Office of the Comptroller and Auditor General of India

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Press release

C&AG's Compliance Audit Report No. 5 of 2018 on Union Government (Railways) tabled in Parliament today.

Report No. 5 of 2018 of the Comptroller and Auditor General of India – Union Government (Railways), for the year ended March 2017, Compliance Audit has been tabled in Parliament.

The Audit Report consists of audit findings relating to compliance issues in respect of the Ministry of Railways and its various field units including Railway Public Sector Undertakings and Autonomous Bodies. The Audit Report includes two thematic audits, two long paragraphs and 32 individual audit findings as a result of deficiencies/irregularities noticed during the course of transaction audit over Indian Railways during the year 2016-17. The brief of the major audit findings included in this Report are given below:

Flexi fare system in Rajdhani, Shatabdi and Duronto trains

- **Ministry of Railways implemented the flexi-fare scheme in all Rajdhani, Duronto and Shatabdi trains in September 2016.**
- **Post implementation of this scheme, there was decrease in occupancy in all classes except Sleeper class in Duronto trains. The occupancy increased only in a few Premier trains. Even in AC 3 class, which was one of the most profitable classes, the occupancy dropped significantly after introduction of flexi fare and the vacant berths increased from 0.66 *per cent* in pre-flexi period to 4.46 *per cent* in post-flexi period.**
- **In terms of absolute numbers, the Premier trains carried 2,40,79,899 passengers during post flexi period as compared to 2,47,36,469 passengers during pre-flexi period.**
- **Though, Railway earned ₹ 552 crore from passenger earnings from the Premier trains post flexi fare system during 9 September 2016 to 31 July 2017, there was de-growth of 2.65 *per cent* in number of passengers despite availability of higher number of berths/seats, which resulting in sub-optimal utilisation of national assets. Thus, there is a need for review and fine tuning in the scope of the scheme so that not only more revenue is earned but number of passengers also increase, thus, further enhancing revenue.**

- **The occupancy of Mail/Express Trains in the routes where Premier trains run, was found to be much more than the Premier trains during the two months test checked by Audit (October 2016 and February 2017). This indicated that instead of paying higher fare, passengers preferred to travel by Mail/Express trains over the Rajdhani/Duronto/Shatabdi trains despite a higher travel time for Mail/Express trains.**
- **A comparison with air fare for different Advance Reservation Periods in 13 sectors also showed that air fares were cheaper than the respective train fares for a large number of routes/sectors.**
- **Railway Board introduced a few measures such as reducing the Tatkal quota from 30 *per cent* to 10 *per cent*, discounted fare in AC Chair Car of two Shatabdi trains and 10 *per cent* rebate in the last fare on the vacant berths/seats after preparation of first chart during December 2016. These measures improved the occupancy of the Premier trains to some extent. This shows that rail passengers did not perceive value for their money in flexi fare system in Premier trains. Passenger Survey by Audit also showed that passengers expect better quality services commensurate with enhanced fare.**

(Para 2.1)

Management of commercial plots and parking spaces near stations by Commercial department in Indian Railways

While a large area of land in the railways falls under the jurisdiction of the Engineering Department, Commercial Department is responsible for managing the commercial plots and parking spaces near stations. Audit observed that

- **There was no land management cell for commercial plots managed by Commercial Department at any level. The existing land management cell under the Engineering Department was not dealing with or having records of commercial plots. Land records were poorly maintained and not digitized. There was no database for land under the control of Commercial Department.**
- **The Station Managers did not ensure proper maintenance of records, timely realisation of rent and timely reporting of events to the divisional office in the stations test checked by Audit. License agreements were not executed and renewed timely and information about the land available under the jurisdiction of Commercial Department available with the railways was incomplete.**
- **Railway plots were being used for purposes other than the purpose for which it was allotted initially to the plot holders. Railways had not undertaken any survey to assess the present use of the plots and take action to cancel the land allotment. Significant number (33 per cent) of plots were occupied by persons other than the original**

allottee. Large numbers of plots were occupied unauthorisedly by persons/firms. Commercial plots were illegally transferred by original allottees to others by way of sale, donation deed, power of attorney etc.

