

- The Board expressed concern over the serious delay in completion of the computerisation project. However, the Board did not take action to terminate the arrangements with CRIS and obtain refund of the advance payment of Rs.2.16 crores, though in February 1996 the Central Railway Administration had specifically asked the Board to advise CRIS to refund the advances taken from the Zonal Railways.

- The involvement of CRIS in the Divisional Computerisation Project was totally absent subsequent to the study undertaken by RITES. The recommendations of RITES envisaged replacement of the existing systems evolved by CRIS. In fact, in their letter of 2 September 1994, CRIS intimated the Bhopal Divisional Administration that they had closed the project.

Thus, the Board's mismanagement of phase III of Divisional Computerisation Project led to locking up of capital and unfruitful expenditure of Rs.2.16 crores. Besides, delay in procurement of hardware and development of software resulted in unproductive expenditure of Rs.75.17 lakhs (Central Rs.4.19 lakhs; Eastern Rs.13.81 lakhs; North Eastern Rs.7.31 lakhs; Northeast Frontier Rs.13.43 lakhs; Southern Rs.17.21 lakhs; South Central Rs.3.22 lakhs, South Eastern Rs.10 lakhs and Western

Rs.6 lakhs) on infrastructural facilities created (including establishment) on Zonal Railways.

The Southern Railway Administration stated (January 1996) that delay in commissioning of the Divisional Computerisation Project was due to the Board's decision to bring in a desirable level of uniformity in the substance and applications developed by different divisions and a requisite level of integration between Zonal and Divisional computerisation. The contention of the Railway Administration is not tenable since it did not explain the inconsistent actions of the Board in their irregular patronisation and later inexplicable isolation of CRIS in the Divisional Computerisation Project.

The Board admitted (March 1997) that advance payment of Rs.2.16 crores was made to CRIS but only an amount of Rs.1.80 crores was available with CRIS at present. The Board also accepted that CRIS had been relieved of this project, but was silent on recovery of the funds remaining outside Government Accounts.

3.2 DEPOSIT WORKS

3.2.1 Central Railway: Loss of revenue due to non-provision/ non-collection of departmental charges

As per codal provisions, when any work is undertaken by the Engineering Department of the Railways for outside parties including other Railways, Government departments, public bodies (e.g. Municipalities, Port Trusts, etc.) and employees of the Railways, departmental charges at 12.5 per cent of the total cost of the work (wages, materials and land) are required to be levied to cover the cost of tools and plant and of establishment supervision. However, the General Manager of the Railways may, at his discretion and with concurrence of Financial Adviser and Chief Accounts Officer, waive wholly or partially the recovery of departmental charges, provided the Railways gain some advantage by such remission. The reasons for doing so are to be recorded in each case.

Review in audit of estimates and works registers of deposit works for which completion reports were drawn during April 1991 to August 1995 by the Engineering Department of Mumbai division revealed that in respect of 11 cases of deposit works, departmental charges were neither provided for in the estimates nor levied subsequently. In respect of 16 other deposit works, departmental charges were not collected on completion of these works, although provision for the same had been made in the estimates. As a result, Railway dues of Rs.14.94 lakhs remained unrecovered (February 1996). In respect of 3 other deposit works under progress at present, departmental charges aggregating Rs.8 lakhs were neither provided for in the estimates nor debited to the accounts of the concerned works.

The Engineering Department failed in their primary responsibility to ensure inclusion of departmental charges in the estimates of deposit works. Accounts Department also did not notice this lapse during vetting/ verification of the estimates/ completion reports.

The Railway Administration consequently incurred loss of Rs.14.94 lakhs in respect of 27 deposit works and may lose a further amount of Rs.8 lakhs in respect of 3 other works under progress. Loss on account of similar omission in other divisions is required to be computed.

The matter was taken up with the Railway Administration and the Railway Board in February 1996 and September 1996 respectively; reply is awaited (February 1997).

3.2.2 South Eastern Railway: Non-realisation of Railway dues from a private siding

Rules provide that when undertaking `Deposit Works' for other agencies, the Railways should ensure that prior to commencement of such works, formalities like (i) acceptance of abstract estimates by such agency, (ii) deposit of estimated cost of work in advance and (iii) approval of the Railway Board to the use of Railway's permanent way materials in such works, are completed. The Board normally discourages involvement of the Railway Administration in any maintenance of private siding.

Repairs and restoration, including those necessitated by derailments or other accidents, are also to be treated as deposit works. In such cases, the Railway Administration is required to conduct joint findings and execute an agreement with the party to undertake such work on deposit terms and raise debits through Associated Finance within the stipulated time of 18 days whenever such incidence occurs.

Review by Audit in November 1995 showed that on 11 occasions, restoration works were undertaken by the Railway Administration from June 1991 to August 1995 for accidents/ derailments in respect of Rajrappa Washery Project of M/s. Central Coalfields Limited (CCL), though the estimated costs were not deposited in advance by M/s. CCL. Even claims for recovery of the cost incurred by the Railway Administration from June 1991 were prepared only at the instance of Audit and submitted to M/s. CCL for the total sum of Rs.19.84 lakhs. This constituted an undue benefit accorded to M/s. CCL at the cost of the Railway Administration.

The Railway Administration accepted (November 1996) the factual position but contended that the accident restoration works were not strictly guided by the terms of the deposit works and further that the bills were prepared within reasonable time after the restoration of work. The contentions are not tenable for the reasons stated earlier.

3.3 OTHER WORKS

3.3.1 North Eastern Railway: Infructuous expenditure on construction of goods by-pass lines

In September 1981, the Varanasi Divisional Railway Administration proposed construction of two goods by-pass lines (Metre Gauge) at Thawa Junction and Chhapra Kacheri to avoid detention of through freight trains, including cane shuttles, due to reversal of diesel engines at these places. However, the proposal was dropped due to reduced level of traffic on the Metre Gauge (MG) route. Also, it was expected that the traffic on Thawa and Chhapra Kacheri sub-sections would reduce, after completion of Bagaha - Chhitauni MG rail link which was a sanctioned work. At the time of rejecting the proposal, the Chief Operating Superintendent (COPS) asked the Divisional Railway Administration to review the proposal after six months and intimate the details of average detention to trains undergoing reversal as well as the savings to be achieved.

Accordingly, another proposal was submitted in February 1983 which was also dropped after examination, due to being financially not viable.

In May 1987, the Divisional Railway Administration submitted the third proposal, duly vetted by the Accounts Division, which showed unremunerative return of 7.2 per cent at Thawa Junction and 7.5 per cent at Chhapra Kacheri, based on detention to goods trains for a period of six months. This proposal was also dropped.

For the fourth time, a proposal was prepared in July 1987 indicating a combined return of 13.7 per cent. However justification for the same was flawed. Firstly, indices adopted in the fourth proposal were different from those in the third proposal. Secondly, the justification was based on the sample check of figures of December 1986 claiming average detention to 7 trains at, and short of, Thawa Junction and Chhapra Kacheri. However, after scrutiny of CTC for April 1987, Deputy COPS pointed out (May 1987) that reversal of 2 trains only had taken place and that too on 9 and 10 occasions at Thawa Junction and Chhapra Kacheri respectively, during a continuous period of ten days during April 1987. Thirdly, at each place, the justification projected avoidable detention period of 3 hours on average which included detention time on account of crew change, absence of driver, mechanical defect, crossing of and precedence to other trains. Scrutiny by Audit of the available relevant records of December 1986 in respect of Thawa Junction revealed that for the entire month, detention time on account of reversal of engines and brake vans varied between 35 minutes and 2 hours with an average of 1 hour and 7 minutes only and further that detention occurred in respect of the maximum of 3 trains only, due to reversal of engines, as indicated in the vetted records.

Based on the flawed justification, as also due to the closure of Bagaha - Chhitauni project in June 1987, the construction work of these two by-pass lines were included in the Preliminary Works Programme (PWP) of 1988-89 at the estimated cost of Rs.2.59 crores which was subsequently revised to Rs.2.81 crores. The work included acquisition of private land at Thawa and Chhapra Kacheri, besides earth work, track and signalling works and civil constructions.

The Railway Administration did not review the justifiability of the by-pass lines in January 1990, when a decision was taken to revive Bagaha - Chhitauni project, nor did it take serious note of the fact that the new by-pass lines would require 31 additional staff (16 Assistant Station Masters and 15 Pointsmen) for operation with recurring expenditure of Rs.20 lakhs per annum.

Further, the General Manager failed to review the justifiability of continuing the works even after receipt of an `Action Plan' on uni-gauge system from the Hon'ble Minister of Railways in December 1991 wherein the Railway Administration was specifically asked to freeze all development programmes in relation to MG and utilise available resources for the gauge conversion programme. Though the Action Plan further stipulated that implementation of the directions should commence from 15 January 1992, the Railway Administration disregarded it. Reasons thereof are not available on record.

It was only in June 1992 that the Railway Administration decided to discontinue the works, consequent to receipt of further orders from the Chairman, Railway Board not to undertake any new works on MG. By that time, total expenditure of Rs.2.28 crores had been incurred on these two by-pass lines. Avoidable expenditure incurred after December 1991 alone works out to Rs.58 lakhs.

Further, construction of 14 and 6 units of type II and I quarters at Chhapra Kacheri was stopped midway after completion of 50 to 60 per cent.

The Railway Administration stated (January 1994) that the works were included in PWP 1988-89 since these were financially viable and that directives from the Board were received only in June 1992 and not in December 1991. These contentions are not tenable for the reasons stated earlier. The Railway Administration further stated that December being the peak period due to cane traffic, detention figures pertaining to that month was appropriately taken into account to determine the justifiability of the project. However, computation of savings with reference to one single month of peak detention disregarded the normal principles of financial propriety and thereby distorted the test of remunerativeness.

The Railway Administration also stated that the net expenditure would come down to Rs.100.45 lakhs after taking into account the credits and that the civil constructions would be utilised since there was demand for quarters. These too are not tenable since expenditure of Rs.95 lakhs on earth work, incomplete cabin, etc. had become irretrievable. Further, since the extra quarters were constructed for the additional staff, expenditure on these was avoidable. Also, construction of the quarters was not complete.

The Railway Administration maintained (February 1997) their earlier stand inter alia denying receipt of the Minister's orders of December 1991. This is incorrect. The said-orders of the Minister were communicated to all Heads of Departments and the Divisional Railway Managers by the Secretary to General Manager under circular dated 30 December 1991.

3.3.2 Northern Railway: Irregular and unjustified expenditure on MG diesel shed

In April 1992, consequent to gauge conversion works on the Indian Railways, the Railway Board identified certain facilities required for residual Metre Gauge (MG) sections and asked the Railway Administration to send proposals for setting up an MG diesel shed at Hisar/ Rewari. Accordingly, the Railway Administration sent a proposal in February 1993 for a new diesel shed at Rewari at the cost of Rs.7.52 crores. The work was included by the Board in the Final Works Programme (FWP) for 1993-94 at the cost of Rs.6.02 crores, after deleting several items of work.

The Chief Administrative Officer (CAO) sanctioned the detailed estimate on 29 October 1993 without forwarding the same to the Board, contrary to the directions of the Board. Incidentally, the detailed estimate of Rs.7.01 crores exceeded the cost as per FWP by about Rs.1 crore.

On 1 November 1993, the Board directed the Railway Administration to review the requirements of MG loco shed at Rewari in view of the possibility of Rewari being disconnected from MG before this shed came into being. Further, the Board referred to the failure of the Railway Administration to send the detailed estimate to the Board and called for immediate compliance before proceeding with the work.

Still, in January 1994, the Deputy Chief Mechanical Engineer asked the Deputy Chief Engineer (Construction) to execute the work to avoid delay. In February 1994, the Chief Mechanical Engineer informed the Board that the contracts for civil engineering works could not be finalised due to the earlier directives of the Board not to proceed with the work and asked for approval of the Board to execute the work, claiming that the proposed MG diesel shed could be subsequently converted with minimal cost to meet the requirements of BG locomotives also.

However, without obtaining approval of the Board, the Railway Administration entered into two contracts in May 1994 with a private firm at the total cost of Rs.78.30 lakhs. The Railway Administration permitted the firm to commence both the works in April 1994 itself, even before execution of the agreements. In their subsequent correspondence also, the Railway Administration did not reveal to the

Board the fact of unauthorised commencement of the work.

The Board finally decided in November 1994 to drop this work due to redundancy. Following that, the Railway Administration rescinded both the contracts in April 1995, by which time expenditure of Rs.40.57 lakhs had already been incurred. Thus irregular action of the Railway Administration resulted in unauthorised and unjustified expenditure of Rs.40.57 lakhs.

The matter was referred to the Railway Administration and the Board in June 1996 and September 1996 respectively; reply has not been received (February 1997).

3.3.3 Eastern Railway: Avoidable expenditure due to delay in commissioning of bulk lube oil storage cum dispensing system

Purchase of lube oil in bulk results in savings due to the difference in price between bulk purchase and purchase in barrels. The bulk lube oil storage and dispensing system offers other advantages over storage in barrels like (i) less spillage of lube oil, (ii) prevention of wastage of about 2 litres of lube oil per barrel which remains inside the barrel, (iii) saving of storage space and (iv) minimum possibility of contamination and pilferage.

The Railway Board approved installation of a bulk lube oil storage cum dispensing system at Andal Diesel Shed of Asansol division at the estimated cost of Rs.6 lakhs vide Pink Book item No.466 of 1988-89, as the average lube oil consumption in this shed was 31,000 litres per month in 1987. Savings of Rs.7.14 lakhs per year on account of bulk purchase were estimated to result, once this facility became operational.

Meanwhile Indian Oil Corporation (IOC) agreed to have the system installed at their cost. IOC accordingly completed the work and the assets were handed over to the Railway Administration in February 1991, i.e. two years after approval of the work. However it took more than four years thereafter to make the facility operational in April 1995 because the Railway Administration insisted on replacement by IOC of two electric motors which were stolen after these had been supplied by IOC. In the meantime, the Railway Administration continued to purchase lube oil in barrels at a higher price even as of August 1995, after the storage cum dispensing system became operational.

The Railway Administration explained (May 1995) that a part of the reason for delay could be ascribed to lack of proper co-ordination and of a sense of urgency primarily due to absence of general awareness in regard to the price differential of supplies of lubricating oil through tank wagon in bulk and in barrels.

Failure of the Railway Administration to co-ordinate the work with a sense of urgency resulted in the minimum loss of Rs.30.19 lakhs, being the difference in lube oil prices between bulk and barrel purchases during the period from April 1991 to August 1995, after taking into account the re-sale value of the empty barrels.

In February 1997, the Railway Administration contended that the loss was notional since the Railway would have taken more time had they themselves constructed the storage-cum-dispensing system. The reply does not touch upon the Audit points.

3.3.4 Eastern Railway: Outstanding dues against construction of a Road Over Bridge

The rules provide that before undertaking construction of any road over/ under bridge, the cost of which is to be either entirely or partially borne by the Road Authority, the Railway Administration should ensure execution of an agreement by the Road Authority with the Railways, stipulating inter-alia the details of the liability to bear initial and recurring (maintenance and other) costs.

However, without executing an agreement, the Railway Administration completed re-construction of the Buckland Bridge (renamed as Bankim Sethu), a road over-bridge across the railway yard adjacent to Howrah Railway station, in December

1980, as a joint project of (i) Howrah Improvement Trust (HIT), the implementing agency of Calcutta Metropolitan Development Authority (CMDA) under the Government of West Bengal, and (ii) Eastern Railway. The total cost incurred was Rs.7.34 crores. As agreed to by the Railway Board, the total cost of construction of the bridge and its approach roads was to be shared between HIT (60 per cent) and Eastern Railway (40 per cent).

Though the amount to be borne by HIT was available to them as 100 per cent grant from CMDA, an amount of Rs.33.98 lakhs due from HIT on 'deposit account' of the construction of this bridge has not yet been realised, even fifteen years after completion of the construction (March 1996). The Railway Administration failed to pursue the matter effectively and did not hold any further meeting with the State Government Authorities, subsequent to a meeting with the Chief Secretary in August 1994.

While according revised administrative approval for this work on 29 March 1982, CMDA had stipulated that the maintenance liabilities for the bridge proper and the approach roads would rest with the Railways and the Howrah Municipal Corporation (HMC) respectively, and that if no reply was received from these authorities within a month, it would be concluded that these authorities had accepted the respective maintenance liabilities. The Railway Administration did not intimate CMDA/ HMC that the cost of maintenance should be paid to the Railways. It was only in November 1984, that the Railway Administration approached HMC for execution of an agreement to bear the maintenance liability.

HMC refused (January 1985) to execute the agreement by inviting a reference to a letter of December 1980 by the Chief Executive Officer, CMDA to HMC, wherein it was stated that as per the usual practice, the bridge would obviously be maintained by the Railways. The District Engineer (Construction) Howrah informed the Chief Engineer in May 1985 of the refusal of HMC and sought directions for future course of action.

Thereafter for the next ten years, the Railway Administration did not take any steps at all to enter into an agreement with the Road Authority in respect of maintenance charges. It was only after the District Administration reported to the Railway Administration in September 1995 the breakage of railing on the bridge in an accident and also about the dangerous conditions of the railing in other parts of the bridge that the Divisional Railway Manager (DRM) Howrah forwarded a draft agreement to the Chief Engineer, Public Works (Road), Government of West Bengal in November 1995. The draft agreement stipulated that from 1981-82 onwards the State Government should bear (i) the annual repair and maintenance charges at the rate of 3 per cent of the total cost of the bridge, and (ii) licence fee at 6 per cent per annum on the value of the land, increased by supervision charges at the rate of 12 per cent of the licence fee.

As of March 1996, railway dues aggregating Rs.2.88 crores representing maintenance charges (Rs.1.57 crores), licence fees and supervision charges (Rs.97.04 lakhs) and the balance cost of construction (Rs.33.98 lakhs) have accrued and remained outstanding for which no bills have been preferred by the Railway Administration.

The matter was again brought to the notice of Railway Administration and the Board in June 1996 and November 1996 respectively; reply has not been received (February 1997).

3.3.5 Central Railway: Avoidable extra expenditure due to non-consideration of the lowest offer

The Railway Administration invited limited tenders in August 1990 for supply and erection of two units each of 25/5 and 5 tonne capacity E.O.T. cranes. In respect of the 25/5 tonne cranes, out of four offers received, the lowest valid offer of M/s. `C' for Rs.39.40 lakhs - Rs.33.37 lakhs for supply and erection of the cranes and Rs.6.03 lakhs for lifting tackles, gantry rails and spares - was rejected by the Tender Committee in March 1991. It was contended that there were adverse reports against the firm from three Railway units, namely Lower Parel Workshop, EMU Car Shed (Ghaziabad) and Electric Loco Shed (Arakkonam) However the performance report of March 1989 issued in respect of the crane at Loco Shed, Arakkonam was in fact a favourable one. On the other hand, the cranes supplied by M/s. `C' to Lower Parel and Ghaziabad units were of different capacity and were also considerably old, since these were installed in 1975 and 1982 respectively. The Committee also rejected the favorable reports about the cranes supplied by the firm to Defence Department on the ground that the work requirements for the cranes in the Railway units were different. The order was placed in March 1991 for Rs.44.54 lakhs on the second lowest firm, M/s. `A' which subsequently insisted on its own terms of payment, resulting in cancellation of the order in January 1992 by the Railway Administration.

Fresh limited tenders for 25/5 tonne cranes were invited in May 1992. The lowest offer from the same firm M/s. `C' at Rs.49.95 lakhs, exclusive of the cost for supply of lifting tackles, gantry rails and spares, was accepted in June 1992 by the Tender Committee which stated that the firm had the required credentials and technical capacity. The cranes were supplied by the firm in December 1992.

Since the Railway Administration did not incorporate complete details for supply of lifting tackles, gantry rails and spares in the tender of May 1992, another contract was finalised with M/s. `E' for design, manufacture, supply and testing and commissioning of lifting tackles, gantry rails and spares for the 25/5 tonne cranes at the total cost of Rs.17.44 lakhs which included Rs.17.32 lakhs representing the cost of items quoted by M/s. `C' in its first tender offer at Rs.6.03 lakhs only.

Thus, rejection of the lowest offer of M/s. `C' in respect of 25/5 tonne cranes in the first instance without proper evaluation of their performance and subsequent acceptance of their offer in the second tender, based on the earlier performance records, resulted in extra expenditure of Rs.27.87 lakhs towards procurement of the cranes (Rs.16.58 lakhs) and of lifting tackles, gantry rails and spares (Rs.11.29 lakhs). Incidentally the cranes supplied in December 1992 remained unutilised for nearly two years till August 1995, when the Car Shed started functioning.

The Railway Administration justified (October 1994) their earlier action of rejecting the lowest offer of M/s. `C' by reiterating that conflicting reports had been received on performance of the firm. The Railway Administration further stated that by the time the Tender Committee considered the second tender, the firm might have attended to the defects reported earlier. The Railway Administration attributed the extra cost to the high inflationary trend.

The contention of the Railway Administration is not tenable for the reasons stated earlier. Though M/s. `C' had asked for necessary drawings for lifting tackles for giving their price offer under the second tender of February 1992, the Tender Committee failed to consider this aspect and finalised the contract excluding the supply of lifting tackles, gantry rails and spares which necessitated another tender at higher costs.

The matter was referred to the Railway Board in September 1996; reply has not been received (February 1997).

3.3.6 South Central Railway: Extra expenditure due to acceptance of higher rates

The items of work in works contracts are ordinarily classified as either Standard Items or Non-Standard items, depending on whether they find a place in the Standard Schedule of Rates (SSR) or not. For items not covered by SSR, the tenderers are required to quote item-wise rates for consideration.

In respect of three Civil Engineering contracts finalised in 1992 for gauge conversion works between Parbhani - Parli section, the Railway Administration had operated a Standard Item of work, viz. `Uncoursed rubble masonry in foundation and plinth', as a Non-Standard Item and accepted higher rates quoted by the contractors. For all Standard Items in these contracts the contractors had quoted upto the maximum of 30 per cent above the SSR. On this basis, the maximum reasonable rate would have been Rs.264 per cum had this item been included as a Standard Item and works awarded at 30 per cent higher than SSR. On the contrary, the rates quoted and accepted for these works varied between Rs.800 and Rs.950 per cum. Thus the operation of `SSR item' as a `Non-Standard Item' resulted in extra expenditure of Rs.37.35 lakhs due to acceptance of higher rates, including the differential cost of Rs.4.44 lakhs in respect of cement supplied by the Railway.

The Railway Administration stated (November 1994) that Standard Schedule of Rates 1988 was framed for works of maintenance nature which were of small magnitude whereas the works undertaken by the Construction Organisation were of large magnitudes to be executed in a limited time frame necessitating operation of Non-Standard Items. The Railway Administration maintained that most of the works were executed in deep cuttings and also at far off places. Also, there was difference in scope of work between Standard and Non-Standard Items.

The contention of Railway Administration was not tenable since SSR is required to be applied for all estimates, contracts and departmental works without any distinction. Further, works of similar nature in doubling projects and new lines were being executed under `SSR' by the same Construction Organisation at far off places and in deep cuttings. The face value adopted for this item at the time of floating the tenders was Rs.216 per cum (excluding the cost of cement) and Rs.381 per cum (including the cost of cement) which were nearer to the SSR rate of Rs.203.60 per cum plus the accepted percentage of 27 to 30 i.e. Rs.259 to Rs.265 per cum. Further, the Tender Committee did not discuss the reasonableness of the rate for this `Non-Standard Item', despite the difference between the contractor's rate and estimated rate being substantial. Also in the revised `Standard Schedule of Rates' operative from 1 July 1996, the Railway Administration fixed the unit rate for this item at Rs.380.50 per cum which indicated that the rate accepted in July and September 1992 was exorbitant.

Thus the operation of `SSR items' as `Non-Standard Items' resulted in extending unintended benefit to the contractor and consequent extra expenditure aggregating Rs.37.35 lakhs.

The Railway Administration stated (February 1997) that as the nature of work to be executed differed from the `SSR Items', operation of `Non-Standard Items' was unavoidable and further that the rates accepted in respect of the `Non-Standard Items' were reasonable. The contentions of the Railway Administration are not tenable for the reasons stated earlier.

3.3.7 South Central Railway: Loss of revenue due to delay in finalisation of tenders

In January 1995, the Railway Administration invited tenders for installation, operation and maintenance of the closed circuit colour television (CCTV) system at Vijayawada railway station for display of advertising slides and short films, besides railway messages and announcements, against payment of licence fee. In all 8 offers were received. The tenders were opened on 1 March 1995.

The first four highest offers were for Rs.42 lakhs, Rs.37 lakhs, Rs.33.72 lakhs and Rs.22.68 lakhs for the contract period of three years. The fourth highest offer was quoted by contractor `R' who was earlier awarded the work in November 1986 for 3 years and who was subsequently granted extensions from time to time till March 1995.

Contrary to the orders of January 1987 of the Railway Board stipulating evaluation of tenders within their original validity period, the Railway Administration failed to process the offers within the original validity period of 90 days. Meanwhile the first highest tenderer withdrew his offer on the 89th day while the next two withdrew immediately on expiry of the validity period.

On 31 August 1995, the Railway Administration requested the remaining tenderers to extend the validity period of their offers till October 1995. The Tender Committee which met on 16 October 1995, after delay of 7 months, accepted the offer of contractor `R' for Rs.22.68 lakhs resulting in loss of revenue of Rs.14.32 lakhs (with reference to the second highest tenderer whose offer was valid till expiry of the validity period) towards licence fee. The Committee did not consider the letter of 12 May 1995 from the second highest tenderer offering his willingness to undertake the work, as also alleging malpractices by the contractor `R' to get the work. Also, no specific reason for delay in finalisation of the bid was given by the Committee.

The Railway Administration stated (February 1997) that the system of revenue augmentation through CCTV system at the stations was only 4 to 5 years old and that it was very difficult to evaluate the tender offers received. They further contended that there was no certainty that the higher tenderer would have executed the work if the contract had been awarded to him and would not have withdrawn his offer subsequently. The contention of the Railway Administration is not tenable for the reasons stated earlier; besides, it disregards the financial interests of the Railways.

3.3.8 Southern Railway: Idle assets created

The Railway Administration sanctioned 3 estimates in September 1989, September 1990 and March 1992 for construction of 84 staff quarters (20 units of type I and 64 units of type II) for the Railway Protection Special Force (RPSF) personnel at the cost of Rs.78.18 lakhs. Though necessary provisions for construction of overhead tank and borewell were made in the estimates, the funds were not utilised by the Construction Organisation as the existing water supply arrangements were considered adequate. Consequently, the Construction Organisation merely provided, within the sanctioned estimate, a borewell with hand pump for emergency purposes.

Though the inadequacy of the water supply arrangements even in respect of the old quarters in the construction area was brought to the notice of the Construction Organisation by RPSF in May 1991, no corrective action was undertaken. The quarters were completed between September 1990 and July 1994. However, due to inadequate ground level storage facilities and lack of overhead storage facilities, the newly constructed quarters were not connected with the existing water supply system which itself was meagre.

Consequently, RPSF refused to take over the quarters. The Construction Organisation finally decided (May 1993/ January and July 1994) to construct a ground level reservoir, rebore the existing two borewells and erect an overhead tank and awarded two contracts in December 1994 and June 1995. Meanwhile, the quarters could not be handed over to the user department (February 1996).

Injudicious decision of the Construction Organisation not to implement the works in respect of water supply arrangements led to non-occupation of 84 staff quarters, built at the cost of Rs.78.18 lakhs, for periods ranging between two and six years. Besides, the Railway Administration incurred avoidable expenditure of Rs.4.94 lakhs on payment of House Rent Allowance (HRA), while there was net loss of Rs.1.48 lakhs towards recovery of rent.

The matter was referred to the Railway Administration and the Railway Board in December 1995 and October 1996 respectively; reply has not been received (February 1997).

3.3.9 Southern Railway : Idle infrastructure created

A contract for execution of Overhead Electrification on Bangalore - Kengeri Section (13 kms.) was awarded in August 1993 at Rs.52.55 lakhs. The contractor completed (April 1994) the works for 12.5 Kms. The balance work could not proceed without demolishing an old Road Over Bridge (ROB) at km. 5/ 4-5. Before demolishing the old bridge, diversion of traffic through a newly constructed bridge was to be arranged.

