

Any proposal of doubling of the KRCL segment needs to be viewed in the above light. It would be appropriate to seek a review of the Concession Agreement on account of the reasons given in the detailed note annexed to this letter.

I am sure you will appreciate that when a Zonal Railway runs a line, it has to make some profit but in the case of KRCL line, W. Railway is getting only the O&M cost and surrendering the apportioned earnings totally and even for GIM-SIO line, the apportioned earnings now go to KRCL as all the loaded traffic from GIM move via KRCL line, it being nominated as up line.

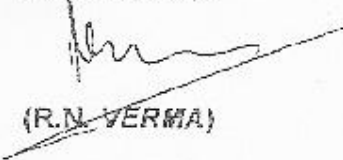
I would further like to stress here that continuation of the existing agreement is going to severely undermine the earnings of W.R. as also its Operating Ratio. Even accepting that the increase in through-put for MOR as a whole arising out of KRCL operations would be beneficial, there cannot be any doubt that the profitability of KRCL would continue to increase significantly at expense of Indian Railways in general and Western Railway in particular with the final transfer of these profits to MOR being very meagre in comparison. I am sure that this windfall gain to KRCL was never intended and therefore needs to be appreciated by the Board for corrective action.

It is my earnest submission that this matter may be examined threadbare with utmost urgency since it has significant long term financial implications for Western Railway in particular and Indian Railways in general.

With best wishes,

Encl: Annexure

Yours sincerely,


(R.N. VERMA)

Shri Vivek Sahai
Chairman,
Railway Board,
New Delhi.

ANNEXURE - II

No. W 580/12/51 Part. H. Vol. II (W5)

Additional Member (Planning),
Railway Board,
New Delhi 110001.

Headquarter Office,
Churchgate, Mumbai-400 002
Dt: 11.10.2001

Subj: Lease rental to be collected from PRCL.
Ref: HD(PP) Rly. Bd's letter No. 94/W/41/W/3/ASBY/Survey dt. 14.8.2001.

HD(PP) vide above quoted letter has communicated approval of the Hon'ble Minister of Railways as a part of the concession agreement with the newly formed PRCL for leasing out the existing assets and newly acquired land to PRCL. As per article 4.2 the rates to be charged as follows:-

"The annual lease rental shall be percentage of the book value of the leased assetment, which has been assessed as Rs. 14.06 crores. For the existing assessment and also 2.4 Crores for the land freshly acquired totalling to Rs. 16.46 crores. These percentage shall be equal to the State Bank of India's prime lease rate on the date of execution of this deed."

In this connection it is advised that the basis for the book value of Rs. 14.06 crores has not been advised by Railway Board and the same appears to be on lower side. As per sub-section 4.2.3, which was received vide your D.O. No. 94/W-1/NE/W/3/ASBY/Survey dt. 13.3.2001, directs that the existing assessment will be valued in terms of their historical book value (gross block) which will be derived on a proportionate basis from the total value of the MG assessment of Western Railway for want of any better method.

On perusal of the cost of the existing assets of Rs. 14.06 crores as communicated by HD(PP)Rly Bd vide above quoted letter, it is felt that the cost is on much lower side and the cost will be of the order of Rs. 44.18 crores, which can be inferred from the data communicated by Gm vide letter of even no. dt. 19.4.2001. However the calculations are enclosed for ready reference which may be examined.

FA&CAO(F&D) while examining the contents of the above letter has remarked verbatim as under :-

"The book value of the assets in the matter has been taken as Rs. 44.18 crores by the two member committee on W.Rly. The basis of the Board advising the same as only Rs. 14.06 is not clear. Further, no accounts/finance concurrence has been taken for the same. It appears that only the capital at charge portion has been taken which is not backed by the Competent Authority's orders."

Since the book value is on the lower side as such the Board is requested to kindly review the position and advise the necessary corrections to the cost keeping in view above.

Encl: As above

MISCELLANEOUS
(M.S. Ekbote)
Chief Engineer.

- 1) FA&CAO(F&D) } for information.
- 2) CAO(C)CCG }

Annexure III

Calculation showing the one time lump sum payment due as lease rent from HMRDC in terms of MoR's orders of October 2001

- A. Width of BG formation=6.85 Mtrs
- B. Length of the line=183 Kms or 183000 Mtrs.
- C. Therefore the area of land required =6.85 X 183000=1253550 Sq. Mtrs.
- D. Average Cost of land based on the rates as advised by Revenue Authorities for the year 2005 =₹ 74 per Sq.Mtr¹
- E. Cost of land in 2004=Cost of land in 2005 reduced by 10 per cent =₹ 67 per Sq. Mtr
- F. Thus, total cost of the land leased =1253550 X 67=₹ 83987850
- G. 99 per cent of the cost of land =₹ 83147971 say ₹ 8.31 crore

Thus, one time lumpsum payment required to be recovered as lease rent from HMRDC=₹ 8.31 crore

Note:-

As per Railway Board's letter No. 2001/LML/13/53 dated 04-10-2001 leasing of land to Government Departments on long term basis for a period of 35 years attracts a onetime lump sum payment equivalent to 99 per cent of the market value of the land on the date of lease along with an annual license fee at a nominal amount of ₹ 1000 for land leased to Government Departments or Undertakings.

¹ Calculated at the average market value of land as advised by Revenue Authorities between Hassan and Kankanadi