- **As regards parking lots, railways did not execute agreements promptly in many cases and also did not enter into agreement in some places. The contractors were managing the parking lots in an un-professional manner and the railways were not able to ensure that they provide service as per the agreements and recover dues from contractors. In a number of stations, though the State police was running the pre-paid auto/taxi booths, Railway Administrations did not take suitable action/pursue the matter with the authorities concerned for collection/sharing of parking charges for running of pre-paid booths**

(Para 2.2)

Agra Division of NCR has constructed a 3rd line between Mathura- Palwal(84 kms) for smooth operation of traffic over the section due to saturation of UP and Down Line. The line was though opened for traffic two years back, after incurring an expenditure of ₹ 412.65 crore, the newly created 3rd line could not be utilisedfully. Smooth operation through 3rd line required yard remodelling work at Kosi Kalan station, which was not included in the detailed estimate of the work. The non-optimal utilisation of 3rd line adversely impacted train punctuality and causes inconvenience to passengers.

(Para 2.5)

Government of India vide their Gazette Notificationdated 08 November 2016, demonetized currency notes of denomination of five hundred rupees and one thousand rupees and these notes ceased to be legal tender on and from 09 November 2016. Railway Board, on 09 November 2016, clarified that the specified bank notes would not cease to be legal tender with effect from 09 November 2016 until 11 November 2016 to the extent of transactions at railway ticketing counters for purchase of tickets, for which complete records were required to be maintained.

Audit observed that no specific directives/instructions were issued by the Railway Board in respect of cash deposited by the Jansadharan Ticket Booking Sewaks(JTBSs) in Railway's Deposit Accounts essential for issue/sale of unreserved tickets through computerised Unreserved Ticketing System.132 Jansadharan Ticket Booking Sewaks in six Zonal Railways took undue advantage of the facility provided by the Government of India to allow transactions at railway ticketing counters and deposited specified bank notes with the Railways post demonetisation instead of depositing the cash in the banks.

(Para 2.15)

There was accumulation of admitted debits in various divisions of Central Railway, as codal provisions for clearance of admitted debits were not implemented by Railway Administration. Staff misappropriated cash and did not remit cash in full. System of recovery of outstanding amount, in convenient monthly installments, also encouraged continuance of the practice of short remittance of cash by the staff. Non-deposit of cash collection amounts to temporary embezzlement. Railway Administration failed to take disciplinary action against the employees who were habitual defaulters.

(Para 2.17)

For exercising better quality control and proper monitoring/supervision, Northern Railway Construction Organisation divided the work of doubling between Meerut and Muzaffarnagarinto two Zones. However, they awarded both the works to the same firm by allowingthe same set of documents in respect of Plant and Machinery/resources available and credentials for proof of receiving of payments in both the tenders simultaneously. Railways also favoured the firm by granting extensions without penalty. This adversely affected the progress of Doubling work between Meerut and Muzaffarnagar and resulted in non-achievement of intended benefit of increasing the line capacity for movement of freight and passenger traffic in the section.

(Para 3.1)

Setting up of diesel locomotive manufacturing unit at Marhowra, Bihar

Ministry of Railways proposed setting up of diesel locomotive manufacturing unit at Marhowra, Bihar in September 2006. The contract was awarded to M/s GE Global Sourcing India Pvt. Ltd in November 2015 for setting up of diesel locomotive manufacturing unit along with maintenance depot at Roza and Gandhidham. As a long time has elapsed, there was a need to reassess the necessity of setting up of new diesel locomotive manufacturing unit, before awarding the contract. Audit analysis showed that the diesel locomotives available with the Railways are sufficient in numbers to take care of the present needs.

Indian Railways is planning to shift to complete electrification of its BG routes by 2021 and would also run the freight trains in dedicated freight corridors (DFCs) on electrified routes. Even if, Railways do not go for 100 *per cent* electrification, it is expected that most of the high traffic routes would definitely be electrified and the need for diesel traction would remain only for low traffic routes, for which high horse power diesel locos are not likely to be used optimally. Consequently, need for high power diesel traction in Indian Railways is going to diminish in the years to come. Indian Railways has realised this eventuality and decided to significantly reduce the production of diesel locomotives at Diesel Locomotive Works (DLW), Varanasi from 2018-19 onwards. Also, the production plan of Diesel Loco Modernisation Works

(DMW), Patiala, does not include any plan for production of diesel locomotive in 2018-19.