Though construction of bridge portion of the new bridge had been completed by the Railways, the approach roads for the same had not been arranged by the Bangalore City Corporation. As per the extant instructions of the Railway Board, construction of bridge proper over tracks should be undertaken only after the State Government commenced or at the least awarded a contract for the work on the approaches.

In February 1994 the Railway Administration had advised the Corporation about completion of the work on the new bridge and had urged the Corporation to take up the approach work immediately. It was however only in May 1995 that a contract was awarded by the Corporation for the approach roads which were completed in July 1996 and the traffic could be diverted through the new bridge. The old bridge could not, however, be dismantled (August 1996) as a water pipe and a High Tension cable of Karnataka State Electricity Board (KSEB) are passing through the bridge. Consequently, the balance overhead electrification work is yet to commence.

As a result, assets worth Rs.2.13 crores created in connection with the electrification scheme remained idle. Besides, there is also loss of revenue pending operation of train services as originally proposed in the justification.

The Railway Administration stated (July 1996) that construction of the Railway portion of the ROB was taken up in July 1988, only after the earth work for the approaches was commenced by the Corporation in May 1988, but the work on the approaches by the Corporation could not progress much. However, this is not tenable since, as admitted by the Railway Administration, contract for the approaches was awarded by the Corporation only on 25 May 1995. Also, in July 1994, the Railway Administration offered to undertake the work on deposit terms which was not agreed to by the Corporation.

The Railway Administration further stated that the matter was pursued with the Corporation time and again and therefore delay in utilisation of assets was not on account of failure of the Railway Administration in any way. But the fact remains that the Railway Administration did not ensure timely co-ordination with all the agencies involved as is seen by further delay in disconnecting the water pipe and the High

Tension cable passing through the old bridge.

The matter was referred to the Board in December 1996; reply has not been received (February 1997).

3.3.10 Western Railway : Idle assets created to augment medical facilities

(i) In August 1989, the Divisional Railway Manager (DRM), Vadodara sanctioned Rs.19.93 lakhs for providing 30 bed extension to an existing health unit of 20 beds at Sabarmati. The civil works were completed in October 1992 at the cost of Rs.20.50 lakhs. However, owing to lack of a proper co-ordination between the medical and the engineering branches of the division and also due to non-procurement of medical items required for the additional beds, the newly constructed structure could not be commissioned prior to 9 November 1995. Though the additional beds were not commissioned, the General Manager had sanctioned 14 additional posts in different categories in May 1993 itself. Out of these, 11 posts were actually operated for periods ranging between 2 and 25 months prior to commissioning of the additional facilities. This resulted in non-utilisation of assets worth Rs.20.50 lakhs for 3 years. Further, there was unfruitful expenditure of Rs.2.67 lakhs on pay and allowance of extra staff employed.

(ii) In another case, DRM, Vadodara sanctioned (September 1989) extension of the existing hospital at Pratapnagar at the cost of Rs.9.29 lakhs to accommodate 15 more beds, since the existing bed occupancy ratio was claimed to be 120 per cent. The work was completed in April 1992 at the cost of Rs.9.13 lakhs. However the assets created remained unutilised due to low bed occupancy ratio. Consequently, the Divisional Administration decided to use a part of the building as a Conference-cum-Library room from June 1995 and the remaining portion as a space to dispose of extra beds in future. The Railway Administration incurred unjustified expenditure of Rs.9.13 lakhs and the assets created remained unproductive even after 4 years.

The Railway Administration accepted (February 1997) the factual position.

3.3.11 South Central Railway: Idle investment on construction of rail level platform

Warangal station on Kazipet - Vijayawada Grand Trunk route is a major commercial centre and traffic handled in the goods shed is of the order of 750 wagons per month. Because of heavy receipt of rakes and of constraints in line capacity of the existing goods shed, in respect of jumbo rakes dealt with in the shed, split placements were necessary leading to detention of wagons and engines.

In order to avoid detentions, a rail level platform adjacent to the outermost line of Warangal station yard was constructed at the cost of Rs.13.41 lakhs as an out of turn work in August 1993 for handling jumbo rakes.

For the first time, an inward BCN rake was placed at the new platform on 5 January 1994 for unloading. But the consignee refused to unload the rake pleading difficulty in truck movement owing to lack of proper feeder road. After detention of the rake for three days, it was placed on the regular goods shed line for unloading. Since then, the new platform was not put to use for loading and unloading of jumbo rakes.

The Railway Administration explained (September 1995/ May 1996) that the new platform could not be used due to reluctance on the part of the municipal authorities to lay the approach road and that the matter was being pursued with the District Collector. Further, the platform was being used for storage and transport of ballast.

The contention of the Railway Administration is not tenable because the platform was constructed without approval of the plan on the ground that there was no change in the yard arrangements, even though the work involved filling up of the low lying areas to facilitate truck movement. Further, before constructing the new platform, the Railway Administration failed to co-ordinate with the municipal authorities for laying the approach road which did not materialise even 32 months after the matter was taken up with the District Collector. The possibility of using the new platform for handling of jumbo rakes is remote, as there has been public resistance to laying of the approach road.

Only the existing goods shed III could handle a maximum of 18 BCN wagons, while the other two sheds could handle 4 wagons each and therefore a rake of 35-40 BCN wagons has to be placed for loading and unloading operations in four placements. Consequently, the projected net savings of Rs.4.32 lakhs per annum did not materialise.

Thus construction of a platform without adequate planning and approval of work plan was injudicious and resulted in idle investment of Rs.13.41 lakhs. Besides the Railway Administration incurred loss of Rs.11.52 lakhs during 32 months since January 1994 on account of earnings from wagons and engines involved in avoidable detention.

The Railway Administration further stated (January 1997) that it did not anticipate the failure of Warangal Municipal Administration in extending the feeder road. This showed lack of proper co-ordination and planning on the part of the Railway Administration.

3.3.12 Central Railway: Non-utilisation of Signal and Telecommunication Training Centre building at Kurla

Divisional Railway Manager (Works) Mumbai sanctioned a detailed estimate of Rs.17.79 lakhs in December 1987 for construction of a Signalling and Telecommunication (S&T) Training Centre at Kurla for S&T Workshop, Byculla. Engineering (Construction) Department commenced the work in October 1988 and completed it in July 1989. Immediately thereafter, the S&T Workshop, Byculla was asked to take over the building and get the electric works in the buildings done by

Electrical (Construction) Department. Electrification of the buildings was completed in August 1989.

However, it was only in July 1992, after a gap of about three years, that S&T Workshop, Byculla informed Divisional Engineering Office, Mumbai that there were many deficiencies in the constructed buildings which needed to be rectified before occupation of the same. In August 1992, Divisional Engineer Headquarters explained that due to non-occupation of the building, various fittings were stolen. However, Chief Workshop Manager, S&T Workshop, Byculla observed (September 1992) that unless the area was protected by repairs to the damaged compound wall and fencing, the building could not be taken over. The buildings have not been taken over so far (March 1996).

When the continued non-utilisation of the assets created in 1989 was taken up by Audit (May 1995/ February 1996), the Divisional Railway Manager, Mumbai stated (January 1996) that the matter pertained to S&T Department while the Chief Workshop Manager, S&T Workshop, Byculla contended (March 1996) that deficiencies pointed out in civil engineering works still persisted and therefore the facility could not be commenced.

Thus, on account of apparent lack of co-ordination between the two Railway Departments, buildings constructed in July 1989 at the cost of Rs.14.04 lakhs were lying unutilised for more than six years (March 1996) and the proposed outdoor training facility could not be provided. Meanwhile the unoccupied buildings have been left open to further pilferage.

The Railway Administration stated (December 1996) that the building had been taken over on 31 August 1996 by S&T Department and the training centre commissioned. It was however observed that the building had been taken over in August 1996 in the same condition as it was in July 1989, after the matter was taken up by Audit in May 1995.

3.4 ESTABLISHMENT AND OTHER MATTERS

3.4.1 Central Railway: Irregular payment of cash compensation to Railway Protection Force

In accordance with the Railway Board's decision of October 1979, non-gazetted staff of the Railway Protection Force (RPF) called to attend duty on closed days were allowed leave encashment subject to the conditions that:

(i) it was not possible to give them compensatory off for working on a closed day;

(ii) it would be admissible only to the extent of number of days the personnel actually worked on closed days; and,

(iii) the total encashment so allowed did not exceed 30 days in a calendar year

In July 1980, the Board further clarified that compensatory rest should be refused in emergent cases only and reasons therefor recorded by the Company Commanders/ Officers-in-charge of the posts.

Audit examination of relevant records of three divisions viz. Bhopal, Jabalpur and Jhansi revealed that non-gazetted staff of RPF were paid leave encashment upto 30 days each year from 1991 to 1994. However no separate record was maintained by the divisions to substantiate that the staff had actually applied for grant of compensatory off in lieu of their working on closed days and that such request was denied by the competent authority on grounds of emergency. In Jhansi division, instructions were issued only in May 1995 to maintain proper records in this regard. Thus payment aggregating Rs. 1.65 crores made as a matter of course by three divisions towards cash compensation of RPF personnel violated the extant rules and required regularisation.

The Divisional Railway Administration of Bhopal and Jabalpur stated (February/ March 1995) that due to acute shortage of staff and having to perform unscheduled duties, it was not possible to provide compensatory rest.

The reply is not tenable. The posts not operated between 1991 and 1994 worked out to about 6 per cent in Bhopal division and the same averaged around only 1 per cent in Jabalpur division. Further, altogether Rs.1.65 crores were paid towards cash compensation in these three divisions from 1991 to 1994. Incidentally the expenditure on pay and allowances would have been around Rs.1.25 crores only had the vacant posts been filled up during the period. Also, no record was maintained by the Jhansi division to indicate that the duties performed by the RPF staff were unscheduled ones.

The Railway Administration accepted the factual position but maintained that it was only a procedural lapse of not maintaining the records. This is not tenable since the justifiability of payment of Rs.1.65 crores towards cash compensation is not supported by records.

3.4.2 Northern Railway: Avoidable extra expenditure due to acceptance of incorrect billing of water charges

Drinking water for use in staff quarters as well as in service buildings of Bikaner division is supplied by Public Health Engineering Department (PHED), Rajasthan. The PHED had classified the Railways in October 1974 as a commercial establishment. Accordingly, while water used in staff quarters was being charged at domestic rates viz. Re.0.65 to Re.0.75 per 1000 litres, water supplied to service buildings was being charged at commercial rates which were 50 per cent more than the domestic consumption rates. These rates were applicable from 1 October 1974.

(i) In April 1979, the PHED revised the rates of water charges and introduced the industrial rate (Rs.2 per 1000 litres) for industrial units such as hotels, motor garages and workshops. Such industrial rates were also applied at six Railway stations where water was used in staff quarters and service buildings. The Railway Administration did not, however, contest this action of the PHED but paid the water charges at the higher industrial rate.

The incorrect payment of water charges was pointed out by Audit in July 1984, October 1992 and September 1993. It was only in December 1993 that the Railway Administration took up the matter with the PHED who stopped charging higher industrial rate after July 1994 and September 1994 (one station each) and March 1995 (three stations). However, in respect of Rani Bazar Tanki Bikaner station, billing continued at the higher industrial rate even as of August 1996.

Acceptance of incorrect billing at industrial rate and failure to take up the matter in time with the PHED thus led to avoidable extra payment of Rs.1.27 crores during September 1987 to March 1996. Loss prior to September 1987 could not be assessed in audit for want of relevant records. The Railway Administration could not persuade the PHED to either refund the excess amount collected or adjust the same from the current water charges.

(ii) At Jodhpur station also, the Railway Administration obtains water from the PHED through one water connection located in the Railway Workshop. Approximately 40 per cent of the total water supplied is used in the Workshop and the balance in station buildings, loco shed and for washing of rakes in the station yard.

The PHED, which had been recovering water charges for this connection at commercial rates, started billing at the higher industrial rate from April 1979, as the connection was located inside the Workshop. The Railway Administration did not contest the change nor take action to separate the water supply lines for the Workshop, station and yard, so as to get the benefit of the lower rates.

It was only after the matter was raised by Audit in April 1991 that the Railway Administration urged the PHED in September 1991 to charge commercial rates. However the PHED did not agree (July 1993) on the ground that water was being supplied to the Workshop in respect of which industrial rate was applicable.

Thereafter, without separating the water supplies, the Railway Administration requested the PHED in August 1993 and September 1995 for application of commercial rates but in vain. This resulted in avoidable extra payment of Rs.82.96 lakhs during May 1984 to March 1996. Extra payment made prior to May 1984 could not be assessed in audit for want of records.

Thus failure to take timely action resulted in avoidable extra payment of Rs.2.10 crores to the PHED by the Railway Administration.

The matter was referred to the Railway Administration and the Railway Board in May 1996 and November 1996 respectively; reply has not been received (February 1997).

3.4.3 Southern Railway: Avoidable extra expenditure due to non-execution of agreement

The Tamil Nadu Electricity Board (TNEB) had agreed in November 1971 to continue supply of power to the Railway Administration at the concessional rate of 8.5 paise per unit for Madras - Arakkonam and Madras - Vijayawada sections upto 31 March 1985, subject to revision, if any, with mutual agreement during the intervening period. The State Government had further agreed, in consultation with the TNEB, to supply power at the concessional rate of 7 paise per unit for Madras - Trivellore section initially during 1975 to 1980, as a very special case, even though such concession involved substantial loss to the TNEB. However the Railway Administration failed to execute formal agreement with the TNEB in regard to these concessional tariff rates. When the TNEB enhanced the tariff rates unilaterally during the intervening period, the Railway Administration paid the charges at the enhanced rates to maintain the train services and to avoid inconvenience to the passengers.

It was only in October 1984, when execution of an agreement was under consideration, that the Railway Administration urged the TNEB to incorporate a sub-clause relating to concessional tariff in the proposed agreement. The TNEB, however, did not agree (February 1985) stating that the form of agreement was a standard one applicable to all customers and that if and when any concession was given, the relevant provisions in the agreement would stand modified accordingly. Still the Railway Administration executed an agreement in March 1986 with retrospective effect from July 1979. The Railway Administration also agreed to pay energy charges at the tariff rates applicable from time to time and to abide by the terms and conditions of the Electricity Acts.

Though legal opinion obtained belatedly in November 1989 was in favour of seeking judicial remedy, the Railway Administration approached the State Government only in March 1993 for institution of arbitration. When the State Government pointed out that the Railway Administration had, by way of agreement executed with the TNEB, agreed not to dispute the applicability of the tariff rates, the latter did not follow up the matter despite the fact that in a similar case, a private company had moved the High court and obtained a ruling in 1984 that action of the TNEB and the State Government in not honouring the originally accepted concessional tariff rates was invalid.

As a result of these lapses, the Railway Administration had to incur extra expenditure of Rs.13.63 crores for the period between 1979-80 and 1984-85.

The Railway Administration stated (November 1996) that the agreement with the TNEB was executed in March 1986 under protest in accordance with the directives (January 1986) of the Board. However this contention is not tenable since the Railway Administration finally executed the agreement without the legend `under protest', even though they had earlier objected to inclusion of certain clauses in the agreement submitted by the TNEB. The Railway Administration further stated that the issue of refund was taken up by the Minister of State for Railways with the Governor of Tamil Nadu in November 1988 but the Minister for Electricity, Government of Tamil Nadu expressed (July 1989) inability. Thus the Railway Administration did not execute the agreement 'under protest', as per the specific directives of the Board, which might be inhibiting recourse to further remedial action to obtain electricity at the originally agreed concessional rates.

3.4.4 South Eastern Railway: Non-recovery of maintenance charges for a level crossing

The Railway Administration entered into an agreement with the Government of Orissa in December 1984, whereby the Railways agreed to construct and operate a manned level crossing between Jaleswar and Rajghat railway stations. The State Government was to bear, inter alia, expenditure on maintenance including pay and allowances of the gateman, electricity charges, etc.

In June 1984 the Railway Board had already decided to revise the rates of recovery towards cost of railway staff employed at level crossings with effect from April 1984. This was on account of over-head charges such as leave salary contribution, pensionary benefits, provident fund, bonus, etc. These increased charges were not incorporated in the agreement executed in December 1984, but were included in the claims made by the Railway Administration for the year 1987-88. The claims at higher rates were not paid by the State Government which paid only Rs.0.98 lakh against the claim of Rs.2.20 lakhs for the year 1987-88. On being informed of the reasons for the enhancement in the rates, the State Government stated that it was prepared to bear only the actual recurring expenditure in connection with the level crossing.

It was further observed that the Accounts Department of the Railway Administration became aware of the case only when a tripartite meeting was held at the instance of Audit.

According to available records, an amount of Rs.23.60 lakhs is receivable by the Railway Administration for the period from 1986-87 to 1992-93. Amounts receivable prior to 1986-87 and after 1992-93 could not be worked out for want of records.

In response to the observations of the Audit, the Railway Administration stated (April 1996) that the Engineering Department would prefer bills on the State Government after certification by the Accounts Department.

The Railway Administration further stated (February 1997) that records were being collected and bills would be prepared on the basis of records.

3.4.5 Central Railway: Less recovery of repairs and maintenance charges due to non-revaluation of cost of portions of assisted sidings borne by the Railways

Rules provide that an assisted siding owner is required to pay to the Railway Administration repairs and maintenance charges at the rate of 4.5 per cent of the cost of the portion of siding borne by the Railways, or its present day cost, whichever is higher. The cost of the portion borne by the Railways is to be revalued every five years in accordance with such general or special orders as may be issued by the Railway Board from time to time. Agreements entered into by the Railway Administration with the owners of all the assisted sidings also include a standard clause providing for valuation of the cost every five years or earlier.

Audit review of records of 18 and 12 sidings (including 4 closed in early nineties) maintained by Nagpur and Mumbai divisions respectively revealed that the Engineering Department had not re-valued the cost of the portions borne by the Railways for periods ranging between 13 and 30 years in respect of the sidings still in operation and between 5 and 14 years in respect of the closed sidings. No valid reasons were forthcoming for non-revision. Further, details of the agreements in respect of 8 out of 18 sidings were not available in the Engineering Department of Nagpur division.

Revaluation of the costs undertaken in the adjacent Bhusawal division in 1982, 1987 and 1992 revealed that the costs had increased substantially within a band of 52 to 179 per cent after every five years. Taking a minimum of 50 per cent increase in the cost for every five years, the short recovery of repairs and maintenance charges for these assisted sidings in Nagpur and Mumbai divisions would work out to Rs.2.05 crores.

The Mumbai Divisional Railway Administration also failed to ensure proper maintenance of important records such as agreements with the siding owners. Further, there was no evidence that the Associated Finance had ever pointed out the failure to revise repair and maintenance charges during their normal functioning.

The matter was referred to the Railway Board in November 1996; reply has not been received (February 1997).

CHAPTER 4

STORES AND ASSETS MANAGEMENT

4.1 REVIEW

Northeast Frontier Railway: **Poor contract management in procurement of concrete sleepers**

1. Introduction

Indian Railways use different types of sleepers. However, with the gradual phasing out of wooden sleepers in the interest of preservation of forest wealth, and on the cast-iron sleepers not being found suitable for high density routes, Pre-stressed Concrete (PSC) sleepers have been proposed for extensive adoption.

2. Scope

This review covers 14 of the 21 contracts entered into by the Railway Administration between December 1988 and August 1996 for supply of Metre Gauge (MG) and Broad Gauge (BG) PSC sleepers after manufacture in the concrete sleeper factories at New Bongaigaon (set up in December 1988), Jogiroad (July 1989), Mirza (January 1991), New Jalpaiguri (February 1992) and Lumding (January 1994). In all, 18.99 lakhs sleepers were ordered under these 14 contracts at the cost of Rs.58.88 crores. Of these, 10.94 lakhs sleepers worth Rs.65.08 crores were received (July 1996).

3. Highlights

- Defective conditions of contracts led to undue benefits aggregating Rs.1.60 crores to the contractors on account of retention of the wastage of HTS strands and availment of the benefits of Modvat credits on inputs.

  [Paragraph No.4 (a) (i) and (ii)]

- Besides, there was extra liability of Rs.32.98 lakhs to the Railway

Administration due to wrong contract condition.

[Paragraph No.4 (b)]

- There was avoidable extra expenditure of Rs.25.85 lakhs due to non-execution of tripartite agreement.

(Paragraph No.5)

- Incorrect application of escalation charges resulted in extra expenditure aggregating Rs.1.47 crores, inclusive of excise duty.

[Paragraph No.6 (a) and (b)]

- Incorrect determination of benefits that accrued in respect of Modvat credits on the inputs resulted in avoidable extra payment of Rs.1.78 crores in 3 contracts and loss of Rs.40.67 lakhs in one contract.

[Paragraph No.7 (a) and (b)]

4. Defective contractual conditions

(a) Undue benefit to the contractors

(i) BG and MG sleepers require 8.217 kg and 3.984 kg each of High Tensile Steel (HTS) wire (strand) respectively. As against that, the Railway Administration supplied 9.7 kg and 4.5 kg of HTS strand respectively to the contractors as free supply, in terms of the contracts executed upto August 1995. In respect of the 4 contracts executed after August 1995, the Railway Administration reduced the scale of free supply to 9 kg in respect of each BG sleeper on the orders of the Railway Board. However the excess quantity of steel supplied over the requirement was treated as permissible wastage and the contractors were not required to return the waste. The wastage worked out to as high as 18 and 11 per cent for each BG and MG sleeper respectively. The Railway Administration did not obtain any reduction in the sleeper prices on account of the scrap steel retained by the contractors, though in respect of Modified Value

Added Tax (MODVAT) credit availed by the contractors, basic prices of the sleepers were suitably reduced. The facility granted to the contractors to retain the waste of HTS strand, without any reciprocal benefit to the Railways, resulted in incorrect appropriation of 1,334 MT of HTS strand supplied in respect of 14 contracts executed between December 1988 and August 1996. The scrap value of the wastage worked out to Rs.90.74 lakhs which was an extra benefit to the contractors at the cost of the Railway Administration.

(ii) With the introduction of MODVAT scheme from March 1986, the Board directed the Zonal Railways in October 1986 to incorporate appropriate clause in the tender and contract documents requiring the tenderers to quote their offers of price after taking into account the MODVAT credit available on the inputs. However the Railway Administration did not incorporate this clause in the conditions of one tender issued in February 1990 for manufacture and supply of BG concrete sleepers at Mirza. Consequently, in February 1990, a private firm of Gaya, who had made the lowest offer, demanded that all MODVAT credits as available would entirely accrue to them. The Railway Administration also accepted this post-tender condition of the firm. By their own admission to the Central Excise Department, the firm availed MODVAT credit of Rs.68.89 lakhs (July 1995) in respect of this contract.

(b) Extra payment due to wrong contract condition

The volume of one PSC sleeper is 0.108 cum and stone chips required for each sleeper is 75 per cent of the total volume. However in respect of two contracts executed in February 1992 and January 1994, clause 26.4.1 of the Special Conditions of the Contract erroneously stipulated that escalation on stone chips would be computed at the rate of 0.108 cum per sleeper, i.e. the entire volume of the sleeper, instead of the actual consumption. This clause was determined by the Chief Engineer on the grounds of 'local conditions' without specifying the same. Consequently, the Railway Administration incurred extra liability of Rs.32.98 lakhs; of this, payment of

Rs.26.94 lakhs had already been made (July 1996).

5. Poor Contract Management

Extra expenditure due to non-execution of tripartite agreement

In February 1990, the Railway Administration invited limited tenders for manufacture and supply of 1 lakh sleepers. The tender conditions provided for wage escalation. A private firm of Gaya, who was the successful tenderer, offered fixed wage for the entire quantity but demanded that the work be allowed to be executed by their subsidiary company in Assam, under a tripartite agreement. The firm indicated that execution of the work through their subsidiary firm, with full responsibility undertaken by the principal firm for timely and proper execution, would save the Railway Administration Rs.7.88 lakhs towards payment of excise duty. Though the Railway Administration had earlier executed a PSC sleeper contract dated 30 December 1988 through a tripartite agreement, they insisted on the execution of the agreement with the principal firm only, on the grounds of ensuring timely completion. Consequently, the firm withdrew their earlier offer of fixed price for the labour component of the rate and this change was accepted by the Railway Administration in February 1991. Failure of the Railway Administration to accept the original offer of the firm resulted in avoidable extra expenditure of Rs.25.85 lakhs towards payment of wage escalation in respect of 1.01 lakh sleepers supplied under this contract.

6. Extra payment towards escalation charges

(a) In terms of the special conditions attached to the contracts, no claim was to be paid by the Railway Administration on account of price escalation during any extended period of the contract, when extension for delivery of sleepers was granted on contractor's account. Such escalation was payable only if the extension was on grounds attributable to Railways or on Force Mejure clause. In respect of five contracts, the Railway Administration did not qualify the extension of the contracts and consequently made extra payment of Rs.100.29 lakhs towards escalation charges in respect of 0.83 lakh sleepers supplied during the extended/ re-scheduled delivery period.

(b) In terms of the contracts, wage escalation was payable with reference to the basic wage rate adopted for the lowest paid category of workers. Since wage input per sleeper was denoted in terms of 'manday', the actual variation of wages was expressed 'per manday' and distributed on each sleeper. However in respect of monthly rate workers, per manday wage rate was computed with reference to 26 instead of 30 days, due to exclusion of 4 holidays. Consequently, the wage escalation calculated on monthly wage basis would be higher than that on daily wage basis. In respect of 5 out of 14 contracts, the Railway Administration erroneously accepted wage escalation claimed on monthly wage basis for the workers who were actually paid on daily wage basis. The resultant extra payment was Rs.47.06 lakhs.

7. Incorrect application of MODVAT credit

(a) Incorrect computation of revised rate

In terms of the contracts, the basic rate of a sleeper was computed after giving a standard allowance of Rs.25 and Rs.15 in respect of BG and MG sleepers respectively, towards assumed MODVAT credit on all inputs, except those supplied free by the Railways. Accordingly, the central excise duty actually paid on the sleeper (final product) by the contractor was reimbursed to him by the Railway Administration. In respect of contract dated 11 February 1992, the Railway Administration fixed the basic rate of a BG sleeper as Rs.145, after giving the assumed MODVAT credit on the inputs. However while revising the basic rate with effect from 7 November 1992 to give effect to price escalation in respect of cement (Rs.111 per sleeper), wage (Rs.65.85 per sleeper) and stone chip (Rs.30.20 per sleeper), the Railway Administration incorrectly added back the assumed MODVAT credit of Rs.25 to the basic rate. Consequently, the revised rate of a BG sleeper incorrectly worked out to Rs.377.05, instead of Rs.352.05, with effect from 7 November 1992. Besides, the Railway Administration incurred extra liability towards central excise duty on the higher rate of Rs.377.05 per sleeper. This mistake affected the subsequent revised rates also. As a result, the Railway Administration made incorrect extra payment of Rs.25 per sleeper for supplies made subsequent to 7 November 1992 under this contract. Similar mistake was noticed in 2 other contracts dated 19 January and 29 June 1994. Total extra liability in respect of 5.9 lakhs sleepers under the 3 contracts aggregate Rs.1.78 crores which consisted of undue benefit of Rs.1.47 crores to the contractors and extra liability of Rs.31 lakhs towards central excise duty.

(b) Omission to avail MODVAT

While determining the assumed MODVAT credit, the Railway Administration did not insist on availing the benefits of MODVAT credit in respect of the inputs supplied free (such as HTS strand and inserts) by them to the sleeper manufacturers. Consequently, the assumed MODVAT credits of Rs.25 and Rs.15 for BG and MG sleepers respectively were confined only to the inputs bought by the sleeper manufacturers, even though the Central Excise Department had permitted the sleeper manufacturers to avail MODVAT credit benefits on the free supply inputs also, on the basis of endorsed invoices for the period upto 31 March 1994. Failure to include in the basic rate the MODVAT credit available on the inputs supplied free by the Railway Administration resulted in loss of Rs.40.67 lakhs (as computed by FA&CAO upto 8 November 1995) in respect of one contract (dated 11 February 1992) alone.

