Chapter 1 – Operations and Business Development

Introduction to the Report

An introduction of the audited entities; recoveries made by Ministry/ Department at the instance of Audit; remedial actions taken in response to audit observations made in earliest Reports; summarized position of Action Taken Notes has been elaborated in Volume I (Report No. 25 of 2022) of this Audit Report.

This Audit Report, Volume II comprises results of scrutiny of transactions relating to expenditure, receipts, assets and liabilities of the units under the control of Ministry of Railways (MoR). This includes examination of the adequacy, legality, transparency and effectiveness of the relevant rules to maintain and ensure control mechanism over public expenditure. The effectiveness of the rules to safeguard against misuse, waste and losses were also examined.

This Audit Report contains four Chapters. Chapter 1- Operations & Business Development, Chapter 2-Infrastructure, Chapter 3-Traction & Rolling Stock and Chapter 4- Individual Paragraphs. The Report includes major audit findings of significant materiality which are intended to aid the Executive in taking corrective actions for better performance and financial management.

Detailed findings pertaining to the Zonal Railways on the following subjects are presented in this Report:

(i) Sundry revenue in Indian Railways

(ii) Procurement and Utilization of Wagons in Indian Railways

(iii) Centralized Import of rolling stock parts

In addition, two long paragraphs; (a) Construction of Dimapur – Kohima New Line Project: Northeast Frontier Railway, and (b) Functioning of Special Purpose Vehicles of IRCON International Limited and four individual paragraphs covering audit findings of respective Zonal Railways are included in this Volume II of the Report. The overall monetary value of Report is ₹ 5800.35 crore.

Chapter 1 includes one Pan India paragraph on ‘Sundry revenue in Indian Railways’ involving money value of ₹ 522.46 crore discussing (i) Efficiency in implementation of policies for augmenting and tapping various sources of sundry revenue; and (ii) Effectiveness in monitoring, implementation of policies for enhancing sundry earnings and presence of adequate internal controls.

1.1 Sundry revenue in Indian Railways

1.1.1 Introduction

In Railways' terminology, sundry revenue[1] are earnings that are generated from non-core operations of railways, i.e., operations other than coaching and freight. Non-Fare Revenue (NFR) of Indian Railways (IR), was initially synonymous with sundry earnings but owing to frequent changes in IR's NFR policy, it was reduced to include only earnings from advertisement, publicity and monetisation of soft assets. The thrust to enhance sundry revenue was also restricted to NFR alone.

While presenting the Railway Budget in February 2010, the then Hon'ble Minister of Railways (MoR) had stated that IR will harness untapped revenue potential from branding/advertising of railway properties to significantly increase earnings. Thereafter, in the Railway Budget 2016-17, the then Hon'ble MoR declared a new strategy to reorganize, restructure and rejuvenate NFR known as *Nav Arjan* (new avenues to earn). The strategy is meant to exploit new resources of revenues so that every asset, tangible/non-tangible gets optimally monetized.

> Global comparison: Currently, the sundry revenue in railways is nominal at around five *per cent* of total revenue, whereas many world railway systems generate 10-20 *per cent* of their revenue from non-fare sources. As per the Annual Operating performance of National Railroad Corporation, US (Amtrak) for the year 2021, NFR was close to 30 *per cent* of the operating revenue. **(Annexure 1.1)**

As per NFR policy, IR is planning to leverage the existing land, stations, and land adjoining tracks, besides advertising to generate additional revenues and improve its financial health.

The percentage of sundry earnings was on a declining trend except 2020-21 as shown in **Table 1.1**.

[1] Abstracts "Z" contains list of various sources of sundry earnings.

Table 1.1: The position of sundry earnings and non-fare revenue (NFR)

Sl. No.	Year	Total Receipts (₹ in crore)	Sundry Earnings (₹ in crore)	Percentage of Sundry earnings on Total receipts (Col.4/ Col.3*100)	NFR	Percentage of NFR on Sundry earnings (Col.6/ Col.4*100)	Percentage of NFR on total receipts (Col.6/Col.3 *100)
1	2017-18	178930	8688	4.85	204	2.35	0.11
2	2018-19	190507	6996	3.67	224	3.20	0.12
3	2019-20	189970	5863	3.09	290	4.95	0.15
4	2020-21	140573	5939	4.22	63	1.06	0.04

Source: Abstract Z (Sundry earnings) of respective years.

It can be seen from the above, that NFR which was a miniscule percentage of sundry earnings– declined from 2.35 *per cent* of sundry earnings in 2017-18 to 1.06 *per cent* of sundry earnings in 2020-21. As a percentage of receipts, NFR declined from 0.11 *per cent* in 2017-18 to 0.04 *per cent* in 2020-21. Hence, it appears that the initiatives adopted to enhance sundry earnings and NFR were not productive, as they failed to maximize the revenue potential. Thus, IR's target of reaching the revenue from non-fare sources to 10 *per cent* of the total receipts remained a distant possibility.

To enhance sundry earnings and NFR, IR had appointed Rail India Technical and Economic Service (RITES) as consultant. In 2016, RITES appointed Ernst and Young (E&Y) as consultant following multi-party bidding. E&Y with its specialized service, Marketing and Advertising Risk Services (MARS) was to help identify assets for the purpose of advertising and develop a pricing strategy to evaluate them for advertisers. IR was planning several policy initiatives to increase the NFR of the IR by around ₹ 16,500 crore in the next ten years[2]. E&Y in January 2019 submitted its report on Pan India Value Assessment of IR' Assets for Revenue Enhancement through Advertisements. The detailed analysis carried out by the E&Y on various sources of advertisements over IR assets concluded the Annual Earning Potential (AEP) value of IR as ₹ 1,598.06 crore as shown in **Table 1.2**.

[2] Press Information Bureau (PIB) bulletin dated 10 January 2017.

Table 1.2: Annual Earning Potential assessed by E&Y

Sl. No.	Asset Category	Earning Potential value (₹ in crore)	Remarks
1	Indian Railways inter connected communication network (IRICN) under the brand name of Railway Display Network (RDN)	1072.75	(i) Interconnected network of screens installed at platforms and main halls. (ii) Subject to infrastructure being installed at the stations by IR
2	Static Assets inside Railway Station (Platforms, Foot Over Bridges (FOBs), Main Halls, Circulating area)	50.01	(i) Not including potential revenue from platforms and main halls as these have been included in IRICN. (ii) Not including potential revenue from circulating areas as they have been clubbed with static assets outside the stations.
3	Static Assets in City (Road Over Bridge (ROB)/ Road Under Bridge (RUB), Level Crossing (LC) gates, Railway Colonies, Workshops)	364.11	(i) Potential Revenue from ROBs/RUBs, circulating area, colonies, crossing gates *etc*.
4	Mobile Assets	111.19	(i) Vinyl wrapping across categories such as Rajdhani, Shatabdi, Double decker, Superfast, Mail express, Garib Rath and Sub urban trains. (ii) Internal advertising space in Rajdhani, Shatabdi, Double Decker, Garib Rath and Suburban trains.
Total		**1,598.06**	

Source: Ernst and Young (E&Y) report of January 2019

Pursuant to Hon'ble Railway Minister's budget speech, IR formulated NFR policy and formed (2016) a new Directorate called the Non-Fare Revenue Directorate in the Railway Board (RB) to boost NFR. Working of NFR Directorate was reviewed by the RB after two years and it was observed that even after creation of NFR Directorate, execution of work remained with Zonal Railways (ZRs) which are organised in functional areas like traffic, commercial *etc*. Decision making was routed through respective Directorates at Board level, which resulted in duplication of work and delayed decisions. Accordingly, it was proposed (November 2017) to merge/modify the NFR Directorate with Tourism and Catering (T&C) Directorate to improve their output and efficiency by synergised and focused decision making in both T&C and NFR areas.