As such, the diesel locomotives procured under this agreement would have no scope for productive utilisation in the Indian Railway network in future. Railways themselves have decided to significantly reduce in-house production of diesel locomotives at DLW, Varanasi from 2019-20 onwards. Thus, setting up of a new infrastructure for production of diesel locomotives and incurring a huge liability of ₹ 17126.08 crore is not in sync with the overall strategic vision of Railways.

(Para 4.1)

North Central Railway administration allowed utilization of diesel locomotives in completely electrified electric sections of Allahabad-Ghaziabad (606.88 kms) and Palwal-Bina (505.31 kms). On these two electrified sections, during 2013-14 to 2016-17, a total 350 freight trains were run using diesel locomotives under electric wire. This led to extra operational cost of ₹ 5.74 crore besides negative impact on environment and increased dependency on petroleum based energy.

(Para 4.2)

Implementation of Mobile Train Radio Communication (MTRC) system over Indian Railways

The MTRC system has been introduced to replace the existing (Very High Frequency) VHF based communication system over IR. It aims at better traffic management over Indian Railways through data transfer (regarding location and movement of trains) and secured communication amongst drivers, guards, maintenance staff, etc. MTRC to be effective required implementation on complete routes, dedicated locomotives with cab radios for the routes, provision and maintenance of MTRC infrastructure, stakeholder identification and role assignment, skill identification and upgradation, revision of recruitment rules and change management.

However, no road map for implementation of the system has been prepared by the railways. Due to absence of a comprehensive time bound road map, implementation of MTRC system could not take place. As on 31 March 2017, only on 1470 RKMs out of 19,512 RKMs planned, the MTRC project has been implemented. Wherever implemented, the system is not being utilised as complete routes have not been covered for implementation and dedicated locomotives with cab radios for the routes have not been provided.

Besides, due to deficient support system in terms of maintenance contracts and faulty Mobile Service Switching Centre at Agra, the system remains unutilised. Thus, expenditure of ₹ 181.73 crore incurred on MTRC system so far has remained unfruitful.

(Para 5.1)

North Central Railway Administration procured costly Operational Purpose Handsets (OPH) and General Purpose Handsets (GPH) equipment worth ₹ 17.77 crore without proper and realistic need analysis and hence these could not be utilised. Quotes were called from the firm without any basis and rational. The Tender Committee went out of its way to obtain documentation pertaining to the earlier tender from RDSO, to prove the eligibility of the firm for the current tender. As these handsets are not being used, the amount of ₹ 17.77 crore spent for procuring these handsets remains blocked.

(Para 5.2)

Development of railway land for commercial use by Rail Land Development Authority

The main objective of setting up of RLDA was to generate revenue by non-tariff measures through commercial development of surplus railway land.

Audit reviewed development of 17 sites, which were entrusted to RLDA in 2007 when it was constituted and observed that none of these sites have been developed so far. There were delays in engagement of consultants, delay in submission of reports by the consultants, delay in taking permission from State Government for change of land use, deficiencies in entrustment of land to RLDA by the concerned Zonal Railways by providing encumbered land, identifying wrong site or site with incomplete papers etc. which resulted in non-development of 17 sites of 166.996 acres, reviewed in Audit.

Out of 17 cases reviewed, in only three cases developers were appointed, but commercial development did not take place. 13 plots were planned for commercial development with a lease potential of ₹ 282.69 crore. Since being set up, RLDA has been able to earn ₹ 67.97 crore from development of Multi-Functional Complexes (MFCs) at railway stations, which is other than the earnings from commercial development of entrusted lands. As against this, expenditure of ₹ 102.29 crore has been incurred towards establishment, consultancy charges, advertisement etc. during 2006-07 to 2016-17.

(Para 7.1)