From 1 April 1994, with the introduction of invoice based MODVAT scheme, invoices issued as per the central excise procedure would constitute valid duty paying documents and the contractors could avail MODVAT credit facility on the free supply of goods, if they were accompanied with such invoices. However the Railway Administration did not avail this facility also, by taking up the matter with the central excise authorities for empowering them to issue the invoices as a registered dealer.

The matter was referred to the Railway Administration and the Board in September 1996 and January 1997 respectively; reply has not been received (March 1997).

4.2 IMPORTS

Eastern Railway: Loss due to improper inspection of imported stores

In terms of a contract entered into by the Railway Board in October 1988, the Eastern Railway Administration received, in June 1989, 136 loose axles from a Hungarian firm at the landed cost of Rs.21.38 lakhs for use in motor coaches. The firm received full payment on proof of despatch of the axles, as per the conditions of contract.

Due to manufacturing defects, all the axles developed bends during machining at Kancharapara Workshop. The defects were also confirmed by the Department of Metallurgical Engineering, Indian Institute of Technology, Kharagpur. Consequently, all the loose axles were rejected and the firm was asked in August 1990 to replace the same free of cost.

The firm did not agree that the axles had manufacturing defects and maintained that in terms of the contract, the materials had been inspected by Rail India Technical and Economic Services (RITES) who had confirmed their fitness before despatch.

Though the firm agreed in March 1992 to replace 78 axles which were finally rejected during the joint inspection conducted by RITES in June 1990, they failed to do so even by the extended date of 30 September 1992. The claim of US $ 33,306 (Rs.10.55 lakhs) and Rs.4.84 lakhs made by the Railway Administration in March 1993 in respect of these 78 rejected axles was also not honoured by the firm as of June 1995.

The contract conditions stipulated execution of a bank guarantee for 10 per cent value of the contract from an Indian Nationalised Bank towards warranty obligations. However, in respect of performance guarantee bond, also for 10 per cent value of the contract, the Railway Administration did not specify that the same should be obtained from an Indian Nationalised Bank. Further the bank guarantee should have been obtained before opening the letter of credit in August 1988. The performance guarantee of US $ 72,836, as executed by the firm on a foreign bank only in March 1989, could not be encashed (September 1994) by the Railway Administration on the grounds of incorrect reference to the contract in the bank guarantee.

Thus failure of the RITES to inspect the axles properly even though the contract specifically stipulated inspection of the materials at every stage of manufacture before despatch, as also the fault of the Railway Administration in not obtaining a proper bank guarantee resulted in loss of Rs.15.39 lakhs. Liability on account of inspection fee and loss suffered by the Railways towards unrecovered claims against the firm in respect of other contracts would be extra.

The Railway Administration accepted (September 1996) the factual position of the case and stated that the firm had gone under liquidation and that efforts were on at their level for realisation of the Railway dues.

4.3 PLANT AND MACHINERY

4.3.1 COFMOW, Northeast Frontier: and Western Railways — Injudicious procurement of MG Wheel Lathes

In July 1990, Central Organisation for Modernisation of Workshops (COFMOW) placed an order on M/s. Heavy Engineering Corporation Limited (HEC) for procurement of 17 (14 BG and 3 MG) surface wheel lathes. Two of these MG wheel lathes at the ex-factory unit price of Rs.2.05 crores were to be delivered to the Carriage and Wagon (C&W) Workshop, Ajmer and Locomotive Workshop, Ajmer, based on their indents received in May 1988. The third MG lathe was meant for New Bongaigaon Workshop with reference to their indent of January 1988. While the tender opened in May 1989 was under finalisation, the Railway Board had directed COFMOW in January 1990 to scrutinise the need of the lathes with respect to their capacities vis-a-vis actual/ anticipated work load, before placement of the order.

Since there was ambiguity regarding the requirements of the lathes in the Ajmer Workshops with reference to available records, a survey team of COFMOW officers visited Ajmer for an on-the-spot study.

Though the team observed (April 1990) that the existing four wheel lathes in the Locomotive Workshop could handle the work load which showed a declining trend, they still recommended procurement of a new wheel lathe on the ground that one of the existing lathes was causing inaccuracies in profiling. The team indicated that the new wheel lathe would be utilised to the extent of about 35 per cent only.

In respect of C&W Workshop, the team recommended procurement of a new wheel lathe, in addition to the existing four, to cater to the additional work load since there was no depot with MG wheel lathe facility nearby. Here again, the team confirmed that the new wheel lathe would be utilised to the extent of 50 per cent only.

The recommendation of the survey team consisting of two Chief Mechanical Engineers (CME) (Survey I and Survey II) and the Financial Advisor and Chief Accounts Officer (FA&CAO) and its acceptance by the Chief Administrative Officer (CAO), COFMOW in April 1990 was flawed; firstly, they did not explore the possibility of procuring a single wheel lathe for both the Workshops, even though the cumulative utilisation capacity of one lathe in respect of both Workshops aggregated 85 per cent only and the possibility of undertaking the wheel profiling work of C&W Workshop elsewhere nearby was recognised; secondly, the capacity of the new lathes was under-rated; thirdly, the team did not take into account the Board's directives of January 1990 for rationalisation and pooling of the work load on regional basis so as to ensure optimum utilisation of these costly machines; and, finally, the report was devoid of any detailed data to facilitate correct assessment of the requirements. On the basis of the defective report, COFMOW issued advance acceptance telex to HEC on 24 April 1990.

COFMOW did not review the requirements even after 20 July 1991 when the

Deputy CME, Locomotive Workshop intimated them that new wheel lathe was not required since the existing and anticipated work load could be met by the available machinery. Further, when HEC failed to supply these wheel lathes by July and September 1991 as per the programmed delivery schedule, COFMOW did not take action to reduce the requirements, even though clause 1002 (b) of the contract provided for its termination in case of failure to observe the supply schedule. COFMOW also ignored the fact that by October 1991, HEC had despatched 6 BG lathes only. On the contrary, in December 1991 COFMOW extended the delivery period upto June 1992 with liquidated damages, on the basis of a request made by the firm in November 1991.

On 1 July and 29 October 1992, COFMOW further extended the period of delivery upto September and December 1992 respectively, on the firm's account, disregarding the following developments:

- In December 1991, the Minister of Railways had communicated an Action Plan on Uni-Gauge System, with direction to freeze all works and stores programmes concerning MG and utilise the resources earmarked for the same for gauge conversion programme.

- The Action Plan which was to be implemented from 15 January 1992 identified Delhi - Jaipur - Ahmedabad MG route for gauge conversion on high priority basis. The conversion was to result in reduction in the existing work load of the MG wheel lathes in the Ajmer Workshops, as contended by the General Manager, Western Railway in March 1992.

- In the meeting of Assistant Works Managers held in March 1992, CME, Western Railway decided to drop procurement of MG lathes, in view of conversion of the Delhi - Ajmer - Ahmedabad route. This decision was communicated to the Board and COFMOW in April 1992, by inviting a reference to the expiry of the delivery period of MG lathes.

- HEC's offer in April 1992 for conversion of the MG wheel lathes into BG lathes was highly expensive; for each lathe, HEC demanded Rs.1.27 crores for conversion including dismantling of MG gearbox and assembly of new BG gearbox or Rs.97.75 lakhs without replacing the MG gearbox and thereby sacrificing the speed ranges and productivity. The offer included the requirements of import of additional items worth DM 13,500 (Rs.2.15 lakhs), conversion period of 12 months which was not guaranteed, and interest free advance of 50 per cent of the total cost of conversion.

- Though the Board directed CME, Western Railway in July 1992 to reassess the requirements of MG wheel lathes subsequent to the gauge conversion of Delhi - Jaipur - Ahmedabad route, the same was not undertaken, on the contrary, Chief Workshop Engineer, Western Railway merely replied (July 1992) that the MG lathes would be installed in the Workshops as and when received. This was despite the CME's clear view of March 1992, which was communicated to the Board in April 1992, that the proposal for procurement of MG lathes should be dropped.

- On 14 October 1992, Deputy FA&CAO, Ajmer Workshop confirmed that the existing lathes in the Locomotive Workshop were working without any trouble and were being utilised only upto 87 per cent of the available capacity and further that in view of the anticipated reduction in the work load, incurrence of substantial expenditure on new MG wheel lathes was not appropriate.

Consequently, the two MG wheel lathes, purchased at the total cost of Rs.6.28 crores, were received in C&W Workshop and Locomotive Workshop in January and May 1993. These were commissioned in July and December 1994 respectively.

Meanwhile, one of the existing MG wheel lathes in C&W Workshop which was procured in 1979 was converted into a BG lathe in June 1994. This converted machine remained idle for 18 months till December 1995 for want of work load and even thereafter, the average monthly outturn from January to April 1996 was 52 wheel sets only. In July 1995, another wheel lathe procured in 1985 was sent to HEC for re-conditioning and conversion into a BG lathe at the cost of Rs.56.98 lakhs; but it has not been received back (June 1996). This clearly establishes the fact that after procurement of the new lathes, two MG wheel lathes were not needed for MG work and were considered for conversion. Also it indicates that re-conditioning and conversion of old wheel lathes was cheaper than procurement of new wheel lathes.

The justifiability of procurement of the third MG wheel lathe at the total cost of Rs.3.15 crores for New Bongaigaon Workshop also needs to be established by COFMOW and the Northeast Frontier Railway. Firstly, though the lathe was received in April 1992, it was fully commissioned in March 1993 only, due to delay in foundation work. Secondly, the Workshop was already in possession of three MG wheel lathes at the time of procurement of the new lathe. Thirdly, one of the three existing wheel lathes (Rafamet) was originally proposed for condemnation on the grounds of being beyond economical repairs and consuming excessive electrical energy and the procurement of the new lathe was justified for those reasons. However, the Workshop authorities subsequently decided to retain the Rafamet lathe in view of its high productivity and quality. Thus justification for the new lathe was on the basis of a defective assessment. Fourthly, the Action Plan of December 1991 on Uni-Gauge System contained a proposal for conversion of Guwahati - Lumding - Dibrugarh route on priority basis, which was to result in under-utilisation of the new MG lathe in New Bongaigaon Workshop. Finally, subsequent to procurement of the new wheel lathe, the outturn of the lathes had considerably decreased due to inadequate work load. Consequently, the Deputy CME, Workshop had initiated action in October 1994 for conversion of the new MG lathe into BG lathe at the estimated cost of Rs.60 lakhs.

Thus COFMOW, the Northeast Frontier and Western Railway Administrations failed to utilise the existing MG wheel lathes fully to meet the work requirements, but instead injudiciously resorted to avoidable procurement of three MG wheel lathes involving avoidable expenditure of Rs.9.43 crores.

The Western Railway Administration admitted (April 1996) the facts but contended that the Board had directed them in February 1993 to install the lathes in Ajmer Workshops and that both the lathes were being used productively. These contentions do not meet the Audit points specified earlier.

COFMOW Administration contended (September 1995) that the MG wheel lathes were procured on the recommendations of the Survey Team and after deliberations at COFMOW, Western Railway and the Board. This is not tenable since COFMOW had issued the advance acceptance letter to HEC in April 1990 on the basis of an incomplete and flawed report which was in the nature of an interim report, as per their own admission to the Board in May 1990. The Financial Commissioner had also concurred (May 1990) that COFMOW's claim was based on a defective survey report and directed a re-appraisal exercise for suitable amendment to the contract. However CAO, COFMOW did not comply with the directives even though the need to review the requirements again was indicated by FA&CAO and CME (S-II) on 3 and 6 July 1990 respectively. Instead, COFMOW executed the agreement with HEC on 10 July 1990. Even in their final report of November 1990, COFMOW did not re-assess the requirements of MG wheel lathes for Ajmer and Bongaigaon Workshops but extended the delivery periods in December 1991, July 1992 and October 1992, on the firm's account.

The matter was referred to the Board in December 1996; reply has not been received (January 1997).

4.3.2 North Eastern Railway: Avoidable expenditure on procurement of a Flash Butt Welding Plant

Procurement of a Flash Butt Welding Plant for North Eastern Railway was approved by Ministry of Railways (Railway Board) on an urgency certificate during

1988-89. The setting up of this plant was to improve safety in train operations. Besides, saving of Rs.1.45 crores was anticipated over a period of 10 years due to reduction in maintenance expenditure and fuel consumption. The anticipated cost of the work was Rs.1.92 crores.

Global tenders were invited and opened on 10 August 1987. Of the 9 offers received, only 4 were considered valid. The Railway Administration requested the tenderers to extend the original validity period beyond 5 February 1988. However, one tenderer did not agree to do so. The Tender committee first met in March 1988 and found that the offers were not on common base in respect of the equipments offered, freight charges and installation charges. At the request of the Railway Administration, the validity period was further extended twice upto August and October 1988. Negotiations were held with three out of the four valid tenderers in October 1988 and again the Railway Administration obtained extension of the validity of the tenders upto December 1988.

The Tender Committee met in December 1988 to consider the negotiated offers. The lowest offer of an indigenous firm 'A' for about Rs.2.55 crores was not considered sound mainly on the following grounds:

(i) The firm had never manufactured a railway welding machine.

(ii) The firm did not give any audio visual presentation of the product.

(iii) Performance of one machine supplied by the firm to Chittaranjan Locomotive Works (CLW) was not satisfactory.

(iv) The briefing committee also did not find the firm having proper credentials.

Thereafter, the second lowest offer of firm 'B' of U.K. at the cost of Rs.3.84 crores was accepted pending sanction of detailed estimate, clearance by Director General Trade and Development and of foreign exchange payment. The Railway

Administration requested firm `B' thrice to extend validity of their offer further upto February, May and October 1989. While extending the validity upto October 1989, firm `B' mentioned that due to increase in cost of labour and material after the original quotation of July 1987, they would not be able to extend the period beyond October 1989 without increasing the prices.

The letter of acceptance in favour of firm `B' was issued in October 1989, with certain conditions different from those mentioned in the original offer as also those indicated at the time of negotiations. These related to terms such as customs clearance, transportation of imported materials to the erection site, etc. Firm `B' objected to these conditions which were modified by the Railway Administration. As the contract was not finalised within the extended validity period, firm `B' raised the price of the plant by Rs.1 crore.

In May 1990 the Railway Board instructed the Railway Administration to procure the machine without further delay and to sort out immediately the differences with the tenderer, as the setting up of the above plant was related to safety. Instead of a settlement with the firm, however, the Railway Administration rescinded the contract. Legal opinion obtained by the Railway Administration held that as the Railway Administration had failed to issue unqualified and absolute acceptance offer, the question of recovering liquidated damages from the firm or the Railways going in for risk purchase did not arise.

Fresh tenders were again invited and opened in March 1992. The offer of the indigenous firm `A' which was initially rejected was accepted. The cost of the plant quoted by the firm `A' under the second tender was Rs.6.10 crores which was reduced to Rs.5.65 crores during negotiation. Though the firm had not manufactured any Flash Butt Welding Plant and the output of the proposed plant was only 10,000 joints against the stipulated 25,000 joints, with higher energy consumption per weld, the Railway Administration accepted the offer in March 1993. Supply of the plant was completed in August 1994; but regular production did not start even as of February

1995 due to non-availability of regular power supply.

Had the Railway Administration considered the original offer of indigenous firm `A' in 1989-90 when the first time tenders were opened, additional expenditure of Rs.3.10 crores (Rs.5.65 crores - Rs.2.55 crores) could have been avoided.

Further, non-finalisation of tender of firm `B' within the validity period of more than 2 years resulted in additional expenditure of Rs.1.81 crores. Even if the Railway Administration accepted the revised cost of firm `B', Rs.0.81 crore could have been saved, apart from the anticipated savings. Delay of more that 5 years in procurement had also defeated the very purpose of sanction of a work on urgency certificate.

The Railway Administration stated in September 1994 that the extensions of the tender offers were necessary to examine all technical and financial issues involved. The increased price of the firm was not considered on the ground that the firm was not considered reliable. Further risk purchase action could not be initiated, in view of the legal opinion.

The contention of the Railway Administration is not acceptable as the offer of firm `B' was accepted by the General Manager on 28 December 1988 on the recommendations of the Tender Committee which covered all technical and financial aspects. The Tender Committee also examined the financial reliability of the firm but did not have any adverse comments on that account.

The matter was referred to the Board in December 1996; reply has not been received (January 1997).

4.3.3 Diesel Locomotive Works: Avoidable extra expenditure due to injudicious purchase of costly CNC-VTL machine

Diesel Locomotive Works (DLW) placed an indent in June 1982 on COFMOW for procurement of a Vertical Turret Lathe (VTL) machine against

Machinery and Plant (M&P) Programme of 1981-82 at the sanctioned cost of Rs.16 lakhs. At the time of placement of indent, the work at DLW was being managed by 3 machines procured between 1965 and 1976. COFMOW however could not procure the new machine till 1987 due to non-finalisation of technical specifications. Subsequently, the Railway Board instructed (1986-87) that any machinery sanctioned against M&P Programme for 1981-82 or prior to that would require fresh sanction of the Board.

The Board again sanctioned the CNC-VTL machine in 1987-88 on replacement account at the cost of Rs.80 lakhs. Accordingly, DLW placed a fresh indent on COFMOW in September 1987. But COFMOW again could not arrange the machine till 1990 due to change in specifications made by DLW from time to time.

In April 1990, COFMOW advised DLW that escalated cost of the machine would be Rs.1.60 crores. In May 1990 DLW requested the Board for sanction of Rs.1.76 crores inclusive of commissioning charges. In April 1991, COFMOW raised doubts regarding the likelihood of full utilisation of the machine indented by DLW in 1987 and the availability of funds. However, DLW informed that there was ample justification for procurement of the said CNC-VTL machine.

DLW again requested the Board in July 1992 for sanction of Rs.1.76 crores and simultaneously requested COFMOW to reinitiate procurement action. COFMOW placed order on a private firm in April 1994. The Board also communicated their sanction to the enhanced funds in November 1994.

The machine was due to be delivered to DLW by May 1995. The DLW meanwhile had requested the firm in July 1994 to arrange early delivery since it was an urgent requirement. The machine was received at DLW in March 1995 at the cost of Rs.1.59 crores. It was only after receipt of the machine that DLW started the foundation work.

However in July 1995, DLW undertook capacity analysis of the existing VTL machines and found that there was surplus capacity of 1383 hours. As a sequel, the foundation work for the new machine was ordered to be stopped and the machine was declared surplus to DLW requirement. In December 1995, the Board approved transfer of this machine to Wheel and Axle Plant (WAP), Yelahanka.

The machine was transported from DLW, Varanasi to WAP Yelahanka, Bangalore by road in January/February 1996 instead of rail On receipt, all the wooden packings were found broken and some of the machine parts were found damaged in transhipment. While the machine was installed in May 1996, the same is yet to be commissioned (January 1997).

In this connection the following observations are made:

- Due to non-finalisation of specifications, COFMOW could not procure the machine indented against M&P Programme 1981-82, resulting in cancellation of funds of Rs.16 lakhs sanctioned for VTL machine.

- On the fresh indent of September 1987, COFMOW took more than six years in finalising the tender which was an IBRD tender on which the element of free excise duty, cash compensatory support and supplementary cash assistance in lieu of duty draw-back was available. However due to delay in procurement, IBRD funds were exhausted and the tender was converted into open tender. DLW thus paid an additional amount of Rs.50 lakhs on the indigenous open tender as the element of free excise duty, etc. could not be availed.

- DLW could not correctly assess the actual requirement of the machine and even requested the firm in July 1994 for making early delivery on the ground of the urgent requirement. However finally the machine was found surplus.

Thus, injudicious purchase of the machine without correct assessment resulted not only in idle expenditure of Rs.1.59 crores since March 1995 onwards but also loss of interest of Rs.23.85 lakhs computed at the rate of 15 per cent per annum. Besides, DLW incurred avoidable expenditure of Rs.1.06 lakhs on transportation of the machine to WAP, Yelahanka by road.

DLW admitted (September 1996) the delay in procurement of the machine but stated that the machine had to be declared surplus due to reduction in production programme for 1996-97. The contention of the DLW Administration is not tenable because the production target in 1996-97 was higher in comparison to the previous 3 years.

The matter was referred to the Board in December 1996; reply has not been received (January 1997).

4.3.4 Eastern Railway: Injudicious procurement of sophisticated machine

The Railway Administration procured from Heavy Engineering Corporation, Ranchi one Axle Journal Turning and Burnishing (AJTB) Lathe Machine for Kanchrapara Workshop, through Central Organisation for Modernisation of Workshops (COFMOW) on replacement account, at the cost of Rs.1.26 crores. The Lathe was meant for undertaking axle turning and burnishing work accurately and also inside burnishing for accommodating suspension bearings of electric motor coaches.

The machine, accompanied with a gantry crane, was received in August 1991 but was commissioned in May 1992. The gantry crane received along with the machine has, however, not been commissioned as of November 1996 since it was apprehended that there would be obstruction to the crane movement in the bay. As per COFMOW's specification, the machine was to be capable of giving an outturn of 20 outboard carriage and wagon wheel sets, or 8 diesel/ electric loco/ EMU wheel sets, requiring inboard burnishing, per 8 hour shift, working at 85 per cent efficiency.

Review in audit revealed that the machine went out of order on the fourth day after its commissioning and thereafter developed various major defects from time to time, which were not rectified by the firm till issue of Proving Test Certificate (PTC) in June 1993. Several Joint Inspection Notes drawn in this regard also failed to achieve any fruitful result Although the machine suffered a series of heavy breakdowns to the extent of 95.76 and 52.63 per cent during 1992 and 1993 respectively, a clear PTC was issued in June 1993, after having done the proving test for a period of twelve days only. Thus the directives of the Railway Administration stipulating that PTC of a machine should only be issued after observing its performance for a month was violated. After issue of PTC, the machine suffered a series of breakdowns.

In January 1995, Chief Works Manager, Kanchrapara was asked by COFMOW to furnish information about the outstanding warranty complaints in regard to the machine and to indicate the total breakdown periods the machine had suffered during the warranty period to enable COFMOW to take action in the matter of releasing the bank guarantee bond. However, no such information was furnished. Consequently, COFMOW released the warranty bond for Rs.14.56 lakhs in March 1995.

It was further observed in audit that:

- there were substantial idling of the machine to the extent of 43.97 and 35.46 per cent during 1994 and 1995 respectively, due to inadequate workload;
- the machine could only be utilised to the extent of 3.04, 18.36, 15.09 and 19.57 per cent for the years 1992, 1993, 1994 and 1995 respectively as compared to the available machine hours; and,
- non-commissioning of the gantry crane resulted in non-achievement of the operating efficiency as also the maximum output of the machine.

Thus the purpose for procurement of such a highly sophisticated machine has been defeated and investment of Rs.1.26 crores remained substantially unproductive for want of adequate work load and due to frequent breakdown of the machine.

The matter was referred to the Railway Administration and the Railway Board in May and November 1996 respectively; reply has not been received (January 1997).

4.3.5 Chittaranjan Locomotive Works: Infructuous expenditure on procurement of electronic weigh bridges

The Chittaranjan Locomotive Works (CLW) procured four weigh bridges as indicated below:

Sl. No.	Details of Weigh Bridges	Firm	Date of purchase order	Date of receipt	Date of expiry of warranty period	Date of commissioning	Date of going out of order	Expenditure incurred (Rs. in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Electronic Lorry Weigh Bridge 40 MT	A	July 1987	October 1987	April 1989	March 1989	June 1991	6.64
2.	Electronic Wagon Weigh Bridge 100 MT	B	December 1988	September 1989	September 1991	December 1992	December 1992	8.24
3.	Electronic Weigh Bridge for electric locomotives 150 MT	A	January 1990	August 1990	February 1992	Not yet commissioned	Not yet commissioned	10.03
4.	Electronic Lorry Weigh Bridge 40 MT	C	March 1990	August 1990	February 1992	May 1993	August 1993	4.48

Only one weigh bridge was commissioned within the warranty period, just one month before its expiry. The two electronic lorry weigh bridges received in October 1987 and August 1990 could not be commissioned for 17 and 33 months respectively due to improper planning and delay in construction of foundation works. The third weigh bridge received in September 1989 was not commissioned for 39 months due to delay in calibration. The fourth weigh bridge, though received in August 1990, was not commissioned at all (June 1996).

Utilisation of the three weigh bridges commissioned so far was also unsatisfactory. The electronic lorry weigh bridge commissioned in March 1989 went out of order in June 1991. Inspite of a post-warranty maintenance contract with the supplier and payment of Rs.62,000 in August 1992, the CLW Administration failed to recommission the weigh bridge for the past 5 years. Similarly, the electronic weigh bridge commissioned in May 1993 went out of order in August 1993 since the ramps built by the supplier collapsed. The supplier alleged that the collapse was due to improper laying of approach road by the CLW Administration. This weigh bridge was not repaired despite lapse of 3 years. The third weigh bridge did not function at all though stated to have been commissioned on 11 December 1992, as its computer was defective. It remains un-repaired for nearly four years.

Failure to take timely and adequate action to commission and operate these four weigh bridges thus led to infructuous expenditure aggregating Rs.29.39 lakhs. Meanwhile, CLW Administration continued to manage with inadequate weighment facilities.

The matter was brought to the notice of the Railway Administration and the Railway Board in July and October 1996 respectively; reply has not been received (January 1997).

4.4 STORES

4.4.1 Metro Railway : Shortage of steel materials at Brace Bridge Stores Depot

The stock verification of all items having an annual usage value of Rs.1.25 lakhs or more is required to be conducted by stock verifiers of Accounts Department once in 6 months.

The Stores Depot at Brace Bridge in Calcutta Port Trust area maintained the stock of cement and various items of steel materials in bulk and also some other engineering stores required for construction of Metro Railway project. The Depot

Stores Keeper (DSK), being the custodian, was responsible for correct accountal of the materials. In July 1994, the DSK reported huge shortages of steel materials in respect of a number of items to Assistant Controller of Stores (ACOS), Brace Bridge, Calcutta. Subsequently, stock verification was arranged by Accounts Stock Verifiers in July-August 1994 and six items consisting of Tor steel and MS rounds were found short. In all, 2489 metric tonnes of steel worth Rs.2.76 crores were found short.

The matter was reported to Local Police in July 1994 who subsequently referred the case to Central Bureau of Investigation (CBI). A Departmental Inquiry Committee consisting of Junior Administrative Grade (JAG) officers of 4 Departments was also appointed. The Railway Administration informed the Railway Board in August 1994 that the shortage was due to suspected theft/ pilferage/ unauthorised removal of material, etc. and also suspended 2 DSKs and an Assistant Sub-Inspector of Railway Protection Force.

The Railway Administration admitted (October 1995) the facts but contended that stock verification was conducted as per Rules to the extent possible and that where verification was not conducive to economy, the same was waived after approval by the competent authority. The Railway Administration further held that the loss was nominal since it represented less than 2 per cent of the total transactions of the items of the depot.

The contention of the Railway Administration is not tenable for the following reasons:

- The Railway Administration themselves admitted that complete verification of stock items as per the codal provisions were not carried out on the grounds of space constraints in the depot, heavy turnover of stock, shortage of man-power and other technical difficulty associated with heavy stock.

- There was no evidence of any waiver for stores verification. Further, the stock verification register of light steel section was not produced to Audit.

- Four items found short in July 1994 were last verified in February 1983 (Tor steel 28 mm), September 1983 (MS Round 20 mm), March 1990 (Tor steel 32 mm) and September 1991 (Tor steel 26 mm). Further MS Round 16 mm (commercial quantity), MS Round 16 mm ISI 2062 and Tor steel 25 mm were not verified at all, after first receipt of the same in November 1988, October 1991 and September 1993 respectively.

- The Railway Administration failed to take effective corrective steps on the shortages of stock noticed during previous stock verifications.

- Brace Bridge Stores Depot did not maintain any weighment register to indicate the actual weight of the material received for acknowledging the receipt.

- Rules prescribed that all loaded wagons, whether sound or disturbed, received by the Depot, should be invariably weighed in the depot weigh bridge. However, this requirement was not followed on the grounds that the wagons were found to be sound and the seal was intact. Consequently, weight indicated in the Railway Receipt (RR)/Invoice was accepted and accounted for.