IR announced a number of new policies such as Content on Demand, Unsolicited NFR proposals, Automated Teller Machine (ATM), Out of Home Advertising, Mobile Assets, Rail Display Network, New Innovative NFR Ideas Scheme, *etc*. to enhance sundry earnings (January 2017). The implementation of these policies, however, could not generate desired revenue. As against the total receipts of ₹ 140573 crore, sundry earnings as on 31 March 2021 was ₹ 5939 crore, 4.22 *per cent* of total receipt of IR.

1.1.2 Organisational set up

At the RB level, Member (Operations and Business Development) (O&BD) was responsible for formulating polices on matters of sundry earnings. The responsibilities were further distributed to various Additional Members such as Tourism and Catering and NFR, Commercial, Marketing & Business Development and Information and Technology (IT). Further, Sundry earnings in respect of monetization of surplus land was entrusted to the Directorate of Land and Amenities (L&A) which was headed by Additional Member/L&A under Member Infrastructure.

At the Zonal Railway (ZR) level, the General Manager (GM) was the over all in-Charge responsible for implementation of the policies formulated by the RB. The Principal Chief Commercial Manager (PCCM) and the Principal Chief Engineer (PCE) at the apex level were responsible for the implementation of policies on revenue generation in respect of sundry earnings

At the Divisional level, the Divisional Railway Managers (DRMs) and various Divisional officers under him were responsible for implementation of policies and collection of revenue on implementing the policies framed in connection with sundry earnings.

1.1.3 Audit Objectives

The Audit was conducted to ascertain:

- The efficiency in implementation of policies for augmenting and tapping various sources of sundry revenue;

- The effectiveness in monitoring, implementation of policies for enhancing sundry earnings and presence of adequate internal controls.

1.1.4 Sources of Audit Criteria

The criteria for conducting audit were derived from the policy guidelines, circulars and instructions issued by the RB and ZRs from time to time.

1.1.5 Audit scope, methodology and sample selection

The scope of audit covered the period from 2017-18 to 2020-21. The Audit methodology entailed examination of primary as well as secondary sources. Audit examined records of RB, 32 selected divisions of ZRs, Metro Railway, Banaras Locomotive Works (BLW) and Chittaranjan Locomotive Works (CLW). The sample selected for test check is detailed in **Annexure 1.2**.

1.1.6 Audit findings

1.1.6.1 Target vis-à-vis actual sundry earnings

Railway Board fixes the target for ZRs for sundry earnings at the time of preparation of Railway Budget. The Budget Estimate (BE), Revised Estimate (RE) and Actual Earnings (AE) realized during the year from 2017-18 to 2020-21 is shown in **Table 1.3**.

Table 1.3: Earnings vis-a-vis Budget Estimate for sundry earnings

Sl. No.	Year	Budget Estimate (BE) (₹ in crore)	Revised Estimate (RE) (₹ in crore)	Actual Earning (AE) (₹ in crore)	Percentage of actual earning w.r.t. BE
1	2017-18	14123	14000	8869	63
2	2018-19	20790	9864	6997	34
3	2019-20	11575	9000	5852	51
4	2020-21	11013	5500	5939	54

Source: Budget documents and Abstract Z of respective years.

From the above table, it is observed that the actual earning during 2017-21 was less than the budget estimate. The shortfall ranged between 34 *per cent* and 63 *per cent.* Budget Estimates were not prepared in a realistic way or on the basis of actual earnings of previous years.

Scrutiny of records revealed that:

i. Inputs from six ZRs[3] were not obtained by RB prior to formulation of targets of BE.

[3] ECR, ECoR, NCR, NEFR, NWR, SECR

ii. In three ZRs[4], proper risk assessments were not made considering the local conditions, before setting targets for items of sundry earnings and for earnings envisaged by NFR directorate.

iii. In two ZRs[5], the target received from RB was distributed among the Divisions on the basis of proportionate revenue earned during the previous financial year.

iv. Annual BE target fixed by the RB was not achieved by 13 ZRs[6] in all these years. Whereas the same was achieved only during 2019-20 in Central Railway (CR), East Central Railway (ECR) and Western Railway (WR) and during 2017-18 in Northeast Frontier Railway (NEFR).

v. At RE stage, though the target was lowered, the revised target also could not be achieved by East Coast Railway (ECoR) in these years. The percentage of shortfall ranged between 4.74 and 38.13. While in 14 ZRs[7] the RE target was not achieved[8] in three years during review period. In two ZRs (ECR & SWR), the RE target was not achieved in two years during the review period and the percentage of shortfall ranged between 8.18 and 49.01.

Further scrutiny of records relating to actual earnings from NFR sources revealed that the target fixed by RB was not achieved during the review period as shown in the **Table 1.4**.

Table 1.4: Earning from NFR sources vis-à-vis Budget Estimate

Sl. No.	Year	Original Target (BE) (₹ in crore)	Revised Target (RE) (₹ in crore)	Actual Earnings (₹ in crore)	Percentage of shortfall w.r.t. BE
1	2017-18	2000	850	205	90
2	2018-19	1200	450	224	81
3	2019-20	600	501	290	52
4	2020-21	701	150	63	91

Source: Budget documents and Abstract Z of respective years.

Analysis of targets fixed and actual revenue earned by the ZRs revealed the following:

- Annual BE target fixed for Advertisement and Publicity was not achieved by 15 ZRs[9] in any of the years whereas in NEFR and WR the same was not achieved in three years[10].

[4] CR, NCR, NEFR
[5] CR, NCR
[6] ER, ECoR, NR, NCR, NER, NWR, SCR, SECR, SER, SR, SWR, WCR, MR
[7] CR, ER, NR, NCR, NER, NEFR, NWR, SR, SCR, SER, SECR, WR, WCR, MR
[8] Shortfall between 0.33 *per cent* (SER-2018-19) and 76 *per cent* (MR-2017-18).
[9] CR, ER, ECR, ECoR, NR, NCR, NER, NWR, SR, SCR, SER, SECR, SWR, WCR, MR

- At RE stage, though the target was lowered, the same also could not be achieved by 13 ZRs[11] in all these four years. The percentage of shortfall ranged between 4.10 (CR in 2019-20) to 99.47 *per cent* (WCR in 2020-21).
- In four ZRs[12], the RE target was not achieved in three years during review period. The percentage of shortfall ranged between 31 *per cent* (ECoR in 2017-18) and 92 *per cent* (ECoR in 2020-21).

The reasons for non-achievement of targets were mainly due to delay in implementation of various NFR policies.

1.1.6.2 Implementation of policies

Railway Budget 2016-17 highlighted that many of the world railway systems generate 10 to 20 *per cent* of their revenues from non-tariff sources. The budget emphasized to reach this world average by monetising assets and undertaking other revenue yielding activities.

Accordingly, Ministry of Railway (Railway Board) had undertaken several policy initiatives, such as, content on demand, unsolicited proposals, out of home advertising, provision of ATM at stations, *etc*. to generate revenue from non-fare sources. Test check of 32 divisions across ZRs and five stations of Metro Railway/Kolkata and two Production units[13] revealed that ₹ 355.71 crore was earned during 2017-21 on implementation of these policies as shown in the **Table 1.5**.

