

OVERVIEW

I. Financial Management

Financial Results: The year 2003-04 ended with a net revenue of Rs.4478.49 crore and a net surplus of Rs.1091.41 crore after providing Rs.3387.08 crore towards payment of dividend to General revenues (including deferred dividend of Rs.300 crore). Gross Traffic Receipts registered a growth of 4.47 per cent (Rs.1836.72 crore) over 2002-03 while the total working expenses rose by 3.83 per cent (Rs.1456.46 crore). There was an overestimation of the ordinary working expenses by Rs.1823.43 crore.

(Paragraph No.1.1)

Passenger Earnings: The passenger earnings of Rs.13298.33 crore during 2003-04 fell short of both the Budget Estimate and Revised Estimate by Rs.321.67 crore and Rs.161.67 crore respectively. Passenger fares for Rajdhani/ Shatabdi and Jan Shatabdi Express trains were reduced. The existing rates for booking of Parcel and Luggage traffic were rationalised. The impact of fare reduction and rationalisation of parcel and luggage rates was not susceptible of direct analysis and scrutiny due to the manner in which the figures are consolidated in the Budget and Accounts. Audit's assessment however is that the shortfall in earnings under 'Other Coaching' of Rs.65.67 crore as compared to the actuals of 2002-03 and Rs.97.72 crore as compared to the BE for 2003-04 is largely attributable to the rationalisation of luggage and parcel rates.

(Paragraph No.1.2.1)

Goods Earnings: The goods earnings of Rs.27617.96 crore were less than Budget Estimate by Rs.197.04 crore but more than the Revised Estimate by Rs.502.96 crore. The originating revenue earnings goods traffic was 557.39 million tonnes which was more than the BE and RE. The volume of traffic measured in net tonne kilometres (NTKMs) was also more than BE and the RE.

Despite increase in loading and NTKMs of coal, the average rate per tonne/ per NTKM in respect of coal declined as compared to 2002-03.

In spite of reduction in tariff for POL and Pig Iron and Finished Steel traffic the Railways could not achieve even the lower targets/ estimates fixed for tonnage, NTKMs and earnings. The lowering of targets/ estimates showed lack of conviction in their strategy and the achievements which were lower than even these lowered targets/ estimates confirm that the strategy was ill conceived.

There has been a declining trend in loading and NTKMs in transportation of Fertilizers for the last five years reviewed by Audit.

(Paragraph No.1.2.2)

Unrealised Earnings: About 84 per cent (Rs.1656.41 crore) of the unrealised earnings were on account of outstanding freight of which the amount outstanding against the State Electricity Boards/ Power Houses was Rs.1633.42 crore.

(Paragraph No.1.3)

Plan Expenditure: For the Annual Plan (2003-04) to be financed from Central Government support and through internal resources Railways provided Rs.9918 crore in the BE and enhanced it to Rs.10918 crore in the RE. Actual expenditure of Rs.10557.38 crore was more than the BE but fell short of RE.

The actual expenditure met from budgetary support (Rs.5314.91 crore) was less than the RE by Rs.29.43 crore but was more than the actuals of 2002-03.

The expenditure in the first two years of the Tenth Plan in respect of 'New Lines (Construction)' and 'Signalling & Telecommunications' vastly exceeded the total targets set for the whole plan.

In the field of private/ public partnerships in executions of Railways projects a non-budgetary initiative was taken through the creation of Rail Vikas Nigam Limited (RVNL). The RVNL undertook 36 projects costing Rs.514 crore in 2003-04 to be executed by various Zonal Railways as deposit works. During the year 2003-04 the Ministry of Railways invested Rs.500 crore in RVNL which was ploughed back into deposit works of RVNL and as such no extra-budgetary funds were received in the real sense.

(Paragraph No.1.5)

Undischarged Liabilities: The liability on account of deferred dividend in respect of New Lines increased by Rs.736.49 crore. The deferred dividend liability on account of shortfall in payment of current dividend in 2000-01 and 2001-02 stood at Rs.2473.30 crore at the end of 2003-04.