- Between April 1986 and March 1995, steel materials were issued from the Depot on the basis of sectional weight instead of actual weight on various grounds such as defects in weigh bridge.

- Contrary to the requirements, DSK did not maintain a lot register indicating the particulars of stores received, issued and balance available in the lot at the end of everyday.

- The contention of the Railway Administration that the loss was notional is not appropriate since Rules call for detailed scrutiny of shortages exceeding either 2 per cent or Rs.5000. Further, the shortages in these cases ranged between 3 and 9 per cent of total transaction i.e., actual issue.

Despite lapse of two years, final report is still awaited from the high level Inquiry Committee set up to investigate into the causes of shortages, identify staff responsibility, system defects and to suggest remedial measures.

Thus lapses in stores management led to loss of Rs.2.76 crores towards shortages of steel items.

The matter was referred to the Board in December 1996; reply has not been received (January 1997)

4.4.2 South Central Railway: Loss due to shortage of stores

At the Construction Stores Depot, Vikrabad under the jurisdiction of the Deputy Chief Engineer, Construction Organisation, 13 stock verification sheets highlighting the shortages of stores costing Rs.14.26 lakhs were issued during the period from 1990-91 to 1992-93 against the Depot Stores Keeper (DSK) and other custodians. These shortages were kept outstanding even as of March 1993, though the discrepancies in the stock verification sheets were required to be disposed of finally by the Head of the Department within three months of their receipt. For this purpose, the concurrence of the Associate Finance was to be obtained after due examination as to whether the discrepancy was due to negligence, carelessness or dishonesty of any Railway official.

While 10 stock verification sheets relating to the Engineering custodians working in the Construction Unit could be subsequently settled, shortages of stores of Rs.10.66 lakhs on account of the remaining 3 stock verification sheets were outstanding against the DSK The Railway Vigilance Organisation had conducted a surprise check of the Stores Depot on 14 and 15 February 1991 and confiscated the records. The DSK reported sick for more than 2 years from 16 February 1991 and expired on 21 March 1993, after reporting for duty for one day on 26 July 1992.

The Railway Administration failed to post a regular substitute. Only in October 1993, an adhoc Work Maistry who was looking after the duties of the deceased DSK was posted as regular DSK with retrospective effect from May 1993 Further, the Railway Administration did not carry out full scale stock verification during 1992-93 but confined it to one item of consumables only. Also, stock verification was not carried out immediately on the demise of the DSK.

The stock verification carried out from August 1993 to February 1994 revealed additional shortages of stores of Rs.77 lakhs and excesses of Rs.23.42 lakhs and a stock verification sheet was issued in the name of the deceased DSK to be replied to by the incumbent custodian. Explanations for the discrepancies in stock holdings were not obtained (December 1995). Only a portion of retirement benefits aggregating approximately Rs.84,743 was withheld out of the dues payable to the deceased DSK, as of April 1995. Meanwhile the original shortages pertaining to the years 1990-91 and 1991-92 stood at Rs.17.06 lakhs, after updation of the details in November 1993.

In February 1994, the Construction Organisation initiated write off proposals for the shortages by splitting these item-wise, instead of seeking orders of General Manager/ Railway Board for the consolidated shortages aggregating Rs.94 lakhs against the deceased DSK.

The Railway Administration stated (December 1995) that delay in finalisation of discrepancies in the stock position was due to the vast jurisdiction of the deceased DSK and to non-availability of records confiscated by the Vigilance Organisation. The Railway Administration further stated that due to reluctance of staff to work as DSK, there was delay in posting a substitute and that the discrepancies in the stores position would be settled by March 1996.

The reply of the Railway Administration is not tenable since in terms of codal provisions, Senior Divisional Engineer is responsible for correctness of original records of cash and stores and also for reconciliation of the balances shown in the numerical ledger kept by the subordinates with the actual quantities in hand. Also, there had been overall administrative failures to:

- post a regular substitute at the Depot for more than 2 years;
- conduct complete and timely stock verification of the Depot during 1992-93 and 1993-94;
- make certain that the shortages in stores were correctly explained by the deceased custodian within the stipulated time schedule; and
- ensure that the findings of the Vigilance Organisation were made known and the confiscated records returned to the Depot without delay.

Also, the Senior Officers Committee constituted in July 1994 to investigate the loss to identify the best course of action within 10 days did not make any start. Further, despite assurances for settlement of losses aggregating Rs.94 lakhs by March 1996, the Railway Administration had not even apprised the Board on this loss (April 1996).

The Railway Administration stated (February 1997) that shortages pertaining to 1990-91 and 1991-92 amounting to Rs.8.83 lakhs would be written off, while the same for 1993-94 were under investigation and reconciliation. The Railway Administration further added that since the investigation was still on, the question of apprising the Board on this issue did not arise.

4.4.3 Central Railway: Loss in procurement of steel

For meeting the requirements of tor steel for various works, Controller of Stores (COS) placed four orders in November 1992 on a private firm for supply of

1,026 MTs of tor steel of four different sizes at the cost of Rs.1.25 crores. The material was to be despatched by road and delivered to four nominated stores depots. Payment of 98 per cent of the cost of steel was to be made against proof of despatch and inspection certificate along with receipt challans duly attested by a Gazetted Officer at the consignee's end. The supply orders were placed on the firm disregarding the dissent note of Financial Advisor and Chief Accounts Officer (FA&CAO), the Finance Member of the Tender Committee, who had inter-alia observed that (i) comparison of offers taking into account freight by road to determine inter-se position of tenders was not correct as the accepted mode of transport was by rail, (ii) the rates of the traditional supplier, M/s. Steel Authority of India Limited (SAIL) was only marginally higher and (iii) the private firm had doubtful credentials and had registered for supplies upto a limit of Rs.25,000 only.

In October 1992, on receipt of advance acceptance letter, the firm requested that in view of the size of the body of the trucks, it should be permitted to transport the material by rail on freight to be paid by it. This request was agreed to by COS and the purchase order was suitably modified to provide for 98 per cent payment against clear Railway Receipts (RR) or qualified RR with indemnity bond and inspection certificate. The firm received total payment of Rs.1.30 crores against the quantity of 1086.6 MTs of steel.

In March 1993, one of the three consignees complained of short receipt of steel supplied by the firm. On verification, total shortage of 498.84 MTs. of steel worth Rs.60.69 lakhs was noticed at various stores depots. When the Railway Administration took up the matter with the firm in May and July 1993, the firm refused to accept any liability on the plea that the material was despatched under clear RRs and inspection certificates. The value of 98 per cent payment made for the short supply worked out to Rs.59.47 lakhs.

Review of the case in audit revealed that:

- The average quantity of steel supplied (between December 1991 and August 1992) by the firm per order upto October 1992, i.e. prior to placement of these orders, worked out to 8.593 MTs in respect of 46 purchase orders and the highest quantity supplied against one order was 69 MTs worth Rs.8.74 lakhs only. The firm had also claimed to have sales turnover of only Rs.15.92 lakhs and paid income tax of Rs.1,100 during 1989-90.

- In deviation from the original arrangement recommended by the Tender Committee, the COS revised the purchase orders stipulating that 98 per cent payment could be released against clear RR or qualified RR with indemnity bond and inspection certificate. Neither the concurrence of Finance was obtained, nor did Finance detect the deviation.

- Even though acceptance of traffic in smalls was suspended at Wadi Bunder with effect from January 1991, the Area Manager accepted the booking of the material tendered in smalls by the firm as Railway Material Consignments (RMC). Also, permission to the firm was given for dumping the material at the railway premises.

- Whenever a crane was required for freight handling, requisition should be obtained from the party. However details were not forth-coming as to whether such requisition was obtained in respect of these crane consignments at Wadi Bunder from the firm.

- The forwarding notes submitted by the firm did not indicate the actual weight of the consignment but the number of bundles only. In many cases even these entries were found altered by overwriting without any attestation.

- The consignments were weighed at the Railway weigh bridge by the Railway staff and the weight recorded without indicating the full description of the material. Inspite of these lapses, the Railway staff issued clear RRs.

- The receiving stations should reweigh atleast 10 per cent of all consignments in smalls immediately after unloading. Details were not forth-coming as to whether this was undertaken. The receiving stations did not report any shortage in receipts.

- Though the case was referred to Vigilance in July 1993, enquiry was completed in respect of only the commercial staff of Area Manager, Wadi Bunder; imposition of penalty has not been completed. Disciplinary action proposed to be taken against the staff of other Departments was not initiated due to non-receipt of orders of General Manager (September 1996).

- The Railway Administration did not report the loss to the Railway Board.

Injudicious award of contract to a firm with questionable credentials, irregular action in changing terms and conditions of payment and failure to adhere to the codal provisions in booking and delivering freight consignments led to loss of Rs.59.47 lakhs, being the 98 per cent payment in respect of the 498.84 MT steel received short by the consignees. The Railway Administration could withhold the bank guarantees for Rs.3.77 lakhs only.

The matter was referred to the Railway Administration and the Board in June 1995 and December 1996 respectively; reply has not been received (January 1997).

4.4.4 South Eastern Railway: Loss due to shortages in receipt of scrap materials

Mathurakati scrap yard at Kharagpur is the accumulation yard of all ferrous scrap materials pertaining to Kharagpur, Adra, Chakradharpur and Khurda Road divisions and those arising in Railway Workshops at Kharagpur, Mancheswar and Sini. Test check carried out by Audit in July 1992 revealed shortages in receipt of scrap materials in 103 cases during the period from November 1989 to November 1992, as compared to the Railway Receipts and the Form DS 8 containing the details of scrap materials sent by various units. While in 34 cases the shortages were noticed in wagons with seal deficient/ resealed condition, in 69 cases in seal-intact condition. Loss due to short receipt of scrap materials worked out to Rs.67.19 lakhs.

The Railway Administration stated (March 1995) that the loss was notional involving an amount of Rs.46.79 lakhs only. They maintained that the scrap materials were despatched from way-side stations having no weighing facilities and that the quantity in weight shown in the relevant Railway Receipts was on assumption basis. The Railway Administration further contended that in the cases where the quantity was shown in numerical units of the items, conversion of numbers into weight on the basis of theoretical unit-weight led to notional shortage. Also, proper allowance should be given for wear and tear.

The reply of the Railway Administration is not tenable for the following reasons:

- Form DS 8 contains provision to indicate the quantity of scrap materials in terms of both numerical units and weight; incomplete particulars and late receipt of form DS-8 at the Scrap Depot after the arrival of the wagons prevented comparison of the quantities despatched and received. Shortages in receipt were also noticed when both weight and numerical units of the scrap materials were mentioned together.

- Permanent way materials are manufactured in accordance with specific drawings. Permanent Way Inspectors are usually aware of the standard weight of these materials. With reference to the standard weight, the weight of the scrap materials are indicated on the Railway Receipts.

- A comparison between the average unit-weights of the materials despatched and received showed negligible variations.

- Loss of Rs.46.79 lakhs admitted by the Railway Administration was worked out with reference to the short receipt of materials in seal and lock intact wagons only. The Railway Administration omitted to include the loss sustained on account of shortages from seal deficient/ resealed wagons.

- While the Railway Administration stated that there could be no leakage of materials at the receiving point since the receipt and weighment of the consignments were jointly witnessed by the officials of the Stores Department and the Railway Protection Force, they admitted that the wagons were susceptible to pilferage during detention, especially at NSY yard.

- The Railway Administration also accepted that part trains of wagon loads was not accompanied by the Train Guard and that none of the resealed wagons was received in full normal capacity of the wagon.

- Though the Railway Administration had asked the Divisional Authorities concerned to investigate into the shortages to fix responsibility, no effective follow up action was taken. The Railway Administration admitted that there was poor response from the Divisions when the shortages were brought out to their notice by the Depot.

Thus failure of the Railway Administration to ensure effective system arrangements resulted in loss of Rs.67.19 lakhs towards shortages in receipt of scrap materials at Mathurakati Scrap Depot.

The Railway Administration confirmed (August 1996) the factual position of the case but reiterated that the loss was notional. However the contention was not tenable in view of the reasons stated earlier.

4.4.5 Extra expenditure in procurement of locomotive batteries

In November 1995, the Ministry of Railways (Railway Board) invited open tenders for procurement of 15,172 nos. of locomotive batteries of three different types (10V 75AH; 8V 450AH and 8V 290AH) to meet the requirement of Zonal Railways during 1996-97. On the basis of revised requirements and after taking into account the quantity proposed to be covered under the option clause of the existing contracts, the quantity was finally reduced to 12,025 nos. of batteries (75AH - 4117 nos., 450AH - 6481 nos. and 290AH - 1427 nos.).

The tender was opened in December 1995. The batteries being a critical item for operations of the locomotives, the Tender Committee decided to procure them from the firms approved by Research Designs and Standards Organisation (RDSO). Out of the 13 firms which had submitted their offers, only five were approved by RDSO for regular/ educational order. Of the five also, only two (Firm A and B) were approved for regular order in respect of all three types of batteries. The rates quoted by the five firms were as under:

Sl. No.	Type of batteries	M/s.A (Rs.)	M/s. B (Rs.)	M/s. C (Rs.)	M/s.D (Rs.)	M/s.E (Rs.)
1.	10V 75AH	5190	5185	5180	5195	4811
2.	8V 450AH	15312	15320	15316	15316	14675
3.	8V 290AH	11488	11482	11500	11492	Not quoted

The last purchase prices for the three types of batteries against December 1994 tender were Rs.4,380, Rs.13,536 and Rs.10,373 respectively. Consequently, the Tender Committee recommended price negotiations with the firms with a view to obtaining reduction in prices.

While M/s. E, the lowest tenderer, reduced the prices in respect of the first two type of batteries to Rs.4,737.25 and Rs.14,451 respectively, representing reduction of 1.5 per cent, the other four did not offer any significant reduction but indicated identical unit prices of Rs.5,180, Rs.15,312 and Rs.11,482 respectively for the three types of batteries. The revised prices of the four firms were exactly the same as the lowest prices among the original offers made by them.

However, the Tender Committee did not consider the lowest prices of M/s. E, nor did the Committee counter-offer these to other tenderers, even though the Tender

Committee had noted that the four firms had formed a ring and quoted identical prices On the contrary, the Tender Committee recommended increase of 7.8 per cent in the prices of the previous contract against December 1994 tender, in line with a similar decision taken previously in December 1995 during finalisation of contracts for procurement of train lighting batteries. Accordingly, the Tender Committee recommended counter-offer unit rates at Rs.4,980 (higher by Rs.243 than the revised offer of M/s. E), Rs.14,590 (higher by Rs.139) and Rs.11,180 for the three different batteries respectively.

M/s. E was counter-offered the rate of Rs.4,720 in respect of 10V 75AH batteries by applying the 7.8 per cent increase on the price of their previous developmental contract (Rs.4,380) which was executed at lower price. M/s. E was not considered for 450 AH batteries on the ground that supply against the educational order of August 1995 had not commenced, pending RDSO type approval for such batteries. Though M/s. E quoted the lowest price, only 600 batteries of 10V 75 AH specification was recommended for procurement from them while 1,172 nos. of the same type were recommended for procurement from M/s. B, C and D each.

In addition, educational orders for 1,200 batteries (400 each for all three types) were recommended on two unapproved firms (M/s. F and G) at the rates recommended for the regular firms. However the price of Rs.11,180 recommended by the Tender Committee for counter-offer to these two firms in respect of 290AH batteries was higher than the quoted prices of Rs.9,484 and Rs.9,500 respectively by these firms.

The recommendations of the Tender Committee were accepted by the Competent Authority in May 1996.

Failure to counter-offer the lowest rates resulted in extra cost of Rs.19.08 lakhs for procurement of 10798 batteries (75AH - 3917 and 450AH - 6881).

The Ministry stated (November 1996) that M/s. E was on the approved list for educational order in respect of 10V 75AH batteries only and that their lowest prices could not be considered for bulk orders. The contentions of the Ministry are not tenable in view of the facts stated earlier. Mere counter-offering the lowest rates would not have cost the Railways any additional expenditure, but would have helped in breaking the cartel formation. In the case of finalisation of tenders for procurement of switches and crossings (Tender No. Track-6 of 1993) and GFN liners (Tender No. CS-111 of 1995) the lowest rates offered by the unapproved firms were in fact counter-offered to the approved firms and the lowest rates were also accepted. Further, while examining the reasonableness of price offers, the Tender Committee disregarded the indices of Ministry of Industry which showed that the prices of automotive batteries (an item similar to locomotive batteries) had declined by 4.19 per cent between December 1994 and December 1995; rather, they preferred to rely on the claim of the tenderers that the wholesale price indices for the batteries published by the Ministry of Industry did not reflect the correct position in respect of both locomotive and automotive batteries.

The Ministry also stated that the quantity of 10V 75AH batteries supplied so far by M/s. E was small and that their performance in the field was yet to be proved. This contention is also not tenable since the Competent Authority had decided in 1993 that once a firm was given technical clearance, there was no need for any quantity restriction. This principle was followed in respect of M/s. D while procuring locomotive batteries against 1993 and 1994 tenders. Further, despite poor performance and after sales service of batteries supplied by M/s. D, the Tender Committee had awarded the firm 1173 nos. of 75AH and 400 nos. each of 450AH and 290AH batteries under 1995 tender. However, the quantity restriction was adopted in respect of M/s. E who was awarded only 600 nos. of 75AH batteries, ignoring their lowest offers for 75AH and 450AH batteries.

The matter was again referred to the Ministry in December 1996; reply has not been received (January 1997).

4.4.6 Eastern and Western: Railways — Avoidable expenditure due to delay in commissioning of Shunt Capacitor banks

In three instances, the Eastern and Western Railway Administrations incurred avoidable expenditure of Rs.4.10 crores due to delay in commissioning of shunt capacitors.

(a) The Eastern Railway Administration executed an agreement with the Damodar Valley Corporation (DVC) in March 1986 for supply of power from Durgapur grid sub-station to Waria feeding post for traction load. The supply of traction power as per terms of the contract began from April 1986 with initial contract demand of 13,000 KVA which was subsequently enhanced to 15,000 KVA in August 1992. As per the agreement, the Railway Administration is required to maintain power factor at 0.85 and load factor at 0.55 (revised to 0.45 and 0.35 with effect from 1 April 1988 and 1 May 1994 respectively) for obtaining optimum benefit of the power supplied.

During the period from 1991-92 to 1995-96, the power factor at Waria feeding post varied between 0.69 and 0.75 instead of the desired level of 0.85. But the Railway Administration had to pay energy charges on the basis of power factor at 0.85 as per the agreement. Despite the Railway Board's instructions in April 1984, October 1986 and March 1988 to the Zonal Railways for planning capacitor bank (shunt capacitors) at stations sufficiently in advance to avoid excess payment on account of low power factor, the Railway Administration took six years to justify the provision of a capacitor bank at Waria (after the initial proposal of Eastern Railway being not approved by the Board) which was done only in June 1992 and the work was included in the Final Works Programme of 1994-95. Reasons for delay are not on record. The delay is unjustified in view of the fact that on earlier occasions, the Railway Administration was successful in arresting fall in power factor and in avoiding payment of excess demand charges and penalty surcharges by installing shunt capacitor banks at Karmanasa (May 1985), Gaya (November 1986), Sonnagar (December 1986) and Kudra (March 1992).

In August 1995, the Railway Administration engaged an agency for commissioning the shunt capacitor at Waria feeding post within six months but extended the date of completion of the work upto 15 April 1996 on the request of the firm. The shunt capacitor was installed on 10 June 1996 only and immediately the power factor improved from 0.76 to 0.88 resulting in savings of Rs.7.01 lakhs on demand charges alone during June 1996. Besides, no power factor surcharge was paid.

Thus, due to delay in providing a capacitor bank at Waria feeding post, the Railway Administration incurred extra expenditure of Rs.2.47 crores towards demand charges (Rs.2.25 crores) from April 1991 to March 1996 and power factor surcharge (Rs.22 lakhs) from April 1995 to March 1996. Besides, the Railway Administration could not save Rs.44.32 lakhs towards energy charges during the period from April 1991 to April 1994 as the load factor as per the terms of the contract at the material period was 45 per cent instead of 35 per cent.

The Railway Administration stated (October 1996/ February 1997) that the capacitor bank was not provided at Waria feeding post in view of other priorities and contended that the loss was notional. The contention is not tenable since the calculation of the loss was done by the Audit with reference to the formula used by the Divisional Railway manager, Asansol for justifying the installation of the capacitor bank at Kumardhubi during 1994-95. Further, the estimated cost of installing a capacitor bank was only Rs.46.50 lakhs which could be off-set by the savings towards demand charges in less than one year.

(b) With a view to reducing the recurring payment of surcharges to Rajasthan State Electricity Board on account of low power factor, Western Railway Administration, on the directions of the Railway Board, revived a proposal in August

1990 of providing shunt capacitor banks at seven sub-stations of Kota division at the cost of Rs.2.41 crores in the Works Programme of 1991-92. Due to non availability of adequate funds, the scope of the project was reduced to provision of capacitor banks in five places at Bharatpur, Gangapur City, Gurla, Hindaun city and Ramganjmandi at the reduced estimate of Rs.1.72 crores. The two sub-stations at Lakheri and Sawaimadhopur were deleted from the original scope of the work on the grounds that the power factor at these sub-stations was good enough in comparison with that of the other five sub-stations and that the penalty charges paid at both these sub-stations were relatively less. In reality, the low power factor surcharge being paid at Lakheri and Sawaimadhopur sub-stations were higher in comparison with that being paid for Bharatpur and Hindaun city sub-stations. The work of providing capacitor banks at the five sub-stations was completed by August 1993.

There was substantial increase in energy consumption supplied through Lakheri and Sawaimadhopur sub-stations during 1991-92 and 1992-93, without improvement in the level of power factor that prevailed during 1989-90. Therefore in February 1993 the Senior Divisional Electrical Engineer, Kota proposed provision of capacitor banks at both these sub-stations also. However provision of capacitor bank at Sawaimadhopur only was included in the Works Programme for 1994-95. The work, though targeted for completion by October 1995, was not completed (4 February 1996).

For Lakheri sub-station, the Chief Electrical Engineer advised the Senior Divisional Electrical Engineer, Kota in May 1994 to transfer the shunt capacitor bank commissioned at Pathauli in March 1994. Despite the steep increase from Rs.2.5 lakhs to Rs.9.9 lakhs in the monthly penalty surcharge on account of low power factor at Lakheri sub-station, subsequent to revision of the minimum limit of power factor in February 1994, the transfer work which was expected to be completed by August 1994 was actually completed departmentally only in April 1995 after incurring expenditure of Rs.72,150.

Thus, the Railway Administration failed in deciding their priorities properly in not giving preference to Lakheri and Sawaimadhopur sub-stations where higher penalty charges on account of low power factor were being paid. In addition, the Railway Administration delayed shifting of the shunt capacitor bank from Pathauli to Lakheri. These lapses resulted in avoidable expenditure of approximately Rs.1.63 crores towards payment of low power factor surcharge at Lakheri and Sawaimadhopur sub-stations for the period from July 1993 to March 1995 alone.

The Railway Administration justified (December 1995) provision of capacitor banks at Bharatpur and Gangapur City in preference to Lakheri and Sawaimadhopur sub-stations on the grounds that the energy consumption at Lakheri was low and that the power factor at Sawaimadhopur was at the same level as of Bharatpur. Besides, the Railway Administration held that the energy consumption at Gangapur City was higher than that of Sawaimadhopur.

The reply is not tenable in view of the following reasons:

The Railway Administration had stated that the decision whether to provide capacitor bank or not would depend on the tariff structure and the relative economics, namely whether the saving in payment of penalty would pay back the cost involved in providing the capacitor banks. Lakheri sub-station had the lowest power factor during 1989-90 and penalty surcharge on account of low power factor being paid at Lakheri and Sawaimadhopur sub-stations was higher in comparison with that being paid for Bharatpur and Gangapur City sub-stations which were retained in the final proposal. Further, Bharatpur and Gangapur City sub-stations had the highest percentage of power factor and paid the lowest penalty charges during 1989-90.

Also, the Railway Administration justified provision of capacitor bank at Pathauli as a policy matter, even though that sub-station was fed by the Uttar Pradesh Electricity Board and due to the soft tariff structure, no power factor surcharge was paid for Pathauli either prior to or after installation of shunt capacitor bank there.

The Railway Administration stated (July 1996) that the decision not to provide capacitor banks initially at Lakheri and Sawaimadhopur sub stations was based on the then existing anticipated energy consumption on the basis of certain assumptions. This is not tenable for the reasons stated earlier. Further the contention of the Railway Administration that the anticipated level of future energy consumption was considered while making a decision to provide shunt capacitor banks was not borne out by contemporaneous records furnished to Audit.

4.4.7 Northern Railway: Loss due to excess consumption of High Speed Diesel Oil

The normal maintenance of diesel locomotives is conducted in diesel sheds as per the schedules laid down by the Railway Board, viz. yearly, half yearly, quarterly, monthly, fortnightly and trip. The norms of consumption of High Speed Diesel (HSD) oil for various schedules were revised by the Board in June 1992 based on trials conducted on Eastern Railway and consumption figures furnished by the Zonal Railways.

Scrutiny in audit of the consumption of HSD oil at Tughlakabad and Ludhiana Diesel Locomotive Sheds showed that the actual number of schedules carried out during the period 1993-1996 were less to the extent of 2.24 to 20.67 per cent as compared to the targets fixed by the Board. However these sheds had consumed HSD oil in excess of norms ranging from 3.56 to 81.73 per cent.

The excess consumption was attributed to excessive hours of idling of locomotives, excessive load box testing and frequent out of course repairs of the locomotives. However, as the revised norms were specifically fixed by the Board inclusive of all shed movements and load box testings, excess consumption of HSD oil on these accounts was not justifiable. Non-adherence to the norms fixed by the Board thus led to excess consumption of HSD oil to the extent of 15.85 lakh litres costing Rs.1.06 crores during 1993-1996.

The matter was brought to the notice of the Railway Administration and the Board in May and November 1996 respectively; reply has not been received (January 1997).

4.4.8 Northeast Frontier Railway: Extra expenditure due to stoppage of use of reclaimed crank case lube oil

Since 1974, the Railway Administration has been using drained crank case lube oil with axle oil medium in the ratio of 50:50 for repacking of plain journal boxes of coaches and wagons. The drained crank case lube oil was being used after being refined in the Railway's own reclamation plant at Siliguri.

During 1988-89 there was significant increase in the incidence of hot axles. Without conducting any scientific analysis, the Railway Administration, in October 1988, attributed the sudden increase of hot axles to the use of reclaimed oil and switched over to use of 100 per cent axle oil medium. The reclamation plant at Siliguri was also closed in December 1988.

However, even after using 100 per cent axle oil medium, the incidence of hot axles remained considerably higher during 1989-90 to 1992-93 than that in the period prior to 1988-89.

In August 1992, the Railway Administration issued instructions to revert to the old system of blending the reclaimed oil with axle oil and to restart the reclamation of crank case oil at Siliguri. However the plant has not been restarted (August 1996).

Injudicious decision of the Railway Administration to dispense with the use of reclaimed oil without scientifically ascertaining the factors contributing to abnormal increase in the incidences of hot axles led to extra expenditure of Rs.22.19 lakhs due to use of 100 per cent axle oil from January 1989 to December 1995, after taking into account the sale proceeds of the reclaimed oil.

The matter was referred to the Railway Administration and the Railway Board in May and September 1996 respectively; reply has not been received (January 1997).

4.4.9 Northern, South Eastern and: Western Railways — Loss due to non-recovery of cost of wooden sleepers

In paragraph 4.3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (No.10 of 1996) Union Government (Railways), a reference was made about the failure of the Northern Railway Administration while purchasing wooden sleepers to inspect the sleepers which resulted in (i) loss of Rs.3.93 crores on account of premature replacement of defective sleepers and (ii) expenditure of about Rs.54.66 lakhs towards labour costs for replacement of the defective sleepers, during August 1993 to December 1994.