Table 1.5: Status of earnings on account of new NFR policies

Sl. No.	Description of policy	Revenue earned by the selected units (₹ in crore)	Revenue outstanding as of March 2021 (₹ in crore)
1	Content on demand	1.67	0.00
2	Unsolicited NFR proposal	3.16	2.38
3	Provision of ATM facility at station	165.15	10.37
4	Out of Home advertising	86.16	62.04
5	Advertising through mobile asset	49.30	11.31
6	Rail display network	43.09	36.34
7	New, Innovative NFR Ideas Scheme (NINFRIS)	7.18	0.00
	Total	**355.71**	**122.44**

Source: Summarised position of Earnings and outstandings of NFR

[10] NEFR-2017-18, 2019-20 and 2020-21, WR-2017-18, 2018-19 and 2020-21
[11] CR, ECR, ER, NCR, NER, NWR, SR, SCR, SER, SECR, SWR, WCR and MR
[12] ECoR, NR, NEFR, WR
[13] Banaras Locomotive Works (BLW) and Chittaranjan Locomotive Works (CLW).

Further scrutiny of records relating to implementation of these policies and their impact on the growth of sundry earnings revealed the following:

1.1.6.3 Contents on Demand (CoD)

In January 2017, RB framed a policy on "Content on Demand (CoD)". The objective of the policy was to monetize entertainment based services on trains and stations. As per this policy, contracts for CoD were to be awarded by the RailTel for IR and the earning was to be shared in the ratio of 85:15 *per cent* between IR and RailTel.

RailTel floated a tender in July 2017. The tender was, however, discharged (July 2018) due to poor response from the market. Thereafter, RB entrusted (July 2018) the bid process management to the ZRs.

Audit observed that only CR and ECR awarded contracts. The other ZRs could not award contracts due to lack of required expertise in this area. While in ECR, the contract was foreclosed (September 2020), the progress of awarding contracts was insignificant in CR and till February 2022, CoD was provided only in 10 Electrical Multiple Unit (EMU) rakes as against 165 rakes as stipulated in the contract there by realizing revenue of ₹ 1.67 crore.

In view of the above, the process of bid management was re-entrusted to RailTel with 50:50 revenue sharing basis with IR. Accordingly, RailTel awarded a CoD contract in January 2020. As per the Letter of Acceptance (LoA), the bidder was required to deposit ₹ 63 crore *per annum* for 10 years contract period. Till March 2021, only ₹ 13.80 crore was deposited with 15 ZRs[14].

As per CoD policy, initially contracts were to be finalized by the RailTel for all ZRs. However, due to discharge of CoD tender floated by RailTel in July 2018, RB instructed ZRs for initiating the process for awarding contracts at zonal level. As most of the ZRs could not process any contract for CoD, RB again entrusted the bid process management to RailTel (July 2019).

Therefore, due to decision of RB in discontinuing the bid process of RailTel at the initial stage (July 2018) and reverting back to its initial decision delayed finalisation of contracts and less realization of revenue as compared to the projected revenue.

[14] CR, ER, ECR, ECoR, NR, NCR, NER, NEFR, NWR, SR, SCR, SER, SECR, SWR and WCR.

1.1.6.4 Unsolicited proposals

The policy allowed for the consideration of unsolicited proposals[15] by enabling private and public sector participation in the conceptualization of an earnings project or scheme and permitting finalization of the same. Initially, the selection of agency was to be done for a maximum period of five years. If the project/scheme was found to be successful, subsequent selection of agency was to be done through a competitive open tendering process.

Audit observed that out of 27 long term proposals[16] received in 11 ZRs[17], 24 proposals were accepted in 10 ZRs[18]. The remaining three proposals did not materialise as one proposal received in SWR was closed due to handing over of Bengaluru station to Indian Railway Station Development Corporation (IRSDC) for station development. One proposal was not accepted in WCR as it was not feasible. In ER, one proposal received in 2020-21 has not yet been accepted due to delay in feasibility study.

During the review period 2017-21, in respect of long term policy, against the anticipated earning of ₹ 5.48 crore, IR earned ₹ 3.10 crore. This resulted in short realisation of ₹ 2.38 crore as of March 2021 due to delay in finalisation of proposals, finalisation of sites, and floating of tenders, *etc*.

Similarly, six short term proposals[19] were received in two ZRs (ER and SCR) and IR earned only ₹ 0.06 crore.

There was delay in finalisation of the proposals. Further, due to lack of adequate publicity, existence of the new innovative policy was not known to general public/interested parties. This had resulted in poor response to the policy and less generation of additional revenue.

1.1.6.5 Provision of Automated Teller Machine (ATM) facility at Stations

In January 2001, RB decided to permit installation of ATMs by banks in Railway stations and issued broad terms and conditions for the same. Subsequently, RB introduced (2017) a new policy for installation of 2000 ATMs at stations and circulating areas for a period of 10 years to generate

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[15] An unsolicited proposal is a written application for a new innovative idea submitted to the Railway for enhancement of non-fare revenue. An existing concept, which is not being covered by any of the existing policy of Railway, will also be considered under this policy.

[16] Long term proposal shall not be more than five years. Time frame for processing selection of the agency under long term proposal is 165 days.

[17] CR, ER, ECR, NR, NCR, SR, SCR, SECR, SWR, WR and WCR.

[18] CR-1, ER-3, ECR-1, NR-2, NCR-1, SR-3, SCR-2, SECR-1, WCR-8 and WR-2.

[19] Short term proposal is one-time proposal only. The maximum term of the activity shall be three months only. Time frame for processing selection of the agency under short term proposal is 23 days.

revenue of over ₹ 2500 crore by the end of contract period. CR was nominated for conducting the tendering process on behalf of other ZRs. No response was, however, received from the bidders on inviting tenders twice by CR.

In the review meeting (June 2018) at RB level with Chief Commercial Managers (CCMs) of ZRs, it was held that increase in use of mobile banking, wallet, Unified Payments Interface (UPI) application like Paytm, BHIM, *etc*. and Internet Banking had resulted in decrease in usage of ATM in Railway premises. This policy was then withdrawn with the instruction to ZR to permit installation of ATMs by banks in Railway stations as per the instructions issued in 2001.

Test check in 32 divisions across ZRs including Metro Railway (MR) and Railway Production Units (RPUs) revealed decrease in number of ATMs from 666 ATMs in 2017 to 614 ATMs in 2021. There was poor response from the bidders for installation of ATMs. During the review period 2017-21, IR earned only ₹ 165.15 crore towards license fee from banks for installation of ATMs and ₹ 10.37 crore was outstanding as of March 2021.

Thus, IR failed in achieving the target for installation of 200 ATMs *per annum*. The present trend of earning from this policy was ₹ 41 crore (16 *per cent*) against ₹ 250 crore *per annum* was far from the target[20].

1.1.6.6 Out of Home Advertising (OOH)

In January 2017, RB circulated the policy with the objective to lay out the various conditions in monetizing advertising assets apart from the station area such as circulating areas of class A1 to F category stations, Road Over Bridges (ROB), Road Under Bridges (RUB), level crossing gates, Railway colonies, Railway workshops, Railway production units, Railway land along the tracks, *etc*.

Accordingly, RITES, in association with the Professional Media Market Evaluation Agency (PMMEA) of the E&Y, prepared 17 different packages for all ZRs for inviting open bids on behalf of ZRs. The Annual Earning Potential (AEP) of these 17 packages was estimated at ₹ 294 crore. Tenders were floated by RITES for these 17 packages in September and November 2017. However, due to poor response from the market, RITES could finalize only one package of ECR.

In view of the delay in implementation of the policy by RITES, RB instructed all ZRs to undertake the tendering process under the policy framework. During the period 2018-19 to 2020-21, various contracts were finalised by the ZRs under the policy.

[20] Over ₹ 2500 crore in 10 years.