(Paragraph No.1.6)

Appropriation Accounts: Against the budget provision of Rs.77205.21 crore, the Railways incurred the total expenditure of Rs.75736.72 crore during 2003-04. The saving of Rs.1468.49 crore was the net result of savings (Rs.2643.77 crore) in sixteen Grants and six Appropriations and excess (Rs.1175.28 crore) in four Grants and nine Appropriations. Savings exceeded Rs.100 crore in eight Grants. The aggregate excess of Rs.1175.28 crore requires regularisation by the Parliament under Article 115 (1) (b) of the Constitution of India.

(Paragraph No.1.8)

II. Selected cases of Losses & Irregularities pointed out in Chapters 2 to 5

Incorrect application of tariff rules: Incorrect application of tariff rules in the booking of para-military and military traffic in special trains resulted in undercharges of Rs.40.89 crore on Eastern, Northern and Western Railways.

(Paragraph No.2.1.1)

Misclassification of goods: Failure of the Railway Administration to classify granite blocks/ boulders as “dressed” resulted in levying lower freight charges and consequential loss of earnings of Rs.9.11 crore.

(Paragraph No.2.1.2)

Incorrect allowance of concessional freight: Incorrect charging of traffic originating from Haldia to Durgapur Steel Exchange Yard at concessional rate for rebooked portion of Andal to DSEY resulted in loss of Rs.3.21 crore.

(Paragraph No.2.1.3)

Non-rationalisation of longer routes: Failure of Railway Administration to rationalise operationally convenient longer routes used regularly/ most often resulted in short realisation of freight of Rs.70.33 crore.

(Paragraph No.2.2)

Injudicious waiver of demurrage charges: Waiver of demurrage charges in violation of the Railway Board's directives resulted in loss of Rs.41.58 crore to the Railways and unintended benefit to a middleman.

(Paragraph No.2.3.1)

Loss of earning capacity of wagons due to heavy detention: Failure of Central Railway Administration to timely arrange despatch of POH due wagons to the workshop and of Western and Eastern Railway Administrations to load/ unload wagons placed in workshop within stipulated free time resulted in heavy detention and consequential loss of earning capacity of Rs.8.68 crore.

(Paragraph No.2.3.2)

Loss of penal freight and other charges on un-weighed wagons: Failure of Western Railway Administration to follow the procedure laid down for weighment of wagons/ dispatch of weighment advices and of East Central Railway Administration to install a weighbridge over the entire route of washed coal traffic from West Bokaro Colliery to Adityapur resulted in loss of penal freight of Rs.12.46 crore and non-recovery of other charges of Rs.6.90 crore.

(Paragraph No.2.4.1)

Loss of revenue due to revision of parcel rates: Injudicious rationalization of parcel rates by Railway Board with effect from 1 April 2003 resulted in loss of revenue of Rs.9.05 crore in just 22 stations alone with far greater financial implications for the entire Indian Railways.

(Paragraph No.2.4.2)

Incorrect notification of a siding for charging freight on through distance basis: Incorrect notification of a siding for charging freight on through distance basis resulted in non-recovery of siding charges of Rs.2.55 crore, besides loss of earning capacity of Rs.3.31 crore due to detention of wagons.

(Paragraph No.2.4.3)

Loss of revenue due to non-supply of standard size rakes: Failure of Railway Administration to supply standard size rakes of tank wagons and to charge freight at trainload rates resulted in unintended benefit of Rs.2.33 crore to the party and loss of revenue of Rs.2.19 crore to Railways.

(Paragraph No.2.4.4)

Injudicious decision to allow booking of trainload traffic at Lalkuan station: Injudicious decision of North Eastern Railway Administration to allow benefit of booking of goods at trainload class rates at Lalkuan, a loading point having only half a rake handling facility instead of at a close by Haldi Road station, having a full rake handling facility led to unnecessary allowance of extra free time and loss of earning capacity of Rs.3.90 crore.

(Paragraph No.2.