In three more similar instances alone, Northern, South Eastern and Western Railway Administrations incurred loss aggregating Rs.1.05 crores on account of procurement of defective wooden sleepers.

Under the existing arrangements, the South Eastern Railway was nominated to procure and supply wooden sleepers for the Western and Northern Railways. The sleepers were required to be received, thoroughly inspected, and accounted for at the nominated Permanent Way Stores Depot of the recipient Railways before distribution to ultimate consignees. Further, the nominated consignee was required to issue EG15 document, as a token of acceptance, to the Deputy Chief Engineer (Dy CE) (SLC), South Eastern Railway and the supplier within 30 days of receipt of the sleepers or 120 days after their despatch, whichever was later. All deficiencies were required to be indicated on the EG15. Joint inspection of the rejected sleepers was to be carried out by the representatives of the supplier, the nominated Railway and the consignee within 90 days of receipt of the rejection advice. The supplier was required to replace free of cost the finally rejected sleepers within 90 days from the date of joint inspection, failing which the consignee could auction the rejected sleepers.

(a) Due to unloading and labour problems at Udhna, the nominated consignee of

Western Railway, the Chief Engineer (Track Supply) advised the Depot Stores Keeper (DSK), Udhna to rebook 77 wagons containing 14,289 wooden sleepers to Permanent Way Inspector (PWI), Kota during December 1990 and January, November and December 1991. PWI, Kota found 861 wooden sleepers worth Rs.24.02 lakhs short-received and 1305 numbers worth Rs.14.08 lakhs without passing hammer marks and being defective. Therefore he reported the matter to DSK, Udhna and Chief Track Engineer (CTE), Bombay in January, November and December 1991 for re-inspection of the unserviceable sleepers by DSK, Udhna before issue of EG15.

Though CTE, Bombay directed DSK, Udhna on 6 August 1991 to carry out re-inspection, the latter failed to do so and instead released on 6 August 1991 and 6 December 1991 the EG15 without any remarks on the ground that intimation of acceptance was not received from PWI, Kota within the stipulated time. Despite being the nominated consignee for receipt, inspection and accountal of wooden sleepers, DSK, Udhna did not participate in the joint inspection carried out by PWI, Kota along with the representative of Dy.CE(SLC), on 20 April 1992 at Kota.

The joint inspection confirmed rejection and short-receipt of sleepers. However the representative of South Eastern Railway expressed inability to fix liability for the shortcomings on the plea that no complaint to that effect had been sent by DSK, Udhna.

After non-settlement of the matter was pointed out by Audit, CTE, Bombay requested Dy. CE(SLC), Calcutta in February and April 1994 for lifting of the defective sleepers and recovery of the cost from the Forest Department concerned. However the Western Railway Administration could not ensure either removal of the defective sleepers or recovery of the cost (May 1996).

(b) In a similar instance, the South Eastern Railway Administration incurred loss of Rs.5.23 lakhs being the cost of 1510 defective sleepers received in the Kharagpur division due to issue of unqualified EG15 by the Division. As a result, the supplier could maintain that the quality of the sleepers supplied was good.

(c) Track Depot, Gaziabad of Northern Railway rejected 4891 wooden sleepers worth Rs.68 lakhs out of total supplies of 31,960 numbers received through South Eastern Railway between January 1989 and May 1995. Besides, 1187 wooden sleepers worth Rs.19.78 lakhs out of the total supplies of 1,900 numbers received through Northeast Frontier Railway between May 1990 and December 1993 were also rejected.

However, the Northern Railway Administration carried out joint inspection after considerable delays ranging between 4.5 and 22 months. In 6 cases of supplies received through Northeast Frontier Railway, the joint inspection had not been carried out even after 30 to 72 months. Further, despite lapse of 6 to 75 months after joint inspection, the Northern Railway Administration did not ensure either replacement of rejected sleepers by the suppliers or recovery of Rs.65.83 lakhs on account of 75 per cent cost of rejected sleepers already paid to the suppliers. The Railway Administration also failed to auction these unserviceable sleepers which were lying in the open, resulting in continuous deterioration. The South Eastern Railway Administration, the procuring Railway, could recover Rs.4.50 lakhs only.

The matter was reported to the Northern, South Eastern and Western Railway Administrations and the Railway Board in October 1993, July 1993, July 1994 and October 1996 respectively; replies from Northern and Western Railway Administrations and the Board have not been received (January 1997).

4.4.10 Southern Railway: Infructuous expenditure on procurement of wooden sleepers

Despite instructions (October 1986, March 1988 and May 1988) of the Railway Board to eliminate the use of wooden sleepers, the Metropolitan Transport Project (MTP) Organisation, Madras procured 3,633 untreated wooden sleepers between March 1989 and December 1990 at the cost of Rs.32.57 lakhs for use in sharp curves in the Mass Rapid Transit System (MRTS) from Madras Beach to Luz which was targeted for commissioning in phases between March 1988 and March 1990. Only the surface portion of the section between Madras Beach and Park Town was commissioned in September 1991 and the elevated section beyond Park Town is yet to be completed (June 1995). Consequently, 727 wooden sleepers lying in stock for over 3 years started perishing and expenditure of Rs.5.08 lakhs was incurred (October 1992) in treating these.

Notwithstanding the availability of wooden sleepers, Member (Engineering), Railway Board, however, directed in November 1994 that instead of wooden sleepers, pre-stressed concrete (PSC) sleepers should be used for the elevated section beyond Park Town. MTP Organisation arranged for procurement of 1,630 numbers of PSC sleepers at the cost of Rs.15.96 lakhs in December 1994.

It was only in June 1995 that the MTP Organisation declared the wooden sleepers as surplus and intimated availability thereof to other units. However, with the change in policy to eliminate the use of wooden sleepers, prospects of fruitful utilisation of 2,096 wooden sleepers worth Rs.18.79 lakhs are uncertain.

Thus, the injudicious decision to procure the wooden sleepers and not using these subsequently resulted in unfruitful expenditure of Rs.23.87 lakhs (Rs.18.79 lakhs + Rs.5.08 lakhs). In addition, 1,500 bearing plates valued at Rs.2.25 lakhs also remained idle.

The infructuous expenditure was brought to the attention of Railway Administration and the Board in April 1995 and July 1996 respectively; reply has not been received (January 1997).

4.4.11 Eastern Railway: Injudicious procurement of Steel Trough sleepers and CST-9 sleeper plates

A reference was made in paragraph 3.2.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (No.10 of 1996), Union

Government (Railways) about avoidable extra expenditure of Rs.2.71 crores on earth work in the construction of a new Broad Gauge line from Lakshmikantapur to Namkhana.

In May 1988 the Railway Board desired that every new sleeper used on a track should be concrete sleeper in view of its longer life and better maintainability and directed the Zonal Railways intending to use steel sleepers to explain the reasons for not using concrete sleepers in their works. However Eastern Railway Administration made provisions for Steel Trough sleepers in their revised estimate of October 1988 relating to the Lakshmikantapur to Namkhana line, contending that the original estimate approved by the Board in March 1987 had envisaged provision of CST/9 sleepers. Subsequently during a meeting with Member Engineering in November 1988, it was however decided to use concrete sleepers instead of Steel Trough sleepers for this work. Still 19,667 concrete sleepers were procured during the period from 1989-90 to 1992-93 and 13,410 of these were utilised in this project between 1990-91 and 1992-93.

Despite the change in decision in November 1988 to use concrete sleepers, the Railway Administration did not take action either to get the allocation order for Steel Trough sleepers made by the Board in March 1988 changed or to have the revised estimates, sent to the Board in October 1988, recast in line with the decision of November 1988. In fact, the revised estimates envisaging use of Steel Trough sleepers were approved by the Board in September 1990.

Meanwhile the Railway Administration received 14,000 Steel Trough sleepers during January/ February 1989 involving the cost of Rs.95.16 lakhs. None of these sleepers was used in the project and even as of May 1994, the Railway Administration could transfer only 6,487 sleepers to the open line works and other construction units.

Notwithstanding these developments, the Railway Administration decided in April 1994 to use CST/9 sleepers over the length of 25 kilometres between

Nichindapur and Namkhana. The Railway Administration sought approval of the Board on the grounds of minimising the requirements of ballast, easier transportation and less cost of steel sleepers and projected the requirement of 3240 metric tonnes of CST-9 sleepers (74,000 Nos.) for the year 1994-95.

In June/ July 1994 the Board allotted 4264.75 tonnes of CST-9 type cast iron sleeper plates (97,920 Nos.) out of which 2800 sleeper plates costing Rs.14.46 lakhs were received in July 1994. The Railway Administration requested the Board in July and August 1994 to cancel this allotment order on being informed during works review meeting in July 1994 that the Board had not approved the use of steel sleepers between Nischindapur and Namkhana. Consequently even as of September 1995, the entire stock of 2800 sleeper plates remained unutilised.

The Railway Administration stated (July 1995) that action was initiated to transfer the 14,000 Steel Trough sleepers received in January/ February 1989 to the open line works and other construction units and further that the 2800 CST-9 sleeper plates would be utilised during the progress of various ongoing works in due course.

However test checks carried out by Audit revealed that the materials were transported to other units without genuine requirements, only with a view to liquidate the idle stock of the project in the face of initial Audit comments.

Injudicious procurement of Steel Trough sleepers and CST-9 sleeper plates by the Board in contravention of their own guidelines and failure on the part of the Railway Administration to take action for having the allotment orders issued by the Board changed resulted in infructuous expenditure of Rs.1.10 crores. Besides the Railway Administration had incurred avoidable payment of Rs.37.40 lakhs till 1994-95 towards dividend on these idling assets.

The matter was referred to the Board in December 1996; reply has not been received (January 1997).

4.4.12 South Central Railway: Avoidable extra expenditure on procurement of Permanent Way materials

On 14 October 1992, the Railway Board directed the Chief Administrative Officer (CAO) (Construction) not to use any new Permanent Way (PW) materials on loop lines and sidings so as to avoid shortage of new PW materials for completion of gauge conversion works on main lines. Instead, the Board authorised use of either released CST-9 sleepers or twin block RCC sleepers only and asked the CAO to confirm compliance with these directions.

However, the Railway Administration did not comply, but retained the provision for new concrete block sleepers on loop lines and sidings in the part detailed estimate forwarded to the Board on 16 November 1992 in respect of gauge conversion works in Markapur Road - Giddalur section. On 19 November 1992, the CAO approved a proposal for procurement of new twin block RCC sleepers for use on loop lines and sidings between Guntur and Markapur stations, without verifying availability of released PW materials. Accordingly an agreement was executed by the Chief Administrative Officer with a private firm on 25 January 1993 for supply of 22,000 sleepers at the aggregate cost of Rs.1.52 crores, ignoring availability of 1,15,620 pairs of released CST-9 (BG) sleepers as of 31 January 1993 with the Open line Engineering Department. Out of 22,035 sleepers procured, 17,660 were laid on loop lines resulting in avoidable extra expenditure of Rs.42.98 lakhs. Details of utilisation in respect of the balance quantity remain to be ascertained.

The Railway Administration justified (May 1995) the procurement and use of twin block RCC sleepers on the loop lines stating that the Board's orders of October 1992 permitted such use and further that the sanctioned estimate received from the Board also retained the provision for these sleepers.

The contention of the Railway Administration is not tenable since the Board's orders of October 1992 specifically prohibited use of new PW materials on loop lines and sidings. Procurement of new twin block RCC sleepers, instead of making use of the available second-hand CST-9 sleepers as authorised by the Board, was not only irregular but also against the prescribed standards of financial propriety. Though the Board failed to correct the provision in the estimate for use of new sleepers on loops lines, the fact remains that the Railway Administration executed the agreement in January 1993 for procurement of new sleepers even before receipt of the sanctioned estimates from the Board in February 1993.

Thus the Railway Administration incurred avoidable extra expenditure of Rs.42.98 lakhs in procurement and use of new twin block RCC sleepers on loop lines contrary to the Board's orders and disregarding availability of released CST-9 sleepers.

The Railway Administration stated (January 1997) that the Board's directions of October 1992 was to prohibit the use of new CST-9 sleepers and not new twin block RCC sleepers. This was concurred (January 1997) by the Board. Such an interpretation at the level of General Manager and the Board is rather extra-ordinary. The relevant portion of the said-order of the Board is given below which is self-explanatory.

> "While approving gauge conversion work and allotment of Permanent Way material, it was indicated to the Railways that <u>no new Permanent Way Material should be used on loop lines/ sidings</u>. Normally released CST-9 sleepers or 2 block RCC sleepers are to be used on loop lines.
>
> 2. It has come to the notice of the Board that on some railways new CST-9 sleepers are planned to be used on loop lines. <u>Some railways have gone to the extent of using concrete sleepers on loop lines</u>.
>
> 3. The above action of some of the railways has resulted in shortage of Permanent Way materials for completion of gauge conversion even on main lines on other sections". (emphasis added).

4.4.13 North Eastern Railway: Avoidable extra expenditure on procurement of ballast

The Construction Organisation procured 36,763 cum of ballast from Jamalpur quarry, and transported it by road over a distance of 270 kms for utilisation in Phase III Patch Doubling work between Siho-Ramdayalunagar of Barauni - Muzaffarpur Section. Although the Railway Board had directed that ballast should not be transported by road because of higher cost, the Construction Organisation considered transport by road necessary in December 1991 in order to achieve the target date of 31 March 1992 fixed for opening of the line and also in view of the difficulties apprehended in obtaining (i) blocks for unloading ballast from existing main line due to saturated line capacity and (ii) requisite number of rakes for transporting ballast by rail.

Audit scrutiny however, revealed as under:

- The contractor did not supply ballast by the prescribed date viz. February 1992; the supplies were completed only by November 1992.

- The Operating Department had extended full co-operation for transportation of ballast and had allowed blocks for its unloading for Phase III work.

- Adequate line capacity was available.

- The Eastern Railway had extended full co-operation in supply of rakes.

- The line was opened for traffic in April 1993, one year behind schedule.

Consequently, the transportation of ballast by road did not serve the intended purpose and the extra expenditure of Rs.1.04 crores incurred on road transport instead of rail transport was infructuous and avoidable.

The Railway Administration justified (September 1994) road transportation of ballast by reiterating their original contention. The Railway Administration admitted that written assurance for granting blocks was not sought for from the Operating Department, but argued that the various statistical figures found in the Annual Reports of General Manager about saturation of line capacity were adequate for arriving at a unilateral conclusion about non-availability of blocks.

This view is not correct since Rules enable blocking a portion of the open line for engineering purposes which could be foreseen, by giving four days written notice to the Operating Department. Also, the Operating Department had granted blocks for unloading ballast in several sections from July 1991 to September 1992. The Operating Department emphasised in August 1991 that there was no movement problem and that reasons for less loading of ballast was purely on account of delays in loading at the quarry.

The Construction Organisation did not also consider other economically viable alternatives of transportation of ballast by rail to a nearby Depot and then to the site either by rail or road. By December 1991, the Construction Organisation was well aware that the project was not likely to be opened by the target schedule of March 1992, due to delay on account of complicated yard remodelling, signalling work, bridge work and increase in scope of the work.

Further, the ballast work was not found to have been completed properly which led to the Commissioner of Railway Safety imposing speed restrictions in April 1993 till the ballast deficiency was made up.

The Board justified (July 1996) the action of the Railway Administration and stated that at the time of finalisation of the contract for supply of ballast by road, it was not known that the date of opening of the line would be delayed. Further no work could be progressed without working on various activities involved in a project as parallel items. The contentions of the Board are not tenable since the Railway Administration unilaterally did not consider it necessary to seek provision of blocks from the operating department.

4.4.14 North Eastern Railway: Injudicious provision of Warner Signals

In January and February 1993, the Construction Organisation of the North

Eastern Railway Administration procured 44 warner signal sets at the cost of Rs.12.02 lakhs for two newly converted BG sections viz. Burhwal-Sitapur and Varanasi-Allahabad, where provision for only Standard I signal systems was made, on the plea of achieving speed potential of 50 kilometres per hour, even though in terms of standard specifications, warner signals were not required to be provided at stations with Standard I signal systems.

The Construction Organisation did not obtain the approval of either the Open Line Organisation or the Railway Board for this deviation. Even though the Chief Signal and Telecommunication Engineer of Open Line Organisation asked the Construction Organisation to delete the unauthorised provision of warner signal sets, the Construction Organisation ordered on 26 July 1993 for 20 more sets at the cost of Rs.5.46 lakhs for Muzaffarpur - Raxaul Broad Gauge conversion project in which also Standard I signal system was required to be provided.

However, when the Commissioner for Railway Safety observed in December 1993 that the maximum permissible speed in Standard I interlocking was only 50 kilometers and therefore the provision of warner was not only redundant but would also create confusion in the minds of the drivers, all the 30 warner signal sets earlier installed in Varanasi-Allahabad section were withdrawn.

When this was pointed out in Audit in June 1994, the Railway Administration admitted in September 1994 the irregular procurement, but contended that since Chief Signal and Telecommunication Engineer, Northern Railway had demanded in July 1994 transfer of all the warner signal sets, the expenditure would not go infructuous.

The reply of the Railway Administration was not tenable. Only 32 electric signal motors and not all signal machines such as signal posts, etc., were issued to the Northern Railway Administration on the basis of a telephone request after issue of audit paragraph, for which transfer, not even acknowledgment of receipt of stores had been received (July 1995). Further, the Railway Administration did not provide utilisation particulars in respect of 5 sets issued to their Open Line Organisation and 7 sets lying in stock.

Unauthorised procurement of 64 sets of warner signal sets resulted in infructuous expenditure of Rs.17.48 lakhs. The expenditure incurred on installation and subsequent dismantling of 30 sets would be extra.

The matter was referred to the Board in December 1996; reply has not been received (January 1997).

4.4.15 Chittaranjan Locomotive Works: Injudicious procurement of sub-standard polyglass tapes

Chittaranjan Locomotive Works (CLW) had placed (June 1989) a developmental order on firm `A' for supply of 50,000 metres of polyglass tape. In March 1990, the quantity was reduced to 25,000 metres.

The firm made the supplies in May 1990 (2000 metres), September 1990 (2000 metres), November 1990 (10,000 metres) and January 1991 (13,000 metres). The initial supply of 2,000 metres tape was rejected in August 1990 and the replacement supply was also not found totally acceptable. In May 1991, the technical wing of the CLW Administration had called for performance report in respect of the balance quantity supplied. The feedback report of October 1991 indicated that performance of the tape was not consistent and that the problem of surface cracks of the tape continued.

However, in December 1990, while considering the offers of 5 foreign and 3 indigenous suppliers including firm `A' for supply of polyglass tape against a tender invited in August 1990, the technical wing of CLW Administration suggested that offer of firm `A' could be considered for appreciable quantity, despite having noticed that supply made against the earlier developmental order needed some improvement. In May 1991, the Tender Committee observed that the Chief Engineer of the technical wing, which itself has called for a performance report in May 1991 only in respect of the earlier supply on the developmental order, had also given clearance to firm `A' for regular production and recommended procurement of 3.18 lakhs metres of tape at the cost of Rs.19.86 lakhs. Accordingly, orders were placed in June 1991.

Even the initial supply of 40,000 metres made by October 1991 was found defective. In November 1992, the Northern Railway Administration reported to CLW a series of resi-glass band failures on armatures manufactured at CLW during the previous one year. Though the CLW Administration rejected 60,000 metres of tape as defective, they permitted firm `A' to supply 1.86 lakhs metres at the cost of Rs.11.57 lakhs and used the same in the manufacture of approximately 400 armatures. The contract was finally short closed in November 1993. Simultaneously, the CLW Administration intimated all other Zonal Railway Administration and Research Designs and Standards Organisation (RDSO) not to procure any polyglass tape from firm `A' on account of totally unsatisfactory performance of the supplies made by the firm.

Injudicious procurement of polyglass tape without ascertaining the performance of the supplies made under the developmental order thus led to procurement and use of sub-standard types at the cost of Rs.11.57 lakhs.

The Railway Administration confirmed (January 1995/ February 1997) that orders were placed on indigenous sources as a part of overall objective to indigenise production to the maximum extent with a view to become nationally self reliant and save valuable foreign exchange. The reply is not tenable for the reasons stated above. Besides, the Railway Administration did not explain why bulk procurement from firm `A' was resorted to despite adverse performance reports on the earlier supplies.

4.5 ROLLING STOCK

4.5.1 Metro Railway: Mismanagement in procurement, maintenance and utilisation of metro coaches and related machinery

In paragraph 10 of the Report of the Comptroller and Auditor General of India for the year 1984-85 - Union Government (Railways), a mention was made, among other things, about lapses in the manufacture of proto type metro coaches and their trial runs. Further audit examination revealed (i) procurement of regular metro coaches in excess of requirement, (ii) avoidable expenditure on repairs of the coaches and (iii) idle investment in maintenance facilities for the coaches. The details are as under:

(i) The Integral Coach Factory (ICF), Perambur awarded two contracts for supply of traction and other equipment for 144 metro coaches, including 16 prototypes, to Bharat Heavy Electricals Ltd. (BHEL), Bhopal (72 sets) and New Government Electrical Factory (NGEF), Bangalore (72 sets) in July and October 1978 respectively. Total value of the two contracts was Rs.26.18 crores. The equipment were to be fitted in the metro coaches by ICF and the coaches supplied to Metro Railway, Calcutta. The decision to procure 144 coaches was based on traffic projections made in 1978.

However by 1978 which was the original target year for completion of the project, the Railway Administration was aware that completion of the project would be delayed further and, during the next five years, the target for completion was revised first to 1987, then to 1992, and subsequently to December 1995. In April 1986, the section from Tollygunj to Esplanade comprising 7.64 kilometres out of the total length of 16.45 kilometres was opened to traffic.

Despite being aware of the delay in completion of the project, as also of the fact that the traffic actually carried was lower than that anticipated in 1978, the Railway Administration did not consider cancellation/ suspension of the supply of coaches, by taking resort to Clause Nos.27 and 23 of the contracts entered into with

BHEL and NGEF respectively.

Consequently, there was a mismatch between the pattern of receipt and of commissioning of coaches, as under:

Years	Procurement		Commissioning	
	During the year	Progressive	During the year	Progressive
1981-82	4	4	nil	
1982-83	8	12	nil	
1983-84	4	16	nil	
1984-85	12	28	16	16
1985-86	14	42	nil	16
1986-87	10	52	28	44
1987-88	15	67	4	48
1988-89	28	95	16	64
1989-90	23	118	4	68
1990-91	20	138	2	70
1991-92	6	144	10	80
1992-93			13	93
1993-94			9	102
1994-95			27	129
1995-96			4	133
1996-97 (upto July 1996)			3	136

As of July 1996, 8 coaches worth Rs.5.27 crores had not been commissioned at all and remained unutilised for periods ranging between 5 and 12 years. In respect of the balance 136 coaches, the time gap between receipt and commissioning ranged between 1 and 104 months; 4 of these 136 coaches worth Rs.3.18 crores remained unutilised (July 1996) and another 61 coaches worth Rs.46.47 crores remained substantially under-utilised. As early as March 1989, the Public Accounts Committee in their Hundred and Forty Second Report (Eighth Lok Sabha) had pointed out that the occupancy ratio of limited service introduced between Tollygunj and Esplanade was only 38.8 per cent for 8 coach rake and 77 per cent for 4 coach rake during peak hours and 16.8 per cent and 33.66 per cent respectively during non-peak hours.

Despite the low volume of traffic and mounting loss in operation of services which increased from Rs.14.01 lakhs during 1984-85 to Rs.90.72 lakhs during 1986-87, the Railway Administration did not reschedule the delivery of coaches, but instead further received 92 more coaches after 1986-87, resulting in unproductive investment.

The Railway Administration stated (December 1994) that the coaches procured would be utilised progressively with the completion of the project, but contended that there was no scope for deferring procurement when delay in completion of the project was envisaged. The contention of the Railway Administration is not tenable in view of the specific contract provisions involving suspension or cancellation of the supply.

(ii) (a) Due to delay in commissioning of the metro coaches, warranty period of 18 months from the date of commissioning or of 24 months from the date of despatch, whichever was earlier, had expired in many cases. Consequently, when 23 out of 36 motor alternators failed, mostly within the first year, the warranty clause could not be invoked in 15 cases. As a result, the Railway Administration had to incur avoidable expenditure of Rs.48.17 lakhs on repair of motor alternators. The Railway Administration admitted (March 1995) the facts.

(b) Prior to 1992, all motor alternator sets were got repaired by BHEL on single tender basis, on the ground that there was no other firm capable of doing the job. In December 1991, open tenders were invited for repairs/ rewinding of armatures of motor alternator sets. In June 1992, the repair work of 6 sets was awarded to a private firm which had quoted the lowest rate of Rs.45,100 (repair) and Rs.72,260 (replacement) per set, as against the average unit cost of Rs.5.59 lakhs charged by BHEL for replacement work. Failure of the Railway Administration to award the replacement work on open tender basis resulted in extra expenditure of Rs.38.91 lakhs on account of replacement of 8 sets undertaken by BHEL between March 1992 and March 1994.

The Railway Administration contended (March 1995) that the scope of work done by BHEL was different from that by the private firm and further that the failed sets required urgent repairs so as to ensure that the traffic operation was not hampered. This contention is not tenable because even after the satisfactory completion (October 1992) of the work awarded to the private firm in June/ July 1992, the Railway Administration placed further orders on BHEL in March 1994 on single tender basis for replacement of 3 motor alternators. The Railway Administration also failed to meet the emergent requirement of the sets either by utilising the sets available from the idle coaches or by utilising the idle coaches themselves. The private firm had also quoted the lowest rate not only for repair work but also for replacement of armatures.

(iii) In order to provide repair and maintenance facilities to the metro coaches, 41 Nos. of plant and machinery (37 indigenous and 4 imported) were procured between May 1988 and February 1995 at the cost of Rs.7.42 crores. Test checks in audit of the use of four imported machines procured at the cost of Rs.3.23 crores indicated gross under-utilisation since commissioning. The details are given below:

Item	Cost (Rs. in lakhs)	Capacity per month	Actual outturn per month
Multipurpose Wheel Lathe **# October 1994, $ March 1995**	**110.00**	**25 sets**	**1.5 set**
Under Floor Wheel Lathe **# March 1991, $ March 1993**	**127.00**	**25 coaches**	**0.4 coach**
Mica Undercutting Machine **# February 1991, $ August 1992**	**23.31**	**25 armature**	**0.5 armature**
Wheel Press Machine **# August 1992, $ September 1993**	**63.11**	**50 sets**	**0.8 set**

(# - Period of receipt, $ - Period of commissioning)

Also the time lag between receipt and commissioning in case of 3 of these 4 machines was over one year.

In respect of non-utilisation of similar imported machinery, the Railway Administration stated (December 1994) that periodical overhaul (POH) of the coaches had been started from August 1994 onwards and accordingly the machinery would be utilised as required. The contention of the Railway Administration is not tenable since only 17 coaches were given POH till March 1996.

The matter was referred to the Railway Board in December 1996, reply has not been received (January 1997).

4.5.2 Western Railway: Avoidable extra expenditure on purchase of EMU bogies

Consequent to gradual phasing out of steam locomotives and reduction in the workload in steam workshops, the Railway Board instructed all Zonal Railways in 1986 to work out necessary proposals for utilisation of the extra capacity in the workshops on a time-bound basis so as to get the optimal usage of available resources. Accordingly, the steam loco workshop at Dahod started manufacturing UIC bogies, in addition to their usual activities relating to repairs and maintenance work of Broad Gauge steam engines. In October 1991 the workshop decided to undertake manufacture of DC EMU bogies as well, as manufacturing facilities and other necessary infrastructure for such purpose were already in place and the workshop was in a position to start manufacture of DC EMU bogies in case orders were placed.

Between November 1991 and September 1992, the workshop got work orders for manufacture of 20 such bogies from the Mahalaxmi workshop. Seventeen bogies out of 20 were supplied between February 1992 and January 1994 at the cost of Rs.1.87 lakhs each. The remaining 3 bogies were supplied between August 1993 and January 1994. During this period, the workshop supplied 11 more similar bogies to other Railways also.