Test check of relevant records in 32 divisions of 16 ZRs revealed that 271 tenders were finalised during 2017-21. IR earned ₹ 86.16 crore in 28[21] out of 32 divisions as against the estimated earnings of ₹ 271 crore. The outstanding earnings as of March 2021 stood at ₹ 62.04 crore (in 16 Divisions[22] of 13 ZRs).

The reasons for not achieving the targets in respect of 31 Divisions[23] of 16 ZRs were as follows:

(i) Non-floating of tenders (PRYJ/NCR, LMG/NEFR, SC/SCR, BSB and LJN/NER).

(ii) No response from bidders (KIR/NEFR, SBC/SWR, LKO/NR, MAS and TVC/SR, KGP/SER).

(iii) Non-finalisation of tenders/contracts (JHS/NCR, AII/NWR, BSP and NGP/SECR, BZA/SCR).

(iv) Non-granting of permission by the local municipal administration/ Court (DLI/NR, SBC/SWR).

(v) Non-payment of license fees by the contractor (BB, Pune/CR, HWH/ER, BPL/WCR).

(vi) Termination of contract (Pune/CR).

(vii) Reduction in advertisement area after award of contract resulted less earning realisation of ₹ 0.97 crore than expected in four contract (Pune/CR).

(viii) Grant of relief in payment of license fees due to Covid-19 (DNR and DNB/ECR, JP/NWR, BSP and NGP/SECR, MMCT and ADI/WR, JBP/WCR).

(ix) Contract awarded at a lower price than the estimated price due to poor business prospect in advertisement sector (KUR/ECOR).

Analysis of the reasons for shortfall in achievement of target revealed that the factors, such as, non-floating of tenders, non-finalisation of tenders, non-identification of locations for OOH advertising *etc*. resulted in shortfall in expected earnings. IR earned ₹ 86.16 crore (32 *per cent*) against the estimated earnings of ₹ 271 crore. There was lack of initiatives on the part of Railways to analyse/identify the reasons for poor response from the bidders and remedial measures thereof.

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[21] CSMT & Pune/CR, HWH & SDAH/ER, DNR/ECR, KUR & WAT/ECoR, DLI & LKO/NR, PRYJ & JHS/NCR, BSB/NER, KIR & LMG/NEFR, JP/NWR, MAS & TVC/SR, SC & BZA/SCR, CKP & KGP/SER, BSP & NGP/SECR, UBL/SWR, BPL & JBP/WCR, MMCT & ADI/WR

[22] CSMT/CR, HWH & SDAH/ER, KUR/ECoR, DNR/ECR, LKO/NR, PRYJ/NCR, KIR & LMG/NEFR, JP/NWR, MAS/SR, BZA/SCR, BSP & NGP/SECR, UBL/SWR, MMCT/WR, BPL & JBP/WCR

[23] Overall picture of 31 Divisions of 16 ZRs is given here against each category. In WAT division of ECoR, all dues were recovered, hence not commented.

1.1.6.7 Advertisement through mobile assets

RB introduced this policy in January 2017. The objective of the policy was to facilitate the IR to offer combined train packages consisting of internal and external advertisement. RB appointed RITES, as consultant. RITES, in turn, appointed E&Y[24] to identify assets for the purpose of advertising and develop a pricing strategy to evaluate them for advertisers.

In February 2018, RB decided to entrust the bid processing management to ZRs due to delay in awarding of contracts by RITES. During the period 2018-19 to 2020-21[25] various contracts were finalised by the ZRs under this policy.

Test check of records revealed that IR earned ₹ 93.25 crore (28.28 *per cent*) in 14 ZRs[26] as against the estimated earnings of ₹ 329.70 crore.

It was further observed that:

(i) In 27 divisions of 15 ZRs[27], 698 trains were identified for advertisements, wherein 96 contracts were finalised for 569 trains and ₹ 49.30 crore was earned as against the estimated earnings of ₹ 60.61 crore. As of March 2021, ₹ 11.31 crore was outstanding mainly due to non-payment of license fees by the contractor.

(ii) Due to non-receipt of offers for the tenders floated for 178 identified trains in four ZRs (CR-1, NR-162, SECR-8, SR-7), contracts were not finalised. Two selected divisions of NR accounted for the maximum shortfall of 91 *per cent* (162 trains).

(iii) No trains were identified in five divisions of four ZRs[28].

(iv) Only two ZRs (CR and NR) accounted for 65 *per cent* (522) of the total number of trains (797) identified for advertisement.

Thus, non-finalization of contracts for identified trains, non-payment of license fees by the contractors, and short realization of expected earnings due to Covid-19 resulted in non-achievement of earning potential on advertisement through mobile assets as assessed by E&Y. The selection

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[24] E&Y was required to identify and evaluate the advertisement potential, develop a long-term revenue enhancement strategy, draft a detailed advertisement policy, develop a value assessment model, and carry out the bid management process to realize the additional advertisement revenue.

[25] Tendering process at ZR level started from 2018-19 onwards only and hence three years period viz. 2018-19 to 2020-21 was mentioned.

[26] Information in respect of the remaining two ZRs (ECR and NCR) were not made available to audit.

[27] CR-306, ER-16, ECR-4, ECoR-7, NR-216, NCR-10, NER-5, NEFR-4, NWR-9, SR-15, SCR-4, SER-39, SECR-11, SWR-126, WR-27, WCR-8

[28] ECoR-KUR, ECR-DNB, NEFR-KIR, LMG, NER-LJN, SECR-NGP, SWR-UBL, WCR-JBP

of RITES who was not in a position to deliver its appointed works was a failure resulting in selection of another agency.

1.1.6.8 Rail Display Network (RDN)

In July 2017, Ministry of Railways circulated this policy to enable real time flow of information to passengers related to running status of trains and other relevant information like platform numbers, coach guidance, RAC confirmation, *etc*. RDN was also aimed at unlocking digital advertising potential to generate additional non-fare revenue.

RailTel sought (July 2017) Request for Proposals (RFP) from eligible bidders to Build-Operate-Maintain[29] the RDN. The tender was, however, discharged in May 2018 due to poor response from bidders. RB, therefore, delegated (June 2018) full powers to ZRs to award advertising contracts of all kinds on station premises.

In January 2019, E&Y had assessed the annual potential value of ₹ 1072.75 crore for RDN advertisement packages for 2128 stations of different categories. Test check of records in 32 divisions of ZRs pertaining to the period 2017-21 revealed that:

a) 208 contracts were finalised with projected revenue earning of ₹ 61.50 crore. The revenue actually realised was, however, ₹ 43.09 crore.

b) While in ECoR, no contract was finalised, only 23 contracts (11 *per cent*) were finalised in eight ZRs[30].

c) The maximum shortfall in achievement of projected revenue was ₹ 22.43 crore (62 *per cent*) in CR followed by NR (₹ 3.94 crore; 11 *per cent*) and SR (₹ 3.61 crore; 10 *per cent*).

The reasons for shortfall in achievement of target were as follows:

i. Non-floating of tender (SDAH/ER, LMG and KIR/NEFR, DNB/ECR, WAT and KUR/ECoR, AII/NWR, CKP and KGP/SER).

ii. Non-identification of sites (SDAH/ER, PRYJ/NCR, AII/NWR).

iii. Termination of contracts due to non-receipt of license fee and security deposit (PRYJ/NCR, BSP/SECR).

iv. Lack of response from bidder (TVC/SR, DLI and LKO/NR, BZA/SCR).

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[29] MoR hereby grants to the Developer the right, permission and authority to construct, operate and maintain the Rail System, excluding the performance of Reserved Services, and the Developer hereby agrees to implement the Project subject to and in accordance with the terms and conditions set forth herein.

