EXECUTIVE SUMMARY

Background

Indian Railways (IR) is a departmental commercial undertaking of the Government of India. Due to merger of Railway Budget with the Union Budget, the summary and comments on the Appropriation Accounts of IR are now included in the Report of the Comptroller and Auditor General of India on Union Government – Accounts of the Union Government (Financial Audit).

The report focuses on financial performance of Indian Railways with reference to the previous year, as well as the overall trends. It also contains the results of the analysis of the impact of concessions allowed to various categories of passengers.

Summary of conclusions

Since 2016-17, railways' revenue surplus has been falling which is indicative of failing financial health of Indian Railways. During the year 2017-18, the net revenue surplus decreased by 66.10 *per cent* from ₹ 4,913.00 crore in 2016-17 to ₹ 1,665.61 crore in 2017-18. The factors mainly attributable to meagre surplus were increase in working expenses (8.14 *per cent*) and negative growth rate of sundry earnings (16.20 *per cent*). Staff cost including pension payments constituted the bulk of working expenses.

The steadily declining performance of Indian Railways is reflected in the Operating Ratio (OR) of 98.44 *per cent* which was the worst in the last ten years. Indian Railways would, in fact, have ended up with a negative balance of ₹ 5,676.29 crore instead of surplus of ₹ 1,665.61 but for the advance received from NTPC and IRCON. Similarly, OR would have been 102.66 *per cent*.

The share of internal resources in total capital expenditure which was as high as 26.14 *per cent* in 2014-15 decreased to 3.01 *per cent* in 2017-18. Decline in generation of internal resources resulted in greater dependence on Gross Budgetary Support and Extra Budgetary Resources. With depleting surplus, the Indian Railways is leaning heavily on Government of India and on EBR for meeting its capital expenditure. An increased reliance on borrowings will further exacerbate the grave financial situation of Indian Railways.

Appropriation to Depreciation Reserve Fund (DRF) decreased significantly by 68 *per cent* in 2017-18. Under provisioning for depreciation resulted in piling up of 'throw forward' of works estimated at ₹ 1,01,194 crore.

In respect of concessions allowed to passengers in IR, Audit observed that 89.7 *per cent* of the revenue forgone towards concessions was on account of concession to senior citizens and Privilege Pass/PTO holders. The response to 'Give Up' scheme from the senior citizen passengers was not encouraging.

Audit also observed that the annual rate of growth in terms of number of passengers travelling in AC classes in all the categories of concessions was higher than that of the non-AC classes. Several instances of misuse of passes and irregular grant of concessions on medical certificates were noticed. Passenger Reservation System lacks adequate validation controls to validate age of freedom fighters and to prevent irregular multiple booking on the same privilege pass.

Summary of Recommendations

i. ***Railways needs to take steps to augment their internal revenues, so that dependence on gross and extra budgetary resources is contained.***

ii. ***Railways may ensure that surplus and OR represent a true picture of its financial performance.***

iii. ***Under provisioning for depreciation is resulting in piling up of throw forward of works concerning renewal of over aged assets. There is an urgent need to address this backlog and ensure timely replacement and renewal of old assets.***

iv. ***Creating new funds without any justifiable reason and thereby projecting working expenses and surplus in a better light is not desirable and may be avoided.***

v. ***The Privilege Pass/PTO facilities provided to their employees may be rationalised.***

vi. ***Validation controls in the PRS needs to be provided to ensure grant of concessional benefit only to eligible beneficiaries and prevent misuse of privilege passes.***

vii. ***Indian Railways may appropriately reflect the cost of privilege pass/PTO facilities in their accounts to correctly depict their revenue expenditure.***