Notwithstanding the availability of facilities at Dahod workshop, the Stores wing of the Railway Administration had however processed a tender in December 1989 for procurement of 15 EMU bogies from a private company and had issued an advance acceptance letter and a fresh purchase order to the company in September

1991 and August 1992 respectively at the rate of Rs.2.65 lakhs per bogie excluding taxes. The company supplied the bogies between June 1993 and April 1994 at the total cost of Rs.50.02 lakhs. The unit cost of procurement of the bogies from the workshop, on the other hand, would have been only Rs.1.87 lakhs. Failure of the Railway Administration to procure the bogies from their own workshop thus resulted in extra expenditure of Rs.22 lakhs.

The Railway Administration stated (December 1994) that the advance acceptance letter was placed in September 1991 when the Dahod workshop had no capacity to manufacture the EMU bogies and that the unit cost of bogies manufactured at Dahod would have been higher at Rs.3.14 lakhs. This is factually incorrect. The Chief Workshop Manager, Dahod in his letter of June 1994 to Audit confirmed that facilities and other infrastructure for the manufacture of EMU bogies were available in the workshop in 1986 itself. The Chief Workshop Manager also stated in July 1995 that the percentage of 'proforma on cost' for manufacture of bogies at Dahod would be 17 per cent, while it was seen that the stated cost of Rs.3.14 lakhs had erroneously taken the proforma on cost' at 97 per cent.

The Railway Administration reiterated their earlier untenable stand in February 1997.

CHAPTER 5

REVIEWS

5.1 TRACK RENEWALS INCLUDING MAINTENANCE

1. Introduction

Indian Railways have a multiple-gauge system with total route kilometre of 62,660. Broad Gauge (BG) constitutes 63.2 per cent of routes and handles 95 per cent of freight output (Net Tonne Kilometre) and 88.7 per cent of passenger output; Metre Gauge (MG), with 30.7 per cent of the routes, generates 4.95 and 10.9 per cent of freight output and passenger output respectively.

Track constitutes the basic infrastructure of the railway network. The deployment of high powered locomotives, higher pay load wagons and increase in the number and length of trains, heavier axle loads, higher density of traffic, etc. result in deterioration of the tracks. Track renewals at appropriate times are, therefore, important for maintaining the efficiency of railway net work.

Track Renewal Works (TRW) broadly consists of (a) Complete Track Renewal (CTR) - where rails, sleepers, ballast, etc. are completely replaced; (b) Through Rail Renewal (TRR) - where rails alone are replaced; and (c) Through Sleeper Renewal (TSR) - where sleepers alone are replaced. The renewals could be primary or secondary. In primary renewal, only new materials are used, in secondary renewal, released and serviceable materials are used.

2. Scope

The review covers the execution of track renewal works during the period from 1992-93 to 1995-96 and matters incidental thereto, effects of arrears in track renewal works and procurement of track materials and modern track machines and their utilisation. It also examines the shortcomings in contract and material managements.

3. Organisation

Maintenance of tracks and their renewal are done under the direction of Chief Track Engineer of Zonal Railways. The progress of track renewal works is regularly monitored by Member (Engineering) at the Railway Board, with the assistance of Executive Directors. The Board also undertakes central procurement of bulk of track materials and machines for Zonal Railways and monitors their utilisation.

4. Highlights

- Though outlay for track renewal works increased from Rs.3,506 crores in the Seventh Plan to Rs.5,176 crores in the Eighth Plan, physical progress of track renewal works declined from 19,623 to 13,974 kms. leaving a balance of 4,726 kms. of track due for renewal. The target itself for the Eighth Plan was rather modest, considering the achievement in the Seventh Plan.

  (Paragraphs No.5 & 6)

- Retention of overaged tracks increased the cost of maintenance and led to imposition of speed restrictions involving substantial loss of productivity. A study in one section in South Central Railway indicated the cost of each speed restriction to be of the order of Rs.97.70 lakhs per annum. As on 1 October 1996, there were as many as 401 permanent speed restrictions in position. Besides, due to arrear in track renewal, rail fractures, weak formation and derailments were common on the Railways which, over the period 1992 - 1995, suffered loss of Rs.37.98 crores due to accidents on account of track defects.

  (Paragraphs No.7.1 & 7.2)

- Track renewal works in Katihar to Jogbani section of Northeast Frontier Railway were sanctioned to allow increased speed of trains over the section. However, the works were not taken up between Purnea and Jogbani section though the renewal was completed between Katihar and Purnea. Consequently, the expenditure of Rs.4.50 crores incurred remained unproductive.

[Paragraph No.8.3 (i)]

- Northern Railway procured permanent way materials worth Rs.2.96 crores which could not be used for track renewal works and became obsolete.

[Paragraph No.10.1 (i) & (ii)]

- On Alipurduar division of Northeast Frontier Railway, permanent way materials worth Rs.3.67 crores were found short/ damaged during April 1990 to June 1995.

(Paragraph No.10.2)

- In disregard of instructions issued by the Board in February 1992, Southern Railway incurred expenditure of Rs.3.14 crores on procurement of permanent way materials for 12 CTR works in MG section which were slated for gauge conversion. The materials remained unused.

[Paragraph No.10.3 (i)]

- Shortfall in realisation of credits for Rs.43.65 crores on account of released materials was noticed in 43 works on 5 Railways.

(Paragraph No.12)

- Inadequacy in ballast cushioning was noticed in 6 sections on Central Railway.

(Paragraph No.13.1)

- Three divisions in Northern Railway used 0.69 lakh cums of ballast worth Rs.2.01 crores during 1992-93 to 1994-95 in excess of requirement. On the other hand, the Northeast Frontier Railway procured ballast in excess of its need as per target, but failed to insert ballast even as per targets. This resulted in excess procurement of 3.99 lakhs cums of ballast worth Rs.7.18 crores during 1992-93 to 1994-95.

(Paragraphs No.13.2 & 13.3)

- Acceptance of higher rates by South Central Railway for procurement of ballast resulted in extra expenditure of Rs.57.53 lakhs. The Railway Administration also failed to recover from one defaulting firm Rs.1.29 crores representing the mobilisation advance paid and the penalty levied for failure to supply the ballast.

(Paragraph No.13.4)

- Rejection of the lowest rates resulted in extra expenditure of Rs.13.73 crores in procurement of switches and crossings and grooved rubber pads.

(Paragraphs No.14.1 & 14.2)

- Costly track machines (271 nos.) worth Rs.338 crores procured during 1992-93 to 1995-96 remained grossly under-utilised due to inadequate availability of blocks, break down of machines, etc.

(Paragraph No.15)

- Cost of maintenance of track in Eastern and South Eastern Railways was abnormally high compared to other Railways.

(Paragraph No.18)

- In 7 divisions of 3 Railways (Central, Eastern and North Eastern), avoidable expenditure of Rs.6.33 crores was incurred on certain items of routine maintenance of track by private agencies, though departmental labour was available.

(Paragraph No.18.1)

- On Central, Northern, North Eastern, South Eastern and Western Railways, 8 out of the 9 flash butt welding plants installed at the cost of Rs.19.07 crores remained grossly under-utilised.

(Paragraph No.19)

5. Excess expenditure over savings

Budget allocation made during the period from 1992-93 to 1995-96 for track renewal works, including track machines, and the actual expenditure incurred were as under:

(Rupees in crores)

Year	Budget allocation (Rs.)	Actual expenditure (Rs.)	Target for track renewal (kms.)	Track renewal done (kms)
1992-93	1000.00	1063.00	2850	2938
1993-94	952.29	970.10	2420	2814
1994-95	1000.00	1023.72	2400	2763
1995-96	1173.32	1149.51	2600	2895
Total	4125.61	4206.33	10270	11410

(Note: Budget allocation for 1996-97 was Rs.1050 crores.)

The railways had been incurring expenditure in excess of sanctioned allocation as a matter of course.

6. Arrears in track renewal works

The Public Accounts Committee in their 165th Report (1988-89) (Eighth Lok Sabha) considered it imperative that track renewal works were given top priority so that under no circumstances arrears in track renewals were allowed to accumulate. The Corporate Plan of Railways (1985-2000) also indicated heavy arrears of track renewal, both on BG and MG, and stressed the need to liquidate the same during the Eighth Plan period.

Particulars of arrears inherited, new arisings, annual target and achievement in track renewal work during the period from 1992-93 to 1996-97 are given below:

(Length in Kms.)

Year	Arrears in the beginning of the year	New arisings	Target fixed for the year	Achievement	Arrears at the end of the year
1992-93	9600	1820	2850	2938	8482
1993-94	8482	1820	2420	2814	7488
1994-95	7488	1820	2400	2763	6545
1995-96	6545	1820	2600	2895	5470
1996-97	5470	1820	2564 *	2564 *	4726 *
Total		9100	12834	13974	

(* Estimated)

Considering the performance during the Seventh Five Year Plan, the target for track renewal during the Eighth Five Year Plan period (1992-97) was unduly modest and the achievement was about 66 per cent of the Seventh Plan. Further, 4,726 kms. of track would remain over-due for renewal. The Board stated in October 1996 that overdue renewals at the beginning of the Ninth Plan would be around 6,300 kms. and arisings per year would be around 3,250 kms.

Plan outlay for track renewal works during the Seventh Plan was Rs.3,506 crores; during the Eighth Plan it was Rs.5,176 crores. However, the targeted and actual physical progress of track renewal during the Eighth Plan was only 12,834 and 13,974 kms. compared to the Seventh Plan targets and actuals of 20,000 and 19,623 kms. respectively. Further, the objective of the Eighth Plan to liquidate arrears in track renewal was also not achieved.

7. Effect of arrears in track renewal

Retention of overaged track in service not only involves increased cost of maintenance but also affects the safety of the travelling public. The back-log of track renewal works has the following adverse effects:

7.1 Speed restrictions

Details of speed restrictions of indefinite durations (i.e. permanent) on

Railways due, inter alia, to track defects are as under:

(As on 1 October 1996)

Sl. No.	Railway	Number of permanent speed restrictions
1.	Central	35
2.	Eastern	33
3.	Northern	19
4.	North Eastern	23
5.	Northeast Frontier	31
6.	Southern	43
7.	South Central	104
8.	South Eastern	82
9.	Western	31
	Total	401

These permanent speed restrictions were imposed on the sections due to weak formation of tracks, worn-out rails, ballast deficiency, inadequate super-elevation, continuous falling gradients, etc. Speed restrictions caused detentions to trains and reduced utilisation of engines and wagons. Consequently section capacity was affected and productivity decreased. Cost study conducted by South Central Railway of 19 speed restrictions imposed during 1989-90 between Gooty - Renigunta section of the Guntakal division analysed the various costs involved in speed restrictions as under:

(Rupees in lakhs)

Sl. No.	Element of cost	Cost per annum per speed restriction
1.	Cost of detention to passenger vehicles	3.34
2.	Cost of detention to wagons	11.10
3.	Cost of detention to engines	62.38
4.	Cost of additional fuel consumption	9.22
5.	Cost of section capacity lost	11.66
	Total	97.70

The study report however recognised that speed restrictions would vary from section to section and from day to day. Based on this study, total loss due to 401 permanent speed restrictions is estimated at Rs.391.77 crores per annum.

7.2 Accidents

Due to arrears in track renewal, rail fractures, weak formation, widening of gauge and welding failures were common on the Railways threatening the safety of the travelling public.

The year-wise position of failure of permanent way, the number of accidents due to track defects and cost of damages to permanent way on the Indian Railways are indicated below:

(Rupees in crores)

Year	Number of permanent way failure	Total number of accidents	Accidents due to track	Percentage	Cost of damage
1992-93	3911	524	24	4.6	13.66
1993-94	2232	520	27	5.2	14.27
1994-95	932	501	17	3.4	10.05
Total	7075	1545	68	4.4	37.98

Thus the cost of damages due to track defects was substantial.

8. Infructuous/ avoidable expenditure on track renewal works

8.1 Eastern

Glass Filled Nylon (GFN) insulating liners were required to be used only in track circuited area along with PSC sleepers for insulation purpose and metal liners (a cheaper item) in non-track circuited area. Eastern Railway used GFN liners in non-track circuited area of Asansol division and thus incurred extra expenditure of Rs.11.93 lakhs during 1990-95.

8.2 Northern

The Board advised Northern Railway in March 1992 not to take up renewal works on MG section in view of the uni-gauge policy. Despite this instruction, complete track renewal works in Ashapur Gomat - Shri Badriya section (23.43 kms.) was carried out partly by the Railway (7.94 kms.) and partly by a private firm (15.49 kms.) during June 1992 to October 1993 at the cost of Rs.2.18 crores. However the entire Jodhpur - Jaisalmer route in which the above section existed was converted into BG in March 1995. The expenditure incurred on renewal of MG track, including Rs.55.78 lakhs on labour, thus became infructuous.

8.3 Northeast Frontier

(i) CTR work in Katihar - Jogbani section (107 Kms.) of Northeast Frontier Railway was approved in 1989-90 at the cost of Rs.5.29 crores. The main purpose of CTR was to increase the speed from 50 to 75 kmph in the section. The work from Katihar to Purnea (28 kms.) was completed in December 1991, but work from Purnea to Jogbani (79 kms.) was not undertaken till October 1996. Thus the objective of increasing the speed was not achieved and the expenditure of Rs.4.50 crores already incurred remained un-productive.

(ii) Northeast Frontier Railway used 44,500 nos. of GFN liners in non-track circuited area in Lumding section in April 1995/ May 1995 which resulted in extra expenditure of Rs.10.83 lakhs.

8.4 Southern

(i) Through Sleeper Renewal (TSR) work in Katpadi - Jolarpettai section (16.2 Kms.) of Southern Railway was sanctioned in November 1992 at the cost of Rs.3.21 crores. However, while executing the work, it was converted into Complete Track Renewal (CTR) work and a further stretch of 3.35 Kms. was added and executed with the work. There were no recorded reasons for changing the work from TSR to CTR This material modification to the original estimate resulted in extra expenditure of

Rs.3.77 crores. The Railway Administration did not even approach the Board for regularisation of the extra expenditure.

(ii) Similarly, material modifications to the estimates for TSR and CTR works in Bangalore City - Dharmavaram and Erode - Tiruchchirapalli sections were carried out in March 1992 and July 1994 respectively without the approval of the Board. These modifications resulted in extra expenditure of Rs.56.72 lakhs.

(iii) In the estimate for CTR works in Cannanore - Mangalore section sanctioned in May 1988, provision was made for use of new CST-9 sleepers with conventional fastenings. During execution between May 1988 and December 1995, PSC sleepers were used contrary to the Board's instructions of February 1992. Use of PSC sleepers resulted in extra expenditure of Rs.1.31 crores. This material modification was not sanctioned by the Board (June 1996).

(iv) CTR work for Manamadurai - Rameswaram section was sanctioned in September 1984 at the estimated cost of Rs.2.40 crores. The estimates provided for use of second hand 90R rails. During execution, Class I 75R imported rail was used at the extra cost of Rs.1.04 crores. Even though the work was completed in 1988-89, the material modification has not been sanctioned by the Board.

(v) Similarly, in Tiruchchirapalli - Manamadurai (MG) section, use of imported rail (75R) instead of second hand rails resulted in extra expenditure of Rs.60.73 lakhs.

8.5 South Central

A track length of 27.77 kms. on Londa - Miraj section of South Central Railway was converted into BG at the cost of Rs.29.71 lakhs. The section was opened for traffic in November 1994. In August 1995, within 10 months of conversion, replacement of 90R rails with 52 kg. rail had to be undertaken at the cost of Rs.38.77 lakhs. Similarly, on Purna - Limbagaon section (14 kms.), rail renewal had to be resorted to in August/ September 1995 at the cost of Rs.29.04 lakhs within three months of gauge conversion. Poor quality of gauge conversion works thus resulted in avoidable expenditure of Rs.67.81 lakhs.

8.6 South Eastern

In May 1988 imported second hand rails (90R) were laid between Bhojudih and Talgoria section of South Eastern Railway at the cost of Rs.40.93 lakhs. These second hand rails were not suitable for carriage of heavy traffic in BOXN wagons and should not have been laid in the section, particularly when new 52 kg rails were available with the Railway. In 1993-94, the Railway Administration had to undertake Through Rail Renewal in the section with new 52 kg rails in view of rail fractures and deteriorating condition of the track and the work was completed in January 1996 at the cost of Rs.1.79 crores. Financial Advisor and Chief Accounts Officer (FA&CAO), while approving the expenditure, observed that had new rails been used in the section carrying heavy traffic, expenditure on premature renewal could have been avoided. The Railway Administration admitted the fact that Through Rail Renewal work with second hand rail should not have been executed.

Due to injudicious planning, there was infructuous expenditure of Rs.40.93 lakhs.

8.7 Western

(i) Western Railway used 32,282 running metres of 60 kg rails in Kota - Ruthiyai section (Group E route) against the standard requirement of 52 kg. rails. Use of heavier rails resulted in extra expenditure of Rs.63.14 lakhs.

(ii) The Railway Administration took up the work of upgradation of track in Sabarmati - Ahmedabad MG section in March 1992 and incurred the expenditure of Rs.54.66 lakhs upto September 1993. However in November 1993, the track renewal work was dropped due to proposed conversion of MG section. The expenditure on renewal was incurred in violation of the Board's directions in February 1992 to avoid expenditure on upgradation of MG track.

9. Contract Management

9.1 Northern

Scrutiny of 18 contracts pertaining to the period from 1985 to 1994 for renewal and maintenance of track revealed that risk cost amounting to Rs.41.35 lakhs could not be recovered by Northern Railway from 13 defaulting contractors. The Railway Administration however asked other Railways to withhold payment, if any, due to these contractors and also requested the firms to make payments due. No legal action was taken and security deposits were not encashed.

9.2 Southern

Eight agreements were executed between July 1995 and October 1995 for collection and supply of ballast at the cost of Rs.1.75 crores in respect of works in Tumkur - Arsikere section for track renewal works. While finalising the open tenders in this regard, the Railway Administration adopted the rates of Construction Organisation which were obtained in March 1993 on limited tender basis for gauge conversion works. By updating the rate of Rs.3,171 per 10 cum, the Railway Administration accepted the rates ranging from Rs.3,835 to Rs.3,852 per 10 cum. In July 1995 Divisional Accounts Officer, Mysore pointed out that the accepted rates were high compared to the rate of Rs.2,540 per 10 cum obtained by the Mysore division in April 1995. Failure to adopt the cheaper rate available in 1995 in respect of open line works resulted in extra expenditure of Rs.62.19 lakhs in procurement of 40,000 cum of ballast at higher rate.

9.3 South Eastern

South Eastern Railway awarded a contract to a firm in October 1988 for supply and spreading of 15,670 cum of ballast at Rs.13.43 lakhs. But due to failure in supply after delivery of 2,379.55 cum of ballast, the contract was terminated in December 1990 at the risk and cost of the contractor. The balance quantity was procured at the cost of Rs.30.14 lakhs. However the Railway Administration failed to recover Rs.18.56 lakhs from the defaulting contractor. The matter was taken up with the Railway Administration by Audit in June 1996 to ascertain the action initiated against the firm; no reply was received (December 1996).

10. Material management

10.1 Northern

Obsolete permanent way materials procured at the cost of Rs.2.96 crores remained unutilised with Northern Railway as under:

(i) In June 1986, Northern Railway decided not to undertake any new planned track renewal work with wooden sleepers. As a result, various items of sleeper fastenings became obsolete. However even after deciding upon this policy, the Railway Administration continued to procure/ stock these materials for Sultanpur Track Depot. By February 1994, such stocking added upto Rs.22.17 lakhs. Besides, 1.09 lakhs of anti creep bearing plates, which were used for holding rails to wooden sleepers, worth Rs.1.59 crores remained un-utilised with various subordinates in Bikaner division. Possibility of further utilisation of these materials was remote in view of the Board's decision of June 1986 not to use wooden sleepers.

(ii) In 1993, 11,143 nos. of steel trough sleepers were received in Bikaner division from Track Depot at Ghaziabad for carrying out track renewal works between Bikaner and Banisar. These steel trough sleepers worth Rs.99.28 lakhs were not found fit for use in this stretch, as the existing rail was 60 R and the sleepers were fit for use in 50 R rail (MG). Consequently, the sleepers were lying unused since their receipt with no scope for any future use. Similarly, 2,938 nos. of twin block sleepers worth Rs.14.78 lakhs were lying with subordinates at Varanasi and Lucknow since June 1988 and July 1990 respectively.

10.2 Northeast Frontier

In Alipurduar division of Northeast Frontier Railway, shortages/ damages of permanent way materials worth Rs.3.67 crores in 89 cases during April 1990 to June 1995 were noticed. Besides, thefts had also resulted in loss of Rs.51 lakhs in Katihar and Alipurduar divisions during 1992-93 to 1994-95.

10.3 Southern

(i) In February 1992, the Board issued instructions to the Zonal Railways not to make investment of any kind on upgradation or development of MG sections which were slated for gauge conversion. The idea was to regulate the expenditure in MG sections judiciously to ensure economy. In respect of 12 CTR works on Southern Railway, expenditure of Rs.3.27 crores was incurred on staff and stores (Rs.3.14 crores - stores and Rs.13.46 lakhs - cash) after issue of the Board's instructions. Thus capital of Rs.3.14 crores was locked up on procurement of permanent way materials since February 1992.

(ii) Based on the Board's orders, two firms supplied 52 sets of switches and 39 sets of crossings worth Rs.20.78 lakhs to the Railway Administration between April and September 1995 without indent. Despite the Railway's request in May 1994 to cancel the allotment, no action was taken by the Board to cancel further allotment of 30 sets of switches and 20 sets of crossings made by the Board in October 1994. All the materials were lying with the Railway since their receipt, without any prospect of utilisation in the near future.

10.4 South Central

Check rails formed a part of points and crossings but did not take any load on them, except guiding the wagon/ coach. Wear and tear of check rails was not as much as that of points and crossings. It was, therefore, not necessary to replace check rails along with the points and crossings whenever crossings were renewed. Procurement of check rails along with points and crossings without assessing their actual requirement resulted in over-stocking of check rails worth Rs.40.58 lakhs on South Central Railway.

10.5 Western

(i) Western Railway procured 39,890 sleepers worth Rs.86.13 lakhs for CTR works of NG section of Vadodara division which was sanctioned in January 1992. The Railway Administration however decided in January 1994 to stop this work. Failure to review the work of track renewal in the light of the corporate plan and uni-gauge policy resulted in avoidable expenditure of Rs.86.70 lakhs. The entire quantity of 39,890 sleepers remained unutilised and only a part quantity of 17,075 nos. was transferred to Sabarmati (NG) in December 1995. As there was no NG section in the Sabarmati area, possibility of utilisation of NG sleepers for the intended purpose was remote.

(ii) In another case, despite a balance of 11,519 special bearing plates on 1 April 1991 (which was sufficient to meet the requirement of seven years on the average consumption rate of 140 bearing plates per month), Western Railway procured further quantity of 11,285 special bearing plates in stages between April 1991 and December 1995. Out of 22,804 nos., only 7,984 bearing plates were consumed during the above period. Based on average annual consumption, it would take nine years to consume the excess stock of 14,820 special bearings plates worth Rs.55.58 lakhs. The Railway Administration also procured four sets of curved switches and crossings (60 kg) worth Rs.9.42 lakhs, without any provision in the estimate for track renewal work between Lakheri and Rawanjana Dungar stations. The materials remained unused.

11. Non-clearance of Material-at-Site Account

Materials obtained for specific works should be temporarily held under 'Material-at-site Account' and adjustment from this suspense account carried out as soon as the materials have been issued for use.

On Western Railway, in respect of 29 track renewal works completed between January 1988 and December 1995, there was a balance of Rs.13.54 crores in the material-at-site account as of June 1996, although periods ranging between 7 and 102 months had elapsed after completion of the works.

12. Short realisation of credits on account of released materials

Credits for released materials constitute a reduction of expenditure in accounts. Resource allocations made for framing the works programmes take into account the additional resources that would accrue by realisation of credits by the Railways. Non-materialisation of credit thus affects the resource mobilisation.

The Board stressed (March 1994) the need for maximum realisation of credits from the released materials and directed the Railways to take steps for proper collection and disposal of released materials.

Review of collection and disposal of released materials revealed that there were shortfalls in realisation of credits during 1992-93 to 1995-96 as under:

(Rupees in crores)

Railway	Number of track renewal works	Amount of short realisation of credits
Northern	4	0.79
Northeast Frontier	4	1.46
South Central	2	3.81
South Eastern	5	2.45
Western	28 *	35.14
Total	43	43.65

(* December 1988 onwards.)

In addition to the above, Central and South Central Railways failed to get credits of Rs.8.18 crores for supply of released materials to other Zonal Railways and Construction Organisations during 1993-94 and 1994-95.

13. Procurement and utilisation of ballast

Ballast imparts resilience to the track and ensures lateral and longitudinal stability of the track. The Board issued instructions to the Zonal Railways in May 1989 to improve the ballast performance so that full cushion was available on a time-bound basis on all the important routes.

Review of procurement and utilisation of ballast revealed that while procurement of ballast was in excess of requirement, targets fixed were not achieved in some Railways, while there was deficiency in ballast on Central Railway.

13.1 Central

On Central Railway inadequate ballast cushioning was noticed on six sections viz. Bina - Jhansi, Jhansi - Agra Cantonment, Agra Cantonment - Tughlakabad, Jhansi - Kanpur, Jhansi - Manikpur and Itarsi - Ballarshah. Consequently the Railway Administration imposed speed restriction on these sections with resultant loss to Railways.

13.2 Northern

On Northern Railway in case of track renewal works, 68,673.31 cums of ballast was used in excess of requirement in 3 divisions during 1992-93 to 1994-95. This resulted in avoidable expenditure of Rs.2.01 crores. Details of extra expenditure were:

(Rupees in lakhs)

Division	Number of works	Percentage of excess use	Excess quantity used (cums)	Expenditure
Delhi	3	141	29336.45	72.70
Jodhpur	3	208	12945.28	22.78
Moradabad	2	171	26391.58	105.57
Total	8		68673.31	201.05

Other materials worth Rs.4.38 crores were also procured/ received in excess during 1992-93 and 1993-94 for 5 CTR works over Ambala, Moradabad and Delhi divisions. Of these, some quantity was transferred to other works; the balance was lying with the Railway. In Raikabagh - Jaisalmer section (50 Kms.), material worth Rs.1.92 crores became surplus and had to be transferred to other subordinates. Utilisation of excess materials by subordinate units could not be ascertained in audit.

13.3 Northeast Frontier

(i) Northeast Frontier Railway failed to achieve the target for insertion of ballast, though ballast was procured in excess of requirement. As a result, many of the main lines had sleeper shoulders exposed and speed restrictions were continued. The loss due to speed restrictions was not worked out by the Railway Administration. Details of excess procurement of ballast were as under:

(cums in thousands)

		1992-93	1993-94	1994-95
1.	Target for insertion of ballast	200	200	230
2.	Ballast procured	324.23	301.42	268.95
3.	Ballast inserted	193.79	156.52	145.70
4.	Shortfall	6.21	43.48	84.30
5.	Ballast procured but not inserted	130.44	144.90	123.25

Thus the Railway Administration procured ballast in excess of its requirement as per target; at the same time, it failed to achieve even the targets fixed for insertion of ballast during this period. This excess procurement of 3.99 lakhs cums of ballast was indicative of poor planning. It led to excess inventory of Rs.7.18 crores at the rate of Rs.180 per cum.

(ii) The track between New Jalpaiguri and Malda was already laid on 250 mm cushion as per track diagram of this section. Ignoring this fact, Northeast Frontier

Railway procured 30,716 cums of ballast worth Rs.98.29 lakhs for use in this section to increase ballast cushion upto 250 mm. Use of additional ballast did not bring about any improvement in track. Similarly in the same section Railway used 30,866 cums of ballast worth Rs.79.92 lakhs for deep screening between 1989-90 and 1993-94 against the requirement of 3,774.675 cums fixed by the Board. Thus use of 61,582 cums of ballast at Rs.1.78 crores in the section lacked justification and was avoidable.