[30] ER(5), ECR(1), NCR(2), NER(2), NEFR(2), NWR(1), SR(7), WCR(3)

v. Delay in finalisation of tender (JP/NWR).

vi. Delay in installation (SBC/SWR).

vii. Change of policy for bid management process (BPL/WCR, MMCT, ADI/WR).

viii. Outstanding License fee (BB and Pune /CR, HWH/ER, DNR/ECR, DLI and LKO/NR, BSB and LJN/NER, MAS/SR, BZA/SCR, BSP/SECR, UBL/SWR, JBP/WCR).

Rail Display Network at New Delhi Railway station showing information related with arrival/departure of Trains

Source: Website- Shutterstock.com

Inspections of five stations of each ZRs including Metro Railway were carried out to see whether information related to trains, availability of passenger amenities at stations and other important instructions for the passengers were displayed on TV screens through RDN contracts. Scrutiny of records revealed that in most of the selected Divisions of the ZRs, information related to train services and availability of passenger's amenities at stations was not displayed on RDN screens **(Annexure 1.3**).

Thus, non-floating of tender, non-identification of sites, delay in finalization of tenders for identified stations, non-payment of license fees by the contractors, frequent changes in decision of RB in implementation of policy, etc. resulted in non-achievement of earning potential on advertisement through Rail Display Network as assessed by E&Y.

1.1.6.9 New and Innovative Ideas and Concepts Scheme

In May 2018, RB launched a New, Innovative NFR Ideas Scheme (NINFRIS) to boost new ideas and concepts for enhancing NFR. The scheme provided for full powers to DRMs for executing innovative ideas/concepts on their Division for generation of NFR.

Audit observed that the NINFRIS proposals received by the various ZRs, inter-alia, include the following:

- Display of advertisement in Passenger Reservation System (PRS) Ticket.
- Reverse Osmosis (RO) Water Purification in train coaches.
- Micro smart stay Lounge.
- Mobile application based suburban tracking System.
- Three-Dimensional (3D) product displays for products & Services.
- Advertisement on pay slips.
- Advertisement rights on bottle crushing machines.
- Advertising in EMU rakes through public information system.
- Exhibition at stations.
- Promotion of railway ticketing app (UTS on Mobile).
- Setting up of a mobile food court at railway station.

Test check of records in 32 divisions of ZRs pertaining to the period 2018-21 revealed that:

I. Out of 400, only 12 proposals were received in NEFR (07) and NWR (05). The number of proposals received by the remaining 14 ZRs ranged between 11 (ECoR) and 65 (CR).

II. 181 proposals were not executed. In six ZRs[31], number of proposals not executed ranged between 1 (SER) to 38 (CR). The main reasons for not executing the proposals were cited as-‘ Not suitable for sites’, ‘Party did not turn up, ‘EMD not deposited’, *etc*.

Further scrutiny revealed that:

i. In Pune Division of CR, two proposals[32] received during 2020-21 having earning potential of ₹ 0.50 crore per year remained pending with the Engineering Department. This indicates lack of inter-departmental coordination resulting in non-tapping of revenue.

[31] CR (25), ER (19), ECR (13), NEFR (20), SR (36), SER (11) and SWR (20)

[32] Setting up Facilitation of Logistics Services at Pune Goods Shed on 12 July 2020 with proposed License fee of ₹ 40,000 *per annum* for the period of five years and Setting up Pick up point at RTO signal on 5 August 2020 with proposed license fee of ₹ 10,000 *per annum* for the period of five years.

ii. In Katihar Division of NEFR, Divisional authorities took more than 20 months to process and finalize four proposals. Similarly, proposal for Health ATM finalised in January 2020, but space was not allotted.

iii. In SER, 11 stations (in Kharagpur and Chakradharpur Division) were identified for setting up of 24x7 convenient stores at the station premises. However, the same could not materialise for want of clarification and guidelines from RB.

iv. In respect of proposals for wall painting of boundary walls inside Railway colony, SECR (Bilaspur) delayed by one year in finalising the bid. As a result, the bidders did not show interest and the proposal could not materialise. This had resulted in loss of earnings of 1.2 lakh per annum.

However, the above instances indicated the lack of effective and timely initiatives in enhancing sundry revenue. Out of 400 NINFRIS proposals received, only 203 proposals were executed by ZRs.

1.1.6.10 Other sources of sundry earnings

(1) Commercial exploitation of railway's land and building

(a) Earnings from leasing of vacant land

Review of records related to leasing and licensing of plots, land and buildings in the Divisions of ZRs revealed the following:

(i) Out of 2243 plots, 2050 plots were leased to outside parties. Agreement was not executed in case of 232 leased plots. 193 identified plots of seven ZRs[33] were not given for commercial use.

(ii) In October 2019, RB identified 37.19 hectare of land in three railway colonies of Pune Division/CR for redevelopment and commercial utilization. Thereafter, no action was taken by the railway administration. In addition, 22 plots of 7,85,200 square metres were identified as surplus land by Pune Division in 2010 and 2016. Commercial exploitation of the land was not done. Similarly, five plot measuring 133.53 acre of land identified by the SECR administration for commercial exploitation remained vacant for the reasons not available on record.

(iii) In ECR, Engineering Department of Dhanbad identified (May 2020) vacant land/surplus land valuing ₹ 446.52 crore at 21 locations. The land was, however, not commercially exploited.

[33] CR (32), NR (4), NER (20), NWR (14), SCR (1), SECR (8) and WCR (114)

(iv) In WCR, 84 plots remained vacant during 2017-18 to 2020-21 in Jabalpur Division and no concrete steps were taken by the WCR administration to tap revenue on such plots. In Bhopal Division, 45 vacant plots were identified for commercial use during 2017-18 to 2020-21. Out of which, 15 plots were licensed to outside parties and 30 plots remained vacant resulting in non-realisation of earnings on these plots.

(v) Out of the total outstanding of ₹ 289.57 crore in 45 cases of 12 ZRs[34] and one RPU (BLW) as of 31 March 2021, three ZRs (ER, ECR and SWR) accounted for 58 *per cent* (₹ 167.74 crore) of the total outstanding.

(vi) Rail Land Development Authority (RLDA) under the Ministry of Railway (MoR) was set up for the development of railway land for commercial use and generating non-fare revenue. Audit observed that the plots were entrusted to RLDA. These plots were, however, not developed as revealed from the **Table 1.6**.

Table 1.6: Details of plots entrusted to RLDA

Sl. No.	Zonal Railways/ Divisions	Area of plots (in sq. mts) entrusted to RLDA	Entrusted during	Reasons for non-development
1	Mumbai/CR	2,54,063 (07 plots)	Between 2017 and 2021	Not on record
2	PRYJ/NCR	3,000	July 2012	Not on record
3	AII/NWR	84,170 (11 plots)	2013	Not on record
4	Jaipur/NWR	21,680	Entrusted to RLDA in February 2014.	Physical hand over not done due to title dispute.
5	Chennai Division/SR	2,90,661 (10 plots)	2017-18	i. Poor response, ii. Site is falling under Coastal Regulation Zone, iii. Non-deposit of amount in case of repair of quarters *etc.*

Source: Records of Engineering Department of respective Zones

[34] ER, ECoR, ECR, NR, NCR, NER, NEFR, NWR, SECR, SR, SWR, WCR

Scrutiny of records further revealed that in two ZRs (SR and NWR) land handed over to RLDA was developed but Railways' share was realised partially. The total outstanding as of March 2021 stood at ₹ 20.49 crore[35].

(b) Earnings from leasing of building

Review of records of buildings leased on rent to outside parties, PSUs and Government offices over selected Divisions of ZRs revealed that an amount of ₹ 23.32 crore remained outstanding as of 31 March 2021 as shown in **Table 1.7**.

