

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 audit observations on the efficiency of the Indian Railways in application of funds raised from Extra Budgetary Resources and timely completion of Projects.

Summary of conclusions

Audit observed that during 2018-19, the Total Receipts increased by 6.47 *per cent* as compared to 8.19 *per cent* increase in 2017-18. The lower growth rate during 2018-19 was mainly on account of shortfall in Sundry Earnings and shortfall in growth rate of Freight Earnings as compared to 2017-18. There was heavy dependence on transportation of Coal which constituted 46.47 *per cent* of Freight Earnings. Any shift in bulk commodities transport pattern could affect the freight earnings significantly.

[Para -1.1,1.2.3 (a)]

Against the Budget Estimate (BE) of ₹ 12,990 crore, the ‘Net Surplus’ was ₹ 3,773.86 crore in 2018-19. It was lower than the BE by ₹ 9,216.14 crore (70.95 *per cent*). However, the net surplus increased from ₹ 1,665.61 crore in 2017-18 to ₹ 3,773.86 crore in 2018-19. During the year, IR received advance freight of ₹ 8,351 crore from NTPC and CONCOR for transportation of goods in 2019-20. IR would have ended with a negative balance of ₹ 7,334.85 crore instead of surplus of ₹ 3,773.86 crore but for receipt of advance freight and less appropriation to DRF and Pension Fund.

[Para -1.5,1.2.3 (a)]

During 2017-18, the profit from freight traffic (₹ 45,923.33 crore) was utilized to compensate the loss of ₹ 46,024.74 crore on operation of passenger and other coaching services. The loss of ₹ 101.41 crore in Passenger operations was left uncovered during 2017-18.

[Para -1.3]

Against the target of 92.8 *per cent* in the BE, the Operating Ratio (OR) of Railways was 97.29 *per cent* in 2018-19. There was marginal improvement in 2018-19 as compared to the OR of 98.44 *per cent* during the previous year. However, if advance freight of ₹ 8,351 crore (pertaining to 2019-20) from NTPC and CONCOR was not included in the earnings of 2018-19, the OR would have been 101.77 *per cent* instead of 97.29 *per cent*. IR resorted to window dressing in order to project better operating ratio.

[Para -1.6.1]

During 2018-19, appropriation to Depreciation Reserve Fund (DRF) decreased significantly as compared to the previous years (from ₹ 7,975 crore in 2014-15 to ₹ 500 crore in 2018-19). Under provisioning for depreciation resulted in piling up of throw forward works estimated at ₹ 96,403 crore.

[Para -1.7.1]

Ministry of Railways (MoR) resorted to Extra Budgetary Resources (EBR) from 2015-16 onwards for financing its projects like construction of new lines, doubling, electrification of lines, gauge conversion etc. A sum of ₹ 1.5 lakh crore was to be raised from LIC through Indian Railway Finance Corporation (IRFC) and utilized during the five year period 2015-20. Audit observed that the financing arrangement with LIC materialized only partially due to Regulation of Investment¹, 2013 of Insurance Regulatory Development Authority (IRDA). During 2015-19, only ₹ 16,200 crore could be raised from LIC. MoR recouped the shortfall of ₹ 49,164 crore by raising funds through short term market borrowings.

[Para -2.1 & 2.2]

Railway Board violated their own guidelines for identification and sanction of projects for funding from EBR. During the period 2015-19, an expenditure to the tune of ₹ 15,922 crore was incurred from EBR for funding 79 unremunerative projects. MoR also incurred an expenditure of ₹ 11,117 crore from EBR on 111 projects involving land acquisition, forest and environmental clearance. There were several instances of irregular utilization to the tune of ₹ 1,495 crore from EBR funds.

[Para -2.3.1,2.3.3 & 2.3.5]

Projects were to be completed during 2015-20. However, due to inefficiency of Zonal Railways and weak monitoring at the Railway Board level, the progress of projects was slow. 268 out of 395 projects were still in progress as on 31 March 2019. This had resulted in blockade of ₹ 48,536 crore EBR funds besides defeating the intended objective of generation of revenue for debt servicing.

[Para -2.3.6]

¹ Under Insurance Act 1938

Summary of Recommendations

- i. Ministry of Railways needs to take steps to diversify their freight basket to enhance their freight earnings.*
- ii. In order to present realistic picture of surplus and operating ratio, Ministry of Railways needs to take steps for pragmatic treatment of freight advance.*
- iii. Ministry of Railways needs to revisit the passenger and other coaching tariffs so as to recover the cost of operations in a phased manner and reduce its losses in its core activities.*
- iv. The huge backlog of renewal and replacement of overaged assets in railways needs to be addressed for safe running of trains.*
- v. Ministry of Railways needs to take steps to augment their internal revenues.*
- vi. Ministry of Railways needs to strengthen monitoring mechanism both at the Railway Board and Zonal Headquarters level for efficient execution of projects.*
- vii. Ministry of Railways needs to ensure assessment of requirement of funds based on realistic and timely projections from Zonal Railways.*
- viii. Ministry of Railways needs to ensure optimal and judicious utilisation of EBR funds.*