13.4 South Central

On South Central Railway against the target of 23.50 lakhs cums, 26.69 lakhs cums were procured during 1992-93 to 1994-95. In two cases, due to acceptance of higher rates while procuring 0.63 lakh cums of ballast, there was extra expenditure of Rs.57.53 lakhs. Penalty of Rs.31.96 lakhs was also not recovered from one contractor on account of failure to adhere to the supply schedule. Further; out of Rs.1 crore of mobilisation advance paid to the same contractor in October 1992, Rs.97.30 lakhs remained un-recovered. No legal action was taken by Railway Administration to recover the penalty and the un-recovered mobilisation advance.

14. Procurement of track components

14.1 Switches and Crossings

The Ministry of Railways (Railway Board) invited open tender (No. Track-1 of 1992) for procurement of 16,687 nos. of fabricated switches and crossings to meet the requirement of the Zonal Railways for the year 1991-92. The tenders were opened on 20 February 1992 and 20 offers were received. Of them, only 7 firms were established suppliers of switches and crossings.

The rates received from the unapproved firms against this open tender were considered unrealistic and were rejected by the Tender Committee, as the firms had no past experience. The Tender Committee recommended counter-offering of the lowest rates, as received from the approved firms, for acceptance to all the 7 approved firms for procurement of 16,687 switches and crossings. The Minister of Railways as the

Competent Authority, however, approved placement of developmental orders on all the 13 unapproved firms for 50 sets each only, but for two out of 17 items and at the lowest rates quoted by any one of them. Orders were accordingly placed in November 1992 on 20 firms. Total value of these orders including 30 per cent optional quantity amounted to Rs.64.94 crores.

Details of two items for which developmental orders were placed were as under:

Sl. No.	Item No. of Switches & Crossings	Rate accepted for bulk order (Rs.)	Rate accepted for developmental order (Rs.)	Difference in rate (Rs.)
1.	9 (a) (i)	13,524	11,600	1,924
2.	9 (c) (i)	39,500	34,400	5,100

Details of the lowest rates offered by unapproved firms for the remaining items were not made available to Audit.

After acceptance of rates of the approved firms, anomalies in rates in respect of 8 items were brought to the notice of the Board in November 1992. Rates for higher weights of switches and crossings were found lower than those having less weights. Inadequate evaluation of rates and failure to remove the anomalies at a later date resulted in unintended benefit of Rs.41.17 lakhs for acceptance of higher rates for three items having less weights.

In October 1993 the Board invited another limited tender (No. Track-6 of 1993) for procurement of 19,416 nos. of switches and crossings. Altogether 18 offers were received, 7 from approved firms and the remaining 11 from unapproved firms. In this tender also the Tender Committee rejected the lowest offers of the unapproved firms on which developmental orders were placed in 1992 and recommended counter-offering of the lowest rates of the approved firms. The Minister of Railways as the Competent Authority did not accept the recommendations of the Tender Committee and approved counter-offering of the lowest rates of the unapproved firms. The approved firms accepted the counter-offered rates and the orders were placed in October 1994.

Details of rates for 15 items accepted against these two tenders were as under:

Sl. No.	Item No.	Rate recommended/ accepted in 1992 (No.1 of 1992) (Rs.)	Rate recommended by Tender committee in 1993 (No.6 of 1993) (Rs.)	Rate approved by the Competent Authority in 1993 (No.6 of 1993) (Rs.)
1.	1 (a) (i)	21,000	24,400	17,680
2.	1 (a) (ii)	16,371	19,039	13,035
3.	1 (c) (i)	59,000	66,965	50,310
4.	3 (a) (i)	41,000	46,935	28,210
5.	3 (b) (i)	66,000	74,910	55,110
6.	5 (a) (i)	19,759	22,980	14,575
7.	5 (a) (ii)	15,501	18,028	10,215
8.	5 (c) (i)	54,000	61,290	42,600
9.	7 (a) (i)	14,088	16,384	12,515
10.	7 (a) (ii)	12,669	14,734	12,040
11.	7 (c) (i)	39,445	44,770	36,160
12.	9 (a) (i)	13,524	15,728	11,600
13.	9 (a) (ii)	11,161	12,910	9,100
14.	9 (c) (i)	39,500	44,833	34,400
15.	19 (a) (i)	29,000	33,480	14,215

The Board had thus achieved considerable savings in 1993 by counter-offering the lowest rates of unapproved firms. Similar action in 1992 against the open tender (No. Track-1 of 1992), could have achieved similar savings. Details could not be worked out with reference to the rates received in 1992, since the documents were not made available to Audit. However, the order placed against the tender of 1993 went through, after the approved firms accepted the lowest bids offered by unapproved firms. Based on the lowest rates received in 1993, extra expenditure on procurement of 14,014 nos. switches and crossings would have amounted to Rs.7.31 crores as the rates accepted were abnormally high and contained anomaly.

The Board stated in January 1997 that the concerned tender and contract files were handed over to Central Bureau of Investigation (CBI) as per their request and reply would be sent on receipt of files.

14.2 Grooved Rubber Pads

The Ministry of Railways (Railway Board) invited open tender in April 1995 for procurement of 437.48 lakhs of grooved rubber pads of 15 designs for BG and 4.97 lakhs of grooved rubber pads for MG track. This was the first time when tenders were invited centrally by the Board for consolidated demand of the Zonal Railways. Hitherto this item was being procured by the Zonal Railways. Against this tender, 122 offers were received and the tender was opened in May 1995.

Tender Committee observed that 12 out of 122 firms qualified for regular orders and 15 firms qualified for placement of developmental orders. Two (T-3703 and T-3711) out of the 15 designs of the pads constituted 94 per cent of total tendered quantity and the unapproved firms quoted for these two items. The rate for T-3703 varied between Rs.12.60 and Rs.28 and that for T-3711 between Rs.12.60 and Rs.28.50, the respective lowest rates being quoted by unapproved firms. The rate at which these two items were earlier procured (October 1994) by Zonal Railways were Rs.10.75 and Rs.12 respectively. Tender Committee however, recommended (October 1995) acceptance of the rate of Rs.13.40 per piece for T-3703 and Rs.14.20 per piece for T-3711. The lowest rates of the unapproved firms were ignored on the ground that they were not approved by the RDSO.

The Minister of State (Railways) as the Competent Authority approved the recommendation of the Tender Committee and also increased the quantity by 50 per cent for all types of pads without vetted indents from Zonal Railways. In all, 21 contracts were placed by the Board during February and May 1996. Value of the purchase was estimated at Rs.92.02 crores.

In this connection the following points arise:

- In case of procurement of Switches and Crossings (Tender No. Track-6 of

1993) and GFN liners (Tender No. CS-111 of 1995), the Board had counter-offered (October 1994 and July 1995) the lowest rates received from unapproved firms to other approved firms and such lower rates were also accepted by the regular suppliers. Failure to counter-offer the lowest rates for two types of rubber pads (T-3703 and T-3711) resulted in extra expenditure of Rs.6.01 crores for procurement of 558 lakhs nos. of grooved rubber pads as indicated below:

Types	Lowest Tendered rate (Rs.)	Rate accepted (Rs.)	Difference (Rs.)	Quantity (No. in lakhs)	Extra expenditure (Rs. in crores)
T-3703	12.60	13.40	0.80	364	2.91
T-3711	12.60	14.20	1.60	194	3.10
Total				558	6.01

- Increase in quantity of grooved rubber pads worth Rs.30.67 crores without vetted indents from Zonal Railways was irregular and lacked justification.

The Board stated in February 1997 that lowest rates of Rs.12.60 was not recommended for acceptance by the Tender Committee as the firms were not approved by RDSO. As regards increase in quantity by 50 per cent, the Board added that it was as per past practice and that actual supply would be regulated based on the indents from the Zonal Railways.

15. Utilisation of track machines

During the Seventh and Eighth Plan periods, the Board procured 271 costly track machines at the approximate cost of Rs.338 crores. Majority of the procurement was financed from the World Bank/ Asian Development Bank (ADB) loan available for track modernisation.

The Board, while justifying the procurement of these high value machines, did not fix any specific targets for these machines but worked out savings and rates of return on capital, apparently with reference to the full capacity of the machines without specifying the total hours for which it would be feasible to operate them.

Accordingly financial benefits of Rs.71.94 crores per annum were anticipated in respect of 152 high value machines (Tie Tampering Machine - 105 Nos., Ballast Regulator - 22 Nos., Ballast Cleaning Machine - 12 Nos., Dynamic Track Stabilisers - 12 Nos. and Rail Grinding Machine - 1 No.) at the time of procurement, as seen in test check.

At the instance of the Finance Directorate, the Board indicated yearly output of these costly machines and circulated the same to the Zonal Railways for adherence. Targets fixed by the Board also varied from Railway to Railway and year to year. Based on the over-all target fixed by the Board, percentage of utilisation of these machines during 1992-93 to 1995-96 was very low as indicated below:

	Type	No. of Machines (1995-96)	1992-93			1993-94			1994-95			1995-96		
			T (kms.)	A (kms.)	S (%)	T (kms.)	A (kms.)	S (%)	T (kms.)	A (kms.)	S (%)	T (kms.)	A (kms.)	S (%)
1.	Tie Tamping machine	105	86350	29359	66	98334	37697	62	100454	39177	61	105173	38914	63
2.	PQRS	81	4972	1094	78	5026	1106	77	4975	911	81	4967	894	82
3.	Ballast Cleaning machine (BCM)	12	1044	188	82	1024	215	79	1382	304	78	1712	411	76
4	Ballast Regulator	22	8566	4026	53	7770	5905	24	11786	6954	41	26380	17411	34
5.	Points and Crossing Tamper	23	15513	6050	61	23976	7912	67	27912	11723	58	27112	13827	49
6.	BCM 76 for Points and Crossings	2	188	22	87	170	80	53	166	70	58	168	81	52
7.	Shoulder Ballast Cleaner	6	-	153	-	1188	487	59	1206	350	71	1185	379	78
8.	Dynamic Track Stabiliser	11	1350	243	82	1350	479	65	800	8	99	11637	2793	76
9.	Rail Grinding machine	1	3427	1268	63	3427	804	77	3867	116	97	-	-	-
10.	Points and Crossing changing machine	8	-	-	-	-	126	-	1148	356	69	1160	580	50
	Total:	271												

T - Target; A - Actuals; S - Shortfall; PQRS - Plasser Quick Relaying System

Reasons for gross under-utilisation of the machines were inadequate availability of blocks, break down of machines and absence of staff.

Gross under-utilisation of these track machines deprived the Railways of the anticipated benefits.

A few cases of under-utilisation of track machines are cited below:

15.1 Points and Crossing changing machines

The points and crossing technology consisted of two major components viz. (a) main points and crossings changing machines and (b) jib cranes for loading, unloading, placement, assembly and dismantling of points and crossings. The Board procured 8 points and crossing changing machines without jib cranes at Rs.13.28 crores (FOB) from an Italian firm in 1991-92. The purchase was financed by the World Bank (2935-IN) for Track Modernisation Project III. All the 8 machines were received and commissioned without jib cranes. However they remained grossly under-utilised mainly in the absence of jib cranes on Eastern, Southern, South Eastern and Western Railways. Utilisation of these machines with reference to targets fixed by the Board ranged between 31 and 50 per cent during 1992-93 to 1995-96. In September 1995, the Board placed order on the same Italian firm for 8 jib cranes at the cost of Rs.9.72 crores. Delay in procurement of cranes resulted in gross under utilisation of assets worth Rs.13.28 crores (FOB).

The Board stated in November 1996 that absence of the jib cranes was a shortcoming in the complete transfer of the technology and therefore it was necessary to procure the same.

15.2 Dynamic Track Stabilisers

One Dynamic Track Stabiliser (DTS) was first introduced on Northern Railway in 1991-92. The Board procured 12 more Dynamic Track Stabilisers against three tenders at the cost of Rs.29.49 crores during May 1993 to February 1996. The procurement was financed by the World Bank for Track Modernisation Project (No.2935-IN). The main objectives were:

(a) To achieve reduction in the requirement of blocks;

(b) To achieve savings in fuel consumption on account of lesser de-acceleration and acceleration of trains; and,

(c) To increase the throughput of the section.

While approving the first purchase of 3 machines, the Financial Commissioner observed that DTS were very expensive and that their justification should be worked out in future purchases. The Competent Authority also pointed out that conditional inclusion of the machine in the works programme and procurement therefor before working out the financial justification did not speak well of the arrangement in force in the Board. However the order for 3 DTS was placed on 31 May 1993.

The Board procured nine more DTS against two tenders without proper cost benefit analysis of these machines. The cost benefit study conducted by Research Design and Standards Organisation (RDSO) was not conclusive and was hypothetical in nature. The real benefits arising out of these machines were not established.

Review of utilisation of eleven machines indicated that under-utilisation ranged between 65 and 99 per cent with reference to the target fixed by the Board. Investment of Rs.29.49 crores did not thus, yield any substantial benefit to the Railways.

The Board stated in November 1996 that financial justification was worked out at the time of the approval of Rolling Stock Programme for 1992-93 and a return of 20.8 per cent was worked out. The Board further stated that utilisation of these machines in some Railways during 1996-97 has improved to the extent of 80 per cent. The contention was not tenable since the justification was worked out apparently with reference to the rated capacity rather than the practically feasible outputs.

15.3 Plasser Quick Relaying System

On Western Railway, three MG Plasser Quick Relaying System (PQRS) were procured in 1989 and 1992 at the cost of Rs.63.63 lakhs and a PQRS yard at Nana station was also constructed at Rs.42.25 lakhs. These machines remained un-commissioned for periods ranging upto 4 years. Later on these machines were sent to Sabarmati Workshop for making them suitable for BG system. Expenditure on construction of PQRS yard at Nana station thus became infructuous.

16. Excess Gang Strength

One of the objectives of mechanised maintenance of track was to reduce the gang strength. As per Chief Engineers Committee's formula, the gang strength was to be reduced wherever machine maintenance was introduced. Though the Zonal Railways had effected the reduction in the gang strength due to mechanisation, there was scope for further reduction in the gang strength.

Railway	Track length under mechanised maintenance (Kms.)	Surrender required due to mechanisation (Nos.)	Actual surrender made (Nos.)	Excess Gang strength (Nos.)
Central	4500	2520	3525	(-) 1005
Eastern	3600	1980	421	1559
Northern	5000	2160	690	1470
North Eastern	1500	240	230	10
Northeast Frontier	400	120	--	120
Southern	3500	2040	951	1089
South Central	4000	1920	722	1198
South Eastern	3500	1800	1029	771
Western	4000	1680	1600	80
Total	30000	14460	9168	5292

The Board directed in January 1995 that the Zonal Railways, particularly

Eastern, Northern, Northeast Frontier, Southern and South Central, should take necessary action for reduction of gang strength on priority.

17. Lack of improvement in line capacity

To achieve increase in line capacity was another prime objective of mechanised maintenance of track. Track utilisation however did not improve despite introduction of costly machines as indicated below:

(In million tonnes)

Year	NTKM per route Km.		Passenger Km. per route Km.		Gross tonne Km. per route Km.	
	BG	MG	BG	MG	BG	MG
1992-93	6.45	1.02	7.06	1.87	18.72	3.35
1993-94	6.31	0.90	6.82	1.79	18.68	3.04
1994-95	6.06	0.67	7.15	1.82	18.40	2.65

Line capacity as indicated above was worked out by the Board by dividing the Net Tonne Kilometres of each gauge by route kilometre of that particular gauge.

18. Cost of maintenance

Maintenance of track is the responsibility of the Chief Engineer of the Zonal Railways. Annual programme of track maintenance and works incidental thereto is prepared by the Zonal Railways based on systematic through packing required for track during (a) post-monsoon attention, (b) pre-monsoon attention and (c) attention during monsoon. Through packing consists of examination of rails, sleepers and fastenings, packing of sleepers, slewing of track to correct alignment, gauging and boxing of ballast section. Works incidental to regular maintenance include screening of ballast, assessment of ballast requirement, drainage in station yards, lubrication of rail joints, reconditioning of curves, treatment of slack spots on soft formation, action in buckling of track and other protective works. Day to day maintenance works over the gang lengths is carried out by gang under supervision of Permanent Way

Inspectors and Assistant Engineers. Gang strength is fixed after proper review. Cost of maintenance is classified under three distinct categories; (a) manual maintenance, (b) mechanised maintenance and (c) maintenance of ballast.

Cost of repair and maintenance of track during the period from 1992-93 to 1994-95 is indicated below:

(Rupees in thousands)

Sl. No.	Year	Route Km.	Total cost of repair and maintenance	Cost of maintenance	Average cost of maintenance per Km.
1.	1992-93	62,486	11,33,78,35	7,53,48,06	120.58
2.	1993-94	62,462	12,57,60,56	8,39,49,87	134.40
3.	1994-95	62,660	13,58,33,84	9,18,76,02	146.62

Railway-wise position of cost of maintenance of track during 1992-93 to 1994-95 is indicated below:

(Rupees in thousands)

Railway	Length (1994-95) (km.)	Average cost of maintenance per Km. 1992-93	1993-94	1994-95
Central	7047	134	141	168
Eastern	4316	222	248	261
Northern	10993	100	117	130
North Eastern	5120	81	91	101
Northeast Frontier	3734	114	124	131
Southern	7051	93	100	109
South Central	7218	107	126	139
South Eastern	7160	183	201	214
Western	10021	93	104	111

Cost of maintenance incurred by the Zonal Railways revealed that cost of maintenance per km. was high on Eastern and South Eastern Railways. High maintenance cost were attributed to high cost of manual and mechanised maintenance of track on Eastern Railway (Rs.4.50 crores and Rs.296.16 crores) and high cost of maintenance of ballast (Rs.43.37 crores) on South Eastern Railway.

18.1 Avoidable extra expenditure on maintenance of track

A Special Committee reviewed the nature and scope of departmental maintenance of the railway track and recommended the gang strength required for the departmental jobs. The Board accepted the recommendations in January 1992 and identified 14 items of work required to be undertaken departmentally.

Scrutiny of records of Eastern Railway (Dhanbad and Howrah divisions), Central Railway (Bombay division), and North Eastern Railway (Samastipur, Varanasi, Sonepur and Lucknow divisions) revealed that routine maintenance works like removal of debris, repair to side drains and cleaning of yards were executed through outside agencies at Rs.6.33 crores during 1986-87 to 1992-93, although requisite maintenance strength was available with the Railways.

19. Utilisation of Flash Butt Welding Plants

Flash butt welding method is the standard method of welding rails on Indian Railways. Nine (9) flash butt welding plants have been installed during April 1964 to August 1994 on Central (2), Northern (1), North Eastern (1), South Central (1), South Eastern (2) and Western (2) Railways at the cost of Rs.19.07 crores.

Review of performance of these plants revealed under utilisation of these costly plants during 1992-93 to 1995-96.

19.1 Central

Out of two plants installed in October 1974 and December 1984 at Kalyan and Chalisgaon respectively on Central Railway, the plant at Chalisgaon remained under-utilised due to non-availability of BFR wagons to transport the rails, failure of gear units, non-availability of staff, etc. Targets were fixed between 28,000 and 33,144 joints against which output ranged between 23,948 and 29,076 joints only.

19.2 Northern

The flush butt welding plant at Meerut on Northern Railway procured in March 1991 at Rs.7.30 crores could not be utilised due to defects in the plant. The plant remained out of order since its procurement though attempts were made to commission it by rectifying the defects. Northern Railway incurred the expenditure of Rs.2.92 crores on getting 51,129 joints welded through a contractor during December 1990 to March 1996.

19.3 North Eastern

The flash butt welding plant was installed in August 1994 at the cost of Rs.5.65 crores but production started after February 1995. The plant remained grossly under utilised during 1995-96 due to non-availability of rails. Against the target of 20,000 welds only 8,092 rail joints were welded during 1995-96.

19.4 South Eastern

Two plants installed in 1966 and 1988 at Jharsuguda on South Eastern Railway at Rs.2.31 crores (one unit) could not achieve their targets in 1992-93 and 1995-96 mainly due to non-availability of power from Orissa State Electricity Board. The mobile welding plant at Koraput - Rayaguda Project remained grossly under utilised and performance varied between 19.7 and 31.9 per cent.

19.5 Western

Shortfall in achievement of targets rose from 2.95 per cent in 1992-93 to 30.67 in 1995-96 on Western Railway (Sabarmati) due to electrical problems and non-availability of spares for repairs. Failure to maintain the plants had resulted in loss of Rs.75.32 lakhs being the cost of shortfall in the number of rail joints. Down time hours lost during 1993-94 to 1995-96 amounted to 2,251 hours. The two plants were installed in April 1964 and July 1984 at the cost of Rs.86.46 lakhs.

5.2 WORKING OF COACHING YARDS

1. Introduction

Indian Railways had a fleet of 30,036 passenger coaches (22,856 BG, 6,095 MG and 1,085 NG) in use as on 31 March 1995. Repairs and maintenance of these coaches are undertaken by the Zonal Railways in various coaching yards/ depots. To ensure that maintenance of coaches is done effectively and in time, specified number of coaches are attached to each coaching yard.

A coaching yard/ depot comprises primarily (i) Reception lines, (ii) Washing and Cleaning-cum-Departure lines, (iii) Sick lines and (iv) Stabling lines.

Coach maintenance in the coaching yards is undertaken with reference to the following:

(i) Primary maintenance i.e. replenishing dash pot oil, repacking and oiling of axle boxes, greasing of laminated bolster spring, etc. is undertaken in respect of coaches of base rakes that are attached to the yards after every round trip;

(ii) Secondary maintenance i.e. examination and repairs of doors, door latches, lock handles, etc. is provided for coaches of non-base rakes after every trip,

(iii) Periodical maintenance as per Schedule `A' (monthly) for 3 days, Schedule `B' (quarterly) for 3 days and Schedule `C' (six monthly) for 7 days is provided in respect of coaches of base rakes. While Schedule `A' involves examination, cleaning and checking of under-gear, brake-gear, lavatory pans, vacuum cylinder, etc., Schedule `B' refers to examination/ checking of items of Schedule `A' and overhaul of alarm chain apparatus, release valve, painting of lavatory, commode chute, etc. Similarly, Schedule `C' examination includes items of Schedule `B' and checking of patch repair, decolite flooring, vestibules for ease of operations, tears, locking, etc., testing of vacuum gauge of SLR's, air pressure, examination and repair of upholstery, cushions, curtains, etc.

(iv) Apart from these, a shed is provided with electric lifting jacks and examination pits to look after the coaches due for Intermediate Overhauling (IOH). The prescribed time for IOH of Mail and Express trains is once in 6 months and that of `Rajdhani' and `Shatabdi' Express once in 9 months.

2. Scope

There were 233 coaching yards/ depots over Indian Railways as of 31 March 1996. Working of 111 selected coaching yards/ depots for the period from 1993-94 to 1995-96 was reviewed in audit. Results of the review are discussed in the succeeding paragraphs.

3. Highlights

- The total coach requirement of Railways is to be calculated inclusive of 10 per cent maintenance spare and 12.5 per cent traffic spare. The Railways, however, could not provide to Audit the details of total requirement. Consequently, the overall shortage cannot be quantified though there was evidence thereof. Apart from short composition of rakes, this factor also adversely affects the prescribed maintenance schedules as also planning of the maintenance set up.

(Paragraph No.4)

- Northern and South Central Railways did not provide for the minimum stipulated time for primary and secondary maintenance to the rakes in over 84 per cent cases.

(Paragraph No.5)

- Average sick line out-turn per day was test-checked in 39 yards in 6 Railways (Central, Eastern, Northern, North Eastern, Northeast Frontier and Southern). It was significantly low ranging between 3.65 and 3.96 coaches against the expected level of 15 coaches per day, though the out-turn was above 15 coaches per day in the yard test-checked in Southern Railway. It was the lowest in Central Railway (1.52 coaches).

(Paragraph No.6)

- The percentage of ineffectiveness of coaches on all India basis remained within the allowance of 10 to 12 per cent specified by the Board. However in the context of significantly low average out-turn of coaches per day, there is the possibility of either excess capacity in the yards or the allowance fixed for the ineffectiveness being high.

(Paragraph No.7)

- Detention of ineffective coaches at the yards led to loss of earnings. On Northern and Western Railways, such loss of earnings aggregated Rs.7.23 crores in respect of 11 yards test-checked.

(Paragraph No.7)

- In Northern and South Eastern Railways the shortfall in carrying out intermediate overhaul of coaches was to the extent of 45 per cent and between 47 and 92 per cent respectively.

(Paragraph No.8)

- In the context of non-availability of information on the total requirement of coaches with the Board and non-fixation of norms of out-turn for the sick lines, justification for the various works undertaken to provide additional infrastructural facilities in the yards needs substantiation.

(Paragraph No.9)

- Delay in execution of works for creation of additional infrastructural facilities in the yards led to cost and time over-run. In Eastern Railway alone, the cost escalation due to time over-run amounted to Rs.3.26 crores against the original sanctioned estimate of Rs.10.64 crores. There was unfruitful expenditure of Rs.2.64 crores on creation of yard facilities in Southern Railway. Further, in South Eastern Railway, yard facilities created at the cost of Rs.2.02 crores were not fully utilised.

[Paragraphs No.9.1.2, 9.1.3 (i) & (ii), 9.3.1 (ii), (iii) & (v) and 9.4 (i) & (ii)]

- By adopting the Railway's yardsticks, there was excess deployment of staff with financial implication of Rs.2.06 crores during 1991-92 to 1995-96 in 4 yards of Central and Northeast Frontier Railways as test checked.

[Paragraphs No.10.1 (i) & (ii) and 10.3]

4. Inadequacy of coaches and its effects

The requirement of coaches is to be calculated after taking into account maintenance spares to the extent of 10 per cent (2.5 per cent on account of ineffectiveness of running coaches, 6 per cent Periodical Overhaul (POH) and 1.5 per cent workshop repairs) and traffic spares of 12.5 per cent.

The Railway Board, however, did not readily have the details of the total requirement of coaches for the Indian Railways as a whole. Only on the request of Audit, the Board agreed (January 1997) to compile the details, in co-ordination with the Zonal Railways. Non-availability of such vital information affects the operational management of the Indian Railways. It also affects the level of maintenance. Besides, without these details the basis of planning the maintenance infrastructure is suspect.

Total availability of coaches as on 31 March 1993, 1994 and 1995 was as under:

Year	Requirement	Availability	Overall excess/ shortage
31 March 1993	N.A.	30,298	-
31 March 1994	N.A.	30,540	-
31 March 1995	N.A.	30,036	-

While the overall quantum of shortage and its effect are not clearly quantified, it was seen in audit that South Central Railway operated (March 1995) with only around 10 per cent spare stock. Similar position prevailed in Trivandrum, Cochin Harbour and Nagercoil yards of Southern Railway which did not hold even the 2.5 per cent spares to meet the ineffectiveness of running coaches, not to speak of the margin for POH (6 per cent), workshop repairs (1.5 per cent) and the traffic spares (12.5 per cent) Shortage of this magnitude would inevitably affect the maintenance schedule as well. In addition, heavy sick marking of coaches for repairs, ineffective maintenance on sick lines, frequent breakdowns leading to enroute coach detachments and coaches remaining in workshops for POH had compounded the shortage of coaches.

Audit examination revealed some specific reasons for the shortages of coaches. In Jabalpur coaching yard of Central Railway, the overall shortage of coaches affecting the train links was due to less holding of various types of coaches on this division as well as heavy sick marking of coaches for repairs, besides their nomination to workshops for POH. Also, some coaches had to be diverted to Mumbai CST to clear the extra rush of summer traffic through Holiday Specials.

In South Central Railway shortage of BG coaches was acute due to gauge conversion and non-addition of BG stock commensurate to the requirements.

In Hatia, Tata and Waltair coaching yards of South Eastern Railway, there was short composition of rakes due to lower average holding of coaches per day than the actual requirements (Tata and Waltair) and abnormal delay in placing the sick coaches on line and consequential delay in fitment of coaches (Hatia).

5. Inadequate primary/ secondary maintenance

As stated earlier, shortages of coaches adversely affected their maintenance even though proper maintenance of the coaching stock called for greater attention on account of (i) intensive utilisation of coaches, (ii) extended runs of trains, (iii) introduction of longer trains and (iv) emphasis to provide better amenities to the travelling public. The stipulated time for primary maintenance was 6 hours per rake and for secondary maintenance 2.5 to 3 hours. In addition, about 2 hours per rake was taken in washing and cleaning of coaches.