Table 1.7: Buildings leased on rent to outside parties, PSUs and Government offices

Sl. No.	ZRs	Party	Outstanding amount (₹ in crore)
1	ER	Central Bank	0.72
2		State Bank of India	4.26
3	NR	Rail Mail Service (RMS) Buildings	16.68
4	NCR	Lease for building	0.19
5	NEFR	Various parties	0.85
6	SWR	IRCON	0.14
7	SWR	RailTel	0.34
Total			**23.32**

Source: Records of Engineering Department of respective Zones

The instances of non-development of land identified for commercial utilisation, cases of outstanding license fees for plots and buildings leased to outside parties and PSUs indicated that there was lack of effective monitoring by ZRs.

(c) Earnings from Retiring Rooms

With a view to provide better passenger amenities to passengers at stations, RB planned (2016) to hand over Retiring Rooms (RRs) and Dormitories to IRCTC phase-wise, except in some stations, which were entrusted for redevelopment to Indian Railway Station Development Corporation (IRSDC).

Test check of earning from RR in 32 selected divisions of ZR revealed a total earning of ₹ 48.17 crore during 2017-21. Audit observed that in eight

[35] NWR- ₹ 9.85 crore, SR- ₹ 10.64 crore

ZRs[36], RRs were handed over to Indian Railway Catering and Tourism Corporation (IRCTC) for upgradation as shown in **Table 1.8**.

Table 1.8: Zonal Railway-wise position of up-gradation of Retiring Rooms

Sl. No.	Division/ZR	No. of RR handed over to IRCTC	When handed over	Reasons for non-upgradation, if any
1	All division/NER	43	During 2018-21	Not available
2	Sealdah/ ER	4	2017	Not available
3	Patna/ECR	12	July 2019	Not upgraded and utilized.
4	Rajendranagar/ ECR	8	September 2019	Upgraded
5	Delhi/NR	38	Not available	Not available
6	Jaipur/NWR	24	12 RRs in 2018-19 and 12 RRs in 2019-20	Not clear whether upgraded
7	Chakradharpur/ SER	14	2017	Upgraded in 2019
8	Bilaspur Division of SECR,	8	2019-20	Upgraded
9	ADI/WR	13	7 RRs in 2018-19 and 6 RRs in 2019-20	Not available

Source: Records of Commercial Department of respective Zones

It was observed from the above that though the RRs of above ZRs were handed over to IRCTC, delay in renovation and short realisation of railways' share led to shortfall in sundry earnings.

1.1.6.11 Earnings from Parking

IR earned ₹ 613 crore during 2017-21 from Car/scooter parking at Railway premises/stations as shown in **Table 1.9**.

Table 1.9: Target and actual earnings for parking

Sl. No.	Year	Original Target as per Budget Estimate (BE) (₹ in lakh)	Actual Earnings (₹ in lakh)	Percentage shortfall w.r.t. BE
1	2017-18	154	181	-18
2	2018-19	280	212	24
3	2019-20	250	200	20
4	2020-21	272	20	93
Total		**956**	**613**	36

Source: Budget documents and Abstract Z of respective years

[36] ER, ECR, NR, NCR, NER, NWR, SECR, WR

The above table indicates that original target of receipt of earning from Car/Scooter parking at stations was not achieved during the review period by IR, except in 2017-18. Against the original target of ₹ 956 crore, the actual earning was ₹ 613 crore leaving a shortfall of ₹ 343 crore (36 *per cent*).

During test check of 460 parking contracts in selected Divisions of ZRs, Audit observed that ₹ 108.10 crore was realized as against accrued license fee of ₹ 132.38 crore leaving an unrealized balance of ₹ 24.28 crore as of March 2021.

1.1.6.12 Earnings from Tourism

Efforts taken by the ZRs for increasing revenue by introducing innovative suggestions and ideas related to tourism and tourist trains were examined in the ZRs which revealed poor response in respect of proposals related to tourism. Audit observed that -

- In ER, an amount of ₹ 30.90 crore was realized under tourism through unsolicited proposals received from IRCTC during the period 2017-18 to 2020-21.
- In SR, proposals for "Vista dome" coaches were sent to RB (August 2019). But the same could not materialize as of March 2021. This led to loss of potential revenue amounting ₹ 0.70 crore as assessed by Audit.
- CR in cooperation with Maharashtra Tourism Development Corporation (MTDC) was running Deccan Odyssey tourist train on a regular basis. During the scrutiny of records in Office of the PCCM, CSMT, Mumbai, it was noticed that an amount of ₹ 4.17 crore was recoverable from MTDC as of September 2021 as shown in **Table 1.10**.

Table 1.10: Amount recoverable from MTDC on CR **(₹ in crore)**

Sl. No.	Item	Amount
1	15 *per cent* Mark-up charges	1.53
2	18 *per cent* penal interest	1.36
3	Extra adjusted registration fees	0.02
4	Difference of haulage charges (From 1 April 2019 to 31 December 2019)	0.83
5	Fixed charges for April-September 2021	0.43
Total		**4.17**

Source: Records of Commercial Departement of Central Railway

In December 2020, MTDC requested to waive off the above claim of CR administration. The request of MTDC was forwarded to RB (September 2021). No response from RB was received and the amount of

₹ 4.17 crore remained outstanding as of March 2021. In other ZRs, no proposals were received.

1.1.6.13 Earnings received through licensing of Catering Services by IRCTC

In 2017, Railway Board formulated a new catering policy. As per this policy, Indian Railway Catering and Tourism Corporation (IRCTC) was made responsible for catering services through mobile catering units, base kitchens, cell kitchens, refreshment rooms at A1 and A category of stations, Food Plazas, Food Courts, Train Side Vending and Jan Aahars. License fee should be shared between Railways and IRCTC in the ratio of 40:60 in all the cases, except in case of departmentally managed units by IRCTC wherein revenue should be shared in the ratio of 15:85.

Scrutiny of records revealed that 256 mobile units and 283 static units were handed over to IRCTC in 13 ZRs[37]. Out of the total earning of ₹ 507.79 crore of IRCTC accrued across ZRs[38], Railway share was ₹ 194.11 crore. In two[39] Zonal Railways, revenue sharing was not made at the rate of 40 *per cent*. In SER, the unrealised figure was obtained from Zonal headquarters, but the same was not available at selected divisions. It also revealed that ₹ 20.52 crore in respect of six ZRs[40] pertaining to the period 2017-21 remained unrealized till March 2021.

1.1.6.14 Earnings received through catering contracts by Railways

Catering services at static units, except base kitchens, cell kitchens, refreshment rooms at A1 and A category of stations, Food Plazas, Food Courts, Train Side Vending and Jan Ahaars are managed by ZRs. Minimum license fee/minimum reserve price is fixed as 12 *per cent* of the annual sales turnover for the static unit. Annual sales turnover is based on (i) category of station (ii) type of license (iii) number of originating passengers (iv) number of trains stopping (v) duration of stoppage (vi) location of the unit at the station (vii) approximate license fee of a similar type of unit at a similar category of station in proximity.

Test check of earnings in 32 divisions across ZRs revealed that as against ₹ 72.34 crore (license fee fixed as per the contract), license fee of ₹ 58.54 crore was realized during 2017-21. This has resulted in short recovery of license fee of ₹13.81 crore **(Annexure 1.4).** The reasons for shortfall in realization of earnings were:

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[37] Records were not made available for two selected divisions in ECR, NEFR and SER.
[38] Except CR, ECR, NEFR and SER
[39] ER and SWR.
[40] ER- ₹ 7.17 crore, NCR- ₹ 0.47 crore, SR- ₹ 4.86 crore, SER- ₹ 7.18 crore, SECR- ₹ 0.43 crore, WCR- ₹ 0.41 crore.

1. Demand notes were not raised by Railway against the contractors (ER).
2. Contract closed/terminated (ECoR).
3. Pending court cases (SER).
4. Covid-19 (ECoR, NEFR, SECR)
5. No records were made available (NWR)

No action was taken by the ZRs to recover the outstanding amount of ₹ 13.81 crore as of March 2021.

1.1.6.15 Earnings through sale of scrap

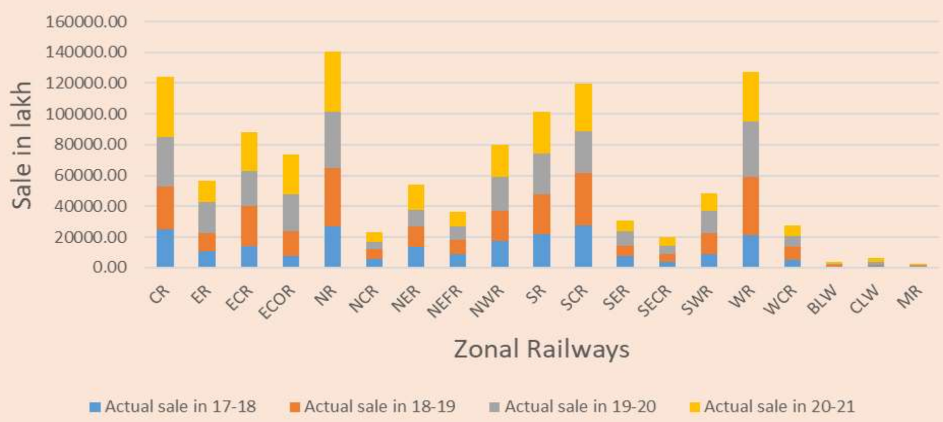
Scrap disposal has been identified as one of the high priority areas in recent years for generating internal resources for supplementing the Railway finances. Ministry of Railways directed all ZRs and Production Units to achieve zero scrap balance by the end of March 2018.

A committee of Senior Administrative Grade (SAG) level officers were constituted to examine all the aspects of scrap disposal as per Budget Speech of 2015-16. Railway Board circulated (January 2016) the recommendations of the committee to all ZRs and PUs for implementation.

Audit observed that IR earned ₹ 11645 crore from the sale of scrap during 2017-21 as against the target of ₹ 11418 crore. Eleven ZRs[41] and two PUs[42] achieved more than the target. However, shortfall in achieving the target was noticed in five ZRs (NR, NER, SR, SECR and WCR) and one PU (BLW). In these ZRs/PU against the earning target of ₹ 4837.24 crore during 2017-21, only ₹ 3471.86 crore was realised. Maximum shortfall in achievement of target was noticed in SECR (₹ 702.42 crore). Trend of ZRs earnings during the review period 2017-21 is shown below:

[41] CR, ER, ECR, ECoR, NCR, NEFR, NWR, SCR, SER, SWR and WR
[42] CLW and MR

Figure 1: Earnings from sale of scrap during 2017-21



Source: Records of Store Department of respective Zones

From the above, it can be seen that five ZRs (NCR, NEFR, SER, SECR, and WCR) failed to generate adequate earnings as compared to other ZRs.

1.1.6.16 Earnings from monetisation of Soft Assets

In April 2016, Railway Board circulated to all ZRs, instructions regarding monetisation of soft assets, including generation of revenue from websites through advertisements and web links. Prior to formation of NFR Directorate, revenue was generated by displaying advertisements on *www.indianrail.gov.in*, a site hosted by Centre for Railway Information System (CRIS). In November 2017, NFR directorate had issued a letter to CRIS and IRCTC to increase earnings from advertisements on this web site. This was, however, discontinued due to complaints of reports of display of objectionable/vulgar advertisements.

In September 2019, advertisements on the IR website were again allowed by providing security checks to prevent any display of objectionable/vulgar advertisements. No revenue was generated from IR websites during 2017-18 and 2018-19. Subsequently, it was decided to monetise advertisements in other websites of IR, such as, Indian Railway E-Procurement System (IREPS), National Train Enquiry System (NTES), Unreserved Ticketing System (UTS) *etc*. NFR was also planned to be generated by way of monetization of digital data available with IR in customer applications and internal applications. After due deliberations by RB with Department of Legal Affairs, Ministry of Law and Justice, RB instructed (June 2021) IRCTC to engage a suitable consultant to examine the holistic scope of monetization of anonymized and aggregated data available with IR.

Audit observed that IR earned ₹ 1.82 crore during 2019-20 by way of advertisement on IR websites as against projected earnings of ₹ 4.10 crore.

1.1.6.17 Earnings from Operation/licensing of Multi-Functional Complexes

Multi-Functional Complex (MFC) provides multiple facilities like shopping, food stalls/ restaurants, Book stalls, PCO Booths, ATMs, Medicines and Variety stores, Budget Hotels, parking spaces and other similar amenities to rail users at Railway stations. Initially, Operation/licensing of MFCs was under the purview of NFR Directorate. Subsequently, it was transferred to Land and Amenities (L&A) Directorate (March 2018).

Audit observed that in seven ZRs[43], 32 MFC sites were entrusted to PSUs (RLDA)[44]. 12 MFCs were constructed in four ZRs (ECR-2, NCR-2 SR-4 and SER-4), however, only five MFCs were made operational. IR earned ₹ 10.78 crore (NCR- ₹ 9.33 crore, ECR- ₹ 1.17 crore, SR- ₹ 0.28 crore) from these five MFCs. In respect of remaining four MFCs constructed over SER, MFCs at three stations (Haldia, Ghatsila and Banspani) were lying unutilised as no response was received from any agency after incurring expenditure of ₹ 2.06 crore on construction of these MFCs. At present, MFC at Banspani was being utilised as Running Room as no response was received for operation. Similary, three MFCs of SR remained unused due to no takers or licensee having backed-out. Work of six MFCs of three ZRs (ECR-4, NCR-1, WR-1) was in progress.

Fourteen other identified MFCs were not constructed in six ZRs (CR-1, ER-2, ECR-1, NCR-1, SR-4, SER-5). The reasons for not constructing MFCs in these ZRs are discussed below:

i. In CR, space of 1500 sq.m. at Lokmanyatilak Terminus (LTT) was entrusted to RLDA in March 2011 for commercial utilization. This station was subsequently identified for redevelopment under the station redevelopment project. Though the site was de-entrusted in July 2017, an area of 1500 sq.m. remained entrusted with RLDA till March 2021.

ii. In ER, construction of MFC could not be done by RLDA due to non-availability of required area of land.

iii. In ECR[45], the site at Dhanbad was not handed over to RLDA.

iv. In SER, five MFCs[46] were deferred by the RB in February 2017 as these would not be commercially viable.

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[43] CR-1, ER-2, ECR-7, NCR-4, SR-8, SER-9 and WR-1.

[44] In SER, MFCs constructed by IRCON and RITES.

[45] In ECR, only one MFC is not constructed, work of other four sites in progress.

[46] Balasore, Midnapur, Jhargram, Jharsuguda and Tatanagar

1.1.6.18 Earnings from Way Leave Facilities

Way leave facilities/easement rights on Railway land involve occasional or limited use of land by a party for specified purpose like passage, *etc.* without conferring upon the party any right of possession or occupation of the land.