The Board directed the Zonal Railways in June 1989 and July 1995 to ensure availability of coaching rakes for the minimum period of 6 hours for primary maintenance. This was also emphasised by the Commissioner of Railway Safety. Keeping in mind the minimum time required for maintenance of the coaches, the Zonal Railways were also asked to review the 'Rake Links'.

However, the Zonal Railways did not provide the stipulated time for primary and secondary maintenance works. Details, as revealed in test check for the year 1995-96, are as under:

Railway	Total no. of coaching yards	No. test checked by Audit	No. in which output efficiency was studied by Audit	Total no. of trains which required PM/SM	No. which had PM/SM below the stipulated time	Percentage of (vi) to (v)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
Northern	47	47	43	264	246	93.18
South Central	23	9	9	104	88	84.61

In Northern Railway, despite sufficient lie-over time being available, primary maintenance could not be provided within the stipulated time on account of non-revision of washing line berthing programme. In South Central Railway primary maintenance was not given for the minimum stipulated period due to faulty rake link arrangements.

6. Sick lines

For the purpose of providing standard facilities, coaching yards were classified into the following three categories:

Sl. No.	Classification	Number of coaches based for maintenance
1.	Minor yards	Below 100
2.	Medium yards	100 - 250
3.	Major yards	Above 250

Every yard was required to have a heavy repair and schedule bay (sick line).

Sick lines attended to two types of repairs viz. `Heavy Repair' and `Light Repair'. Repair work involving lifting of the coach body was termed as `heavy repair'. The Railway Administrations did not fix any target for sick line out-turn. However, based on the work study conducted on the South Eastern Railway (Study No.3/ 1992), a coaching yard was required to turn out 15 coaches per day, (4 involving `heavy repair' and 11 `light repair').

Review of the out-turn of 39 selected sick lines based over six Zonal Railways (Central, Eastern, Northern, North Eastern, Northeast Frontier and Southern) indicated that the average out-turn per day per coaching yard was well below the expected level of 15 coaches, except for the one yard (Basin Bridge) test checked in Southern Railway. The details are given below:

Sl. No.	Railway	Total no. of coaching yards	No. of yards test-checked	No. of coaches handled	Average outturn per day	Average outturn per day per yard
1.	Central	40	13			
	1993-94			8,443	23.13	1.78
	1994-95			8,927	24.46	1.88
	1995-96			7,236	19.82	1.52
2.	Eastern	18	5			
	1993-94			9,171	25.12	5.02
	1994-95			9,094	24.92	4.98
	1995-96			9,138	25.04	5.01
3.	Northern	47	8			
	1993-94			7,273	19.93	2.49
	1994-95			8,950	24.52	3.07
	1995-96			7,039	19.28	2.41

Sl. No.	Railway	Total no. of coaching yards	No. of yards test-checked	No. of coaches handled	Average outturn per day	Average outturn per day per yard
4.	North Eastern	14	5			
	1993-94			7,333	20.09	4.02
	1994-95			7,808	21.39	4.28
	1995-96			7,639	20.93	4.19
5.	Northeast Frontier	19	7			
	1993-94			13,792	37.79	5.40
	1994-95			12,512	34.28	4.90
	1995-96			12,192	33.40	4.77
6.	Southern	24	1			
	1993-94			8,434	23.11	23.11
	1994-95			9,040	24.77	24.77
	1995-96			8,752	23.98	23.98
7.	Summary for 6 Railways					
	1993-94	162	39	54,446	149.17	3.82
	1994-95	162	39	56,331	154.33	3.96
	1995-96	162	39	51,996	142.45	3.65

The out-turn was particularly low in Central and Northern Railways.

7. Ineffective coaches

The extent of sickness of coaches was assessed by the Board with reference to the ineffective percentages computed daily on all Railways and averaged for every month. Coaches that remained sick for more than 24 hours were declared as ineffective.

In June 1989, the Board stipulated that the ineffective A.C. and other coaches under repair should not exceed 12 and 10 per cent of the total stock on line respectively. These figures were further sub-divided as follows:

		Other coaches (per cent)	A.C. coaches (per cent)
(i)	Workshops for POH	6.0	9.0
(ii)	Workshops for nominated repairs	0.5	-
(iii)	Stabled in yards awaiting workshop repairs	1.0	-
(iv)	C&W depots for repairs of mechanical and electrical equipments	2.5	3.0
	Total	10	12

The position of average number of passenger carriages (BG and MG) remaining under or awaiting repairs daily and the percentage of stock under repairs to the total number on line during 1993-94 and 1994-95 was as under:

Year	Average no. of passenger carriages under/ awaiting repairs daily	Total percentage with reference to total no. on line
Broad Gauge		
1993-94	2,009	9.19
1994-95	1,979	8.79
Metre Gauge		
1993-94	644	8.15
1994-95	518	7.69

The percentage of ineffectiveness on all India basis remained within the target (10 per cent) fixed by the Board. However, as indicated in paragraph 6 earlier, average out-turn of coaches per day per yard was significantly low ranging between 3.65 and 3.96 during 1993-94 to 1995-96 against the expected out-turn of 15 coaches. This could be indicative of excess capacity in the yards resulting in idle material and man-power resources. Alternatively, the allowance of 10-12 per cent made by the Board for the ineffective coaches could be high resulting in complacency in containing the population of ineffective coaches.

Northeast Frontier Railway had exceeded (10.29 per cent) even the higher allowance made by the Board in respect of BG coaches for 1993-94.

Similarly, in Western Railway, the percentage of ineffective A.C. coaches to the total number of coaches on line on BG ranged from 14.07 to 15.18 during 1993-94 to 1995-96 which was more than the allowance of 12 per cent made by the Board, as ascertained in audit.

In Guwahati yard of Northeast Frontier Railway as against the average daily holding between 22 and 36 coaches, the percentage of coaches remaining sick ranged from 34 to 72 (12 and 16 coaches) during 1993-94 to 1995-96. Consequently frequent cancellation/ non-attachment of A.C. coaches to the nominated trains had to be resorted to.

Similar position of wide variations was noticed on other Railways. In Central Railway, test check of daily position of ineffective coaches for 10 selected days between 8 January and 18 March 1996 showed that in case of A.C. coaches the ineffective percentage ranged from 16.84 to 26.32 and for non-A.C. coaches between 12.09 and 13.93. Between 32 and 52 per cent of the total ineffectiveness at Wadi Bunder Depot was due to want of wheels. Considering that from 295 to 433 coaches were ineffective for want of wheels during 1993-94 to 1995-96, there was need to review the quota of spare wheels (35 nos.) allotted to Mumbai division.

In North Eastern Railway, during 1995-96 the ineffectiveness of A.C. Coaches in the yards had increased to 20.68 per cent as compared to 14.22 per cent in 1994-95. This affected the holding of A.C. Coaches.

There were various reasons for the ineffectiveness of the coaches. Also, detention of coaches due to ineffectiveness affected the earning capacity of the coaches. During 1991-92 to 1995-96, at 10 coaching depots of Northern Railway about 2,570 to 8,060 coaches on mechanical account and 505 to 1,483 coaches on electrical account were detained for more than 24 hours. These detentions were mainly attributable to non-availability of wheels, wheel-change, non-availability of material, late placement, improper placement, etc. At Amritsar, Delhi, Jammu Tawi, Lucknow and New Delhi coaching yards, 7,513 coaches were detained for 15,267 days in the sick lines for want of materials. Idling of these coaches led to loss of earnings of Rs.4.35 crores during 1991-92 to 1995-96. The quantum of consequent shift of passengers from rail to road could not be ascertained.

Detention to sick coaches on North Eastern Railway was mainly due to non-availability of wheel sets as well as shortage of staff. In six coaching yards of Western

Railway viz. Ahmedabad (BG), Ahmedabad (MG), Bhavnagar, Kota, Mumbai Central and Rajkot, total number of coaches detained over 24 hours for mechanical and electrical repairs viz. for changing of wheels and failure of axle box, roller bearings, hot axles, flat tyres, etc. ranged from 7,123 to 7,826 during 1993-94 to 1995-96. Loss of earnings due to these detentions amounted to Rs.2.88 crores.

8. Intermediate Overhaul (IOH)

Coaches of Mail/ Express/ Passenger trains were to be intermediate overhauled once in 6 months and that of Rajdhani and Shatabdi Express once in 9 months. Coaches due for IOH were marked at the reception yard and sent to IOH sheds. The position of intermediate overhaul of coaches undertaken on Northern and South Eastern Railways, as ascertained in test check, is detailed below:

In six divisions of Northern Railway, IOH out-turn was much below the arisings (i.e. coaches due for IOH) on account of shortage of coaches and also because some overdue IOH coaches could not be detached from rakes. Of the 3,784 coaches due for IOH during April 1995 to February 1996, only 2,068 (55 per cent) underwent IOH. The Railway Administration thus failed to cope up with the arisings of coaches and to adhere to the prescribed schedule of coach maintenance.

In South Eastern Railway, intermediate overhauling is being done in Santragachi, Hatia, Puri and Waltair coaching yards. The intermediate overhauling work done in these yards vis a vis coaches due for IOH during 1993-94 to 1995-96 was as under:

Coaching Yard	1993-94 IOH due	IOH done	Monthly average	1994-95 IOH due	IOH done	Monthly average	1995-96 IOH due	IOH done	Monthly average
Santragachi	600	452	37.67	600	462	38.50	600	513	42.75
Hatia	459	41	3.41	480	36	3.00	464	50	4.16
Puri	365	152	12.66	365	107	8.91	365	194	16.16
Waltair	NA	74	6.16	NA	125	10.41	NA	148	12.33

The monthly average of IOH done at Hatia and Puri yards as compared to the coaches due for IOH was significantly low ranging between 3 (8 per cent) and 16.16 (53 per cent) coaches during 1993-94 to 1995-96. The shortfall thus varied between 47 and 92 per cent.

9. Creation of additional facilities

Though there was no clear indication of the adequacy or lack of capacity in the yards, as stated in paragraph 7 earlier, the Board undertook several projects during 1988-89 to 1996-97 to expand the infrastructural facilities in the yards. In the context of non-availability of information on the total requirements of coaches with the Board (paragraph 4) and non-fixation of out-turn indices for the sick lines (paragraph 6), justification for the additional infrastructural facilities needs substantiation.

Creation of additional facilities was undertaken in the light of the Corporate Plan (1985-2000) of Indian Railways which envisaged specific steps to be taken to:

(a) develop coach maintenance facilities of outlying stations and terminals to match increasing coach holding and to reduce congestion in major coaching yards;

(b) mechanise exterior and interior cleaning of coaches; and,

(c) reduce the need for frequent pit line maintenance by making available design changes in undergear.

Railway-wise details of the facilities created are as under:

9.1 Eastern

9.1.1 One of the major activities included in Eastern Railway's Corporate Plan of 1988 was development of facilities for maintenance of coaching vehicles at Howrah sorting yard by shifting of Howrah Goods to Dankuni as the existing facilities for coach maintenance at Tikiapara were inadequate. Although the project was planned in

1988, it was initiated only in November 1995 and included in the Final Works Programme (FWP) of 1996-97. Thus one of the major objectives envisaged in Eastern Railway's Corporate Plan was proposed for implementation after lapse of 7 years.

9.1.2 Modernisation of Tikiapara Coaching Complex

As a part of the project of modernisation of major coaching yards, modernisation of Tikiapara coaching complex was included in Eastern Railway's FWP 1988-89 at the cost of Rs.7.22 crores. The work was to be completed by 1990. However, the detailed estimate for Rs.7.70 crores was submitted in November 1989 and the Board's sanction for Rs.5.69 crores conveyed in October 1991. By then, the due date of completion had expired. As of March 1996, expenditure of Rs.5.57 crores had been incurred.

Of the 23 machines proposed in the sanctioned detailed estimate, indents were placed for only 19 as of September 1996. Ten machines had been procured; in respect of 7 of these, the cost escalation worked out to Rs.4.66 lakhs.

Though the original estimate had a provision for purchase of a 5 tonne capacity electrically operated towing crane at the cost of Rs.81.05 lakhs, the Railway Administration decided to buy a 25 tonne capacity EOT crane. Due to change in specification, revision of drawings had to be done which delayed the procurement. The EOT crane had not been procured as of September 1996. Cost escalation over the original estimate due to increase in labour and material rates worked out to Rs.1.79 crores; escalation on account of change in specification was Rs.97.82 lakhs.

9.1.3 Establishment of Rajendra Nagar Coaching Complex

(i) With a view to decongesting Patna Junction, a coaching complex at Rajendra Nagar was planned in 1988. The facilities to be provided included 7 pits of 22 coach length, engine escape line, A.C. coach maintenance facilities, Schedule-C and heavy repair facilities, damage collection line and spare coaches line. The project was planned to be completed in two phases, of which, Phase I, named "Rajendra Nagar -

Provision of coaching terminal facilities" was sanctioned at the estimated cost of Rs.4.95 crores in October 1992. The cost of Phase I was revised to Rs.8.13 crores in November 1995. As of 31 March 1996, expenditure of Rs.6.01 crores had been incurred.

Phase II of the project for augmentation of coach maintenance facilities at Rajendra Nagar at the cost of Rs.8.50 crores was proposed for inclusion in Eastern Railway's FWP 1996-97. But the same was not approved. The Railway Administration planned to propose the work again for inclusion in FWP 1997-98.

(ii) Delay in completion of civil works

In the original estimate for Phase I, construction of 3 pit lines of 22 coach length (against the total 7 planned), covering Train Examiner's Office, a small sick line and wheel parking line of 75 metres length was envisaged. Contracts for these works were awarded in November 1992; the works were to be completed within 15 months by March 1994. However, these were completed only in April 1995 at the cost of Rs.5.45 crores. There was delay in construction of 'small sick line' due to non-vacation of staff quarters by the railway employees. One of the 3 pit lines became usable only after construction of an engine escape line after demolition of the premises which were vacated by employees of Steel Authority of India Limited (SAIL) in September 1995. Cost and time overrun involved was Rs.1.42 crores and seven years respectively. The partially equipped facilities provided at the cost of Rs.6.01 crores (upto March 1996) were capable of only washing and cleaning three rakes per day.

9.2 Northern

To cater to the increasing workload and to augment the capacity of washing line so as to accommodate 26 coaches, proposal for modernisation of the coaching yard at Amritsar at the cost of Rs.1.80 crores was initiated in May 1990. But the work was included in the Rolling Stock Programme for 1995-96 only. In August 1995, the work was transferred to Construction Organisation for execution. Cumulative progress of the work as of March 1996 was only 5 per cent. Due to delay in modernisation of sick and washing lines, the coaches were being detained for maintenance. During 1991-92 to 1995-96, the number of coaches detained over 24 hours ranged from 110 to 127.

9.3 Southern

Southern Railway's `Action Plan' (1985-2000) projected 60 additional BG rakes to make the total to 137 by 2000 AD. As of 1996, the number of rakes and coaches maintained in five locations viz. Basin Bridge, Bangalore, Cochin, Mangalore and Trivandrum, totalled up to 121 rakes and 2,152 coaches. The additional number of coaches likely to be put into service by 2000 AD was expected to be around 2,300. Therefore, the Railway Administration proposed to increase the coach maintenance facilities to cope up with the increase in workload. However, these works were still (June 1996) to be completed as indicated below:

9.3.1 Basin Bridge

(i) As per Southern Railway's `Action Plan', `Additional full-fledged maintenance complex' was to be developed at a location other than Basin Bridge by 2000 AD. However, proposals were made in November 1984 to augment the existing facilities at Basin Bridge under Integrated Coach Maintenance Depot (ICMD) Project at the original estimated cost of Rs.3.75 crores. The cost was revised in July 1989 to Rs.8.23 crores. Expenditure incurred upto May 1996 was Rs.8.49 crores. The project was yet to be completed (August 1996).

(ii) The capacity of `shunting neck' at Basin Bridge was limited to 14 coaches only. Hence it was not possible to shunt 22 bogie rakes without breaking it into two which involved more time on line for shunting; besides, it affected the pit line activities. Despite lapse of 9 years since the project started in 1986-87 with scheduled completion date of 30 June 1993, extension of main shunting neck for the yard could not be completed owing to unauthorised encroachment in the area. Expenditure of

Rs.1.68 crores had been incurred as of August 1996.

(iii) In order to implement the dry pit concept, the Railway Administration decided (October 1987) to delink washing activities from the inspection lines. Accordingly, under the Basin Bridge modernisation programme, works in connection with conversion of the three non-pit lines into washing lines were completed in December 1993 at the cost of Rs.94.91 lakhs, against the original estimated cost of Rs.32.30 lakhs. However, due to operational constraints, the Traffic Department could not place the rakes on the lines; consequently washing of coaches was not being carried out (June 1996).

(iv) One of the stabling lines (NL-8) having 20 coach capacity was being utilised exclusively for moving the portable welding plant to carry out welding works for the rakes of Grand Trunk Express and Tamil Nadu Express stabled on the adjacent pit lines, although the pit lines were already equipped with facilities for welding and grinding. Consequently the stabling line of 20 coach capacity was not being put to use for the intended purpose which added to congestion in the yard.

(v) Under the modernisation scheme, for the movement of stores from Carriage Workshop/Loco Workshop and General Stores Depot at Perambur to Basin Bridge yard, the Railway Administration proposed in August 1989 to procure a lorry with hydraulic crane arrangement. Though commissioning of the departmental lorry with crane was completed in October 1995, the Railway Administration continued to engage private lorry contractors for transporting the stores which resulted in avoidable financial burden of Rs.1.42 lakhs for 10 months, as worked out at the rate of Rs.14,285 per month since November 1995.

9.4 South Eastern

(i) Modernisation of Hatia coaching complex at the cost of Rs.2.82 crores was included in the FWP 1988-89. As an integrated package, a coaching line with facilities at the cost of Rs.28.41 lakhs for maintenance of A.C. coaches and a pit line with a platform in washing line (Rs.28.30 lakhs) were planned. Though these works were to be completed within two years, i.e. by December 1991, these were actually completed in 1994-95 only at the cost of Rs.33.63 lakhs and Rs.40.33 lakhs (upto 1995-96) respectively. Despite commissioning of these facilities, detention of coaches, including A.C. coaches, in the sick line continued due to non-availability of shunting engine, materials and of power for drawing out the fit coaches. The objective of attending to 22 coaches rakes could not be fulfilled; a maximum of only 16 coaches had been attended to so far (August 1996) in the sick line.

(ii) At Santragachi coaching yard, composite grid facilities were constructed at the cost of Rs.1.28 crores in March 1993 for placement and removal of rakes from Kharagpur end by drawing out complete rakes into shunting neck. However, these could not be utilised since it involved considerable shunting. Due to defects in planning, design and construction, the work was being done in day time only.

9.5 Western

(i) For Mumbai Central yard provision of three works, viz. (a) battery charging facilities for 110 volt coaches at the cost of Rs.8.94 lakhs, (b) facilities for maintenance of A.C. coaches with roof mounted package type A.C. units at the cost of Rs.7.63 lakhs and (c) additional inspection pit at the cost of Rs.81.01 lakhs for Mail/ Express trains, was included in FWP 1993-94 and 1994-95. These works were to be completed by March 1996, March 1994 and March 1995 respectively. However, only the work of 'facilities for maintenance of A.C. coaches' was completed in March 1996; the other two had not even been taken up till August 1996. Detailed estimate for the inspection pit was sanctioned in September 1994 by the Divisional Railway Manager at the cost of Rs.81.01 lakhs.

(ii) The Corporate Plan envisaged modernisation of the MG coaching depot at Ahmedabad by providing separate pit lines and washing lines to cater to 26 coach trains. While the original estimate was under consideration of the Board, the Railway

Administration awarded a contract in September 1995 for execution of washing pit line at the cost of Rs.1.47 crores with target date of completion by April 1996. The contractor had been granted extension upto August 1996 on Railway's account and paid Rs.72.84 lakhs (July 1996). The physical progress of the work was 55 per cent as of July 1996. Execution of the work without sanction was irregular.

10. Cadre Review of Coaching Yard staff

10.1 Central

(i) In January 1991, Work Study Organisation of Central Railway had conducted a work study of Wadi Bunder yard and assessed the need based requirement of staff at 77 men including 2 Supervisors and leave reserve, against the then existing strength of 104 men, to tackle 10 coaches per day for lifting and wheel changing, vacuum, cylinder work, rivetting work, welding work, intensive cleaning, plumbing work, etc. However, the number of staff was not adjusted suitably. Further, since the daily average sick line out-turn varied from 6.64 coaches per day in 1995-96 to 9.23 in 1993-94, the staff deployed in excess was worked out between 5.93 in 1993-94 and 25.90 in 1995-96. The extra labour cost during the period 1991-92 to 1995-96 amounted to Rs.22.57 lakhs.

(ii) Similarly to attend to intermediate overhaul of 2 coaches per day, the Work Study Organisation had recommended staff strength of 37 men including Supervisors and leave reserve. Since the daily average IOH out-turn varied from 0.36 in 1992-93 and 1994-95 to 0.85 coach in 1991-92, excess deployment of staff had been assessed at between 17.95 during 1991-92 and 28.86 during 1994-95 resulting in extra expenditure of Rs.43.59 lakhs on labour.

10.2 Eastern

Staff deployed in Tikiapara, Sealdah and Dhanbad coaching yards were 1912, 1445 and 731 as of March 1996. The average coach holding of these three yards were 1300, 567 and 184 respectively. Consequently the ratio of coach holding to staff employed was 1.5, 2.5 and 4 respectively. Thus, there were wide variations amongst the three yards.

10.3 Northeast Frontier

In three coaching yards, viz. Guwahati (Mechanical), New Bongaigaon (Electrical) and New Jalpaiguri (Electrical non-A.C.), comparison of the staff strength during 1993-94 to 1995-96 with that of the sanctions accorded revealed excess operation of 128 posts under various categories. The consequent unauthorised staff cost incurred was Rs.1.40 crores during 1993-94 to 1995-96.

Although there was no A.C. base coach at the New Jalpaiguri (BG) shed, 47 posts under various categories were in operation. As the A.C. coaches attached to the Darjeeling Mail (3144 DN) running between New Jalpaiguri and Sealdah were given only pit line attention at New Jalpaiguri, operation of 47 posts does not appear to be justified.

P. Lahiri

New Delhi
The 4 अप्रैल 1997

(P.K. LAHIRI)
Deputy Comptroller and Auditor General of India

Countersigned

V. K. Shunglu

New Delhi
The 7 अप्रैल 1997

(V.K. SHUNGLU)
Comptroller and Auditor General of India

APPENDIX
(Ref. Paragraph No.1.8)
Grand Summary of Appropriation Accounts 1995-96

(In units of Rupees)

Number and name of the Grant/Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Exces (+)/ Savings (-)
1. Revenue - Railway Boarć (Voted)	19,16,00,000	1,52,35,000	20,68,35,000	20,05,16,211	(-) 63,18,789
2. Revenue - Miscellaneous Expenditure (General) (Voted)	110,80,15,000	1,000	110,80,16,000	97,78,79,652	(-) 13,01,36,348
3. Revenue - Working Expenses(W.E.) - General Suprintendent and Services					
Charged	*6,22,000*	*25,98,000*	*32,20,000*	*29,90,858*	*(-)2,29,142*
Voted	733,49,18,000	22,10,63,000	755,59,81,000	748,09,91,603	(-) 7,49,89,397
4. Revenue - W.E.-Repairs and Maintenance of Permanent Way and Works					
Charged	*30,00,000*	--	*30,00,000*	*3,23,588*	*(-) 26,76,412*
Voted	1539,86,13,000	42,70,60,000	1582,56,73,000	1563,44,67,176	(-) 19,12,05,824
5. Revenue - W.E.-Repairs and Maintenance of Motive Power					
Charged	*4,00,000*	--	*4,00,000*	*1,58,788*	*(-) 2,41,212*
Voted	1141,66,33,000	--	1141,66,33,000	982,87,41,917	(-) 158,78,91,083
6. Revenue - W.E.-Repairs and Maintenance of Carriages and Wagons					
Charged	*6,00,000*	--	*6,00,000*	*49,694*	*(-) 5,50,306*
Voted	1639,15,01,000	--	1639,15,01,000	1615,83,51,524	(-) 23,31,49,476

(In units of Rupees)

Number and name of the Grant/Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Exces (+)/ Savings (-)
7. Revenue - W.E.-Repairs and Maintenance of Plant and Equipment					
Charged	*12,00,000*	--	*12,00,000*	*17,292*	*(-)11,82,708*
Voted	807,54,98,000	25,36,18,000	832,91,16,000	819,81,76,403	(-) 13,09,39,597
8. Revenue - W.E.-Operating Expenses - Rolling Stock and Equipments					
Charged	*15,00,000*	--	*15,00,000*	*24,802*	*(-) 14,75,198*
Voted	1330,34,07,000	71,56,34,000	1401,90,41,000	1409,67,57,373	(+) 7,77,16,373
9. Revenue - W.E.-Expenses Operating Expenses - Traffic					
Charged	*15,00,000*	--	*15,00,000*	*6,05,479*	*(-) 8,94,521*
Voted	2917,00,98,000	77,78,63,000	2994,79,61,000	2991,40,64,989	(-) 3,38,96,011
10. Revenue - W.E.- Operating Expenses - Fuel					
Charged	*1,50,000*	--	*1,50,000*	*74,440*	*(-) 75,560*
Voted	3643,25,41,000	--	3643,25,41,000	3271,40,79,146	(-) 371,84,61,854
11. Revenue - W.E.-Staff Staff Welfare and Amenities					
Charged	*4,000*	*96,000*	*1,00,000*	*11,817*	*(-) 88,183*
Voted	590,57,23,000	6,55,39,000	597,12,62,000	594,47,82,052	(-) 2,64,79,948
12. Revenue - Miscellaneous Working Expenses					
Charged	*10,66,06,000*	*1,79,19,000*	*12,45,25,000*	*6,58,27,232*	*(-) 5,86,97,768*
Voted	737,07,60,000	10,74,43,000	747,82,03,000	752,94,20,633	(-) 5,12,17,633

(In units of Rupees)

Number and name of the Grant/Appropriation	Original Grant/ Appropriation	Supplementary	Final Grant/ Appropriation	Actual Expenditure	Exces (+)/ Savings (-)
13. Revenue - W.E.- Provident Fund, Pension and other Retirement benefits					
Charged	*62,50,000*	*50,000*	*63,00,000*	*48,88,511*	*(-) 14,11,489*
Voted	1981,03,39,000	110,38,37,000	2091,41,76,000	2129,32,33,456	(+) 37,90,57,456
14. Revenue - Appropriation to Funds					
Voted	6035,00,00,000	443,00,00,000	6478,00,00,000	7030,63,28,939	(+) 552,63,28,939
15. Dividend to General Revenues					
Voted	1371,16,50,000	--	1371,16,50,000	1264,43,91,252	(-) 106,72,58,748
16. Assets - Acquisition, Construction and Replacement					
i) Open Line Works Revenue (Voted)	45,00,00,000	--	45,00,00,000	27,02,92,523	(-) 17,97,07,477
ii) Funds					
Charged	*70,11,000*	*3,87,62,000*	*4,57,73,000*	*1,60,31,127*	*(-) 2,97,41,873*
Voted	10970,55,11,000	58,000	10970,55,69,000	10712,60,58,519	(-) 257,95,10,481
iii) Capital					
Charged	*5,79,89,000*	*3,50,71,000*	*9,30,60,000*	*2,64,14,344*	*(-) 6,66,45,656*
Voted	1279,70,43,000	15,16,30,000	1294,86,73,000	1280,11,56,505	(-) 14,75,16,495
Grand Total					
Charged	***18,68,32,000***	***9,44,96,000***	***28,13,28,000***	***11,74,17,972***	***(-) 16,39,10,028***
Voted	**36892,38,50,000**	**826,89,81,000**	**37719,28,31,000**	**37311,96,89,873**	**(-) 407,31,41,127**