In November 2001, RB issued comprehensive instructions regarding way leave facilities/easement rights on railway land. According to these instructions, Way Leave Charges (WLC), for providing way leave facilities in cases like pipeline crossings, cable crossings, passage/roads for vehicles, *etc.* were to be recovered in advance for a block of ten years after which the next instalment of these charges become due. The advance equivalent to ten years' annual charges was inclusive of annual increase of seven *per cent* of land value. At the time of calculation of WLC for the next ten years, prevailing land rates have to be obtained from the revenue authorities and accordingly the calculation is to be made.

Revenue earned by IR from way leave facilities during the period of review (2017-18 to 2020-21) vis-à-vis the projects in the Budget Estimate and the Actual Earnings is shown in **Table 1.11**.

Table 1.11: Revenue earned by IR from Way Leave Facilities

Sl. No.	Year	Revenue anticipated at Budget Estimate (BE) Stage (₹ in crore)	Actual Earnings (₹ in crore)	Percentage shortfall w.r.t. BE
1	2017-18	738	305	59
2	2018-19	935	393	58
3	2019-20	563	413	27
4	2020-21	468	323	31
Total		**2,704**	**1,434**	**47**

Source: Budget documents and Abstract Z of respective years

The above table indicates that the revenue anticipated at the budget estimate was not earned by IR during the review period from Way Leave Facilities. During the period 2017-21, against the original target of ₹ 2,704 crore, the actual earning was ₹1,434 crore leaving a shortfall of ₹ 1,270 crore (47 *per cent*).

The main reasons for shortfall in earning of WLC were as follows:

(i) The WLC was calculated taking into account the land value of earlier year than that of the year of the agreement. This had resulted in short realisation of ₹ 1.17 crore (SER).

(ii) Renewals of the agreements were taken up much later from the due date of next instalments of the charges (NEFR).

(iii) In 119 cases of three ZRs (CR-60, SECR-15 and SWR-44) the tenure of 10 years elapsed during 2017-18 to 2020-21, but renewal was not done. The reasons for non-renewal in remaining cases were not on record. Non-renewal of these cases resulted in non-realisation of WLC to the tune of ₹ 2.69 crore.

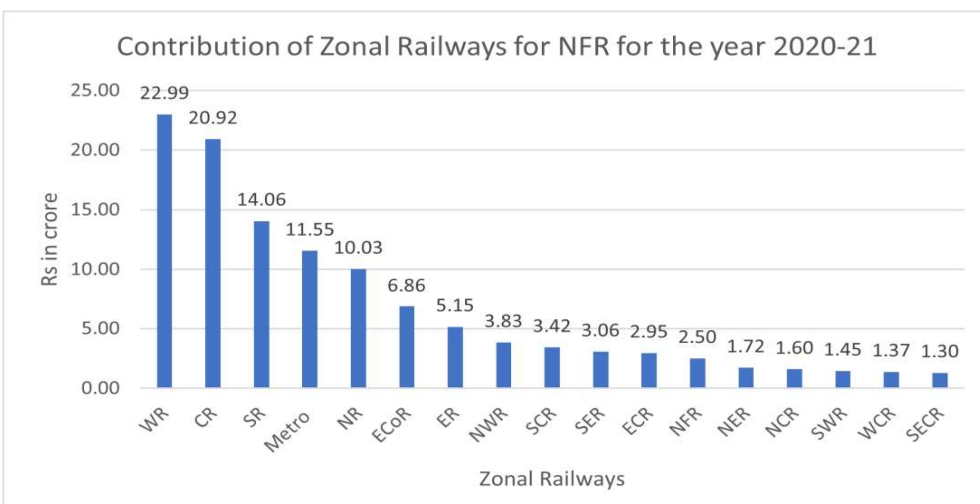
Thus, lack of effective monitoring on the part of ZR administration led to non-finalization of way leave proposals which had resulted in short realisation of WLC.

Monitoring mechanism and internal controls

The successful implementation of a policy/scheme depends on effectiveness of the monitoring mechanism and internal controls in place.

In March 2018, RB had constituted a committee under the chairmanship of Chief Commercial Manager/Southern Railway, to review the policy guidelines/circulars issued from RB with a view to examine and simplify the procedures, suggest procedures of contract management and delegation of powers for handling these contracts at zonal and Divisional levels to enhance potential for sundry other earnings. The committee was required to submit its report within 45 days from the date of its first sitting. In this connection, neither any record notes of discussion nor any recommendations of the Committee could be made available to Audit.

Further, in June 2018 and May 2019, RB introduced a system of monthly reporting of NFR earnings by the ZRs including the earnings on implementation of various policies launched in 2017.



Source: Records of Commercial Department of respective Zones

Scrutiny of records revealed that ZRs did not strictly follow the instructions of RB. On the other hand, the remedial actions taken by the RB in respect of under-performing zones, were not available on record.

Inadequate monitoring of earnings from non-fare activities had resulted in shortfall in achievement of target (Budget Estimate) by the ZRs during 2020-21.

The total earnings was ₹ 91.76 crore (20 *per cent)* of the budget estimate of ₹ 462 crore. The shortfall in achievement of target by the ZRs ranged between 74 *per cent* (MR) and 96 *per cent* (WCR) as shown in **Annexure 1.5**.

1.1.7 Conclusion

Despite introduction of *Nav Arjan* drive (2016-17)) sundry earnings as percentage of receipts had declined from 4.85 in 2017-18 to 4.22 *per cent* in 2020-21. Also, NFR which was a small percentage of sundry earnings – declined from 2.35 *per cent* of sundry earnings in 2017-18 to 1.06 *per cent* of sundry earnings in 2020-21. As a percentage of receipts, NFR declined from 0.11 *per cent* in 2017-18 to 0.04 *per cent* in 2020-21. From these figures itself it can be inferred that all the initiatives to enhance sundry earnings and NFR could not achieve the desired results.

IR established a dedicated NFR Directorate with an aim to introduce and steer the initiatives for enhancement of non-fare revenues. However, through the years, IR kept diluting the scope of NFR Directorate by non-related activities.

IR wasted useful time and resources in finalization of a Consultant (E&Y) for chalking out road map for enhancing non-fare revenues. Besides, after selection it took almost 3 years from 2016 to 2019 to obtain the Consultant's report.

After a detailed study, the annual earning potential assessed from various sources of advertisements over IR assets was ₹ 1,598.06 crore.

For implementation of policies, powers were arbitrarily delegated to ZRs at times and arbitrarily withdrawn from ZRs at other times, in various areas. Further, no inputs were taken from ZRs while formulating annual targets. In other words, targets were just thrust upon ZRs without ascertaining the ground reality.

Audit noted weaknesses in monitoring mechanism of IR related to non-fare targets. Targets were arbitrarily fixed and were unreasonably high year after year despite the actuals being nowhere close. Even the drastically reduced revised estimates could not be achieved at the end of the years. From 2020-21, NFR Directorate initiated a good measure of compiling figures pertaining to NFR at division level for the various sub-items of NFR.

1.1.8 Recommendations

Ministry of Railways may consider to:

- ***Delegate the power of decision making for executing the policies to the Zonal Railway Administration judiciously for their smooth implementation.***
- ***Fix realistic target for generating sundry earnings and monitor achievement of targets by the Zonal Railways.***
- ***Strengthen monitoring and internal control mechanism at apex level for successful implementation of policies besides monitoring realisation of outstanding dues.***
- ***Engage the final consultant itself and direct them to submit their report in a time bound manner which would save time, money and other resources.***
- ***Create widespread awareness about IR's NFR initiatives with a view to maximise the revenue potential.***
- ***Bring in Artificial Intelligence based sources of revenue from the huge database available in various systems available with IR.***

The matter was referred to the MoR in June 2022; no reply was received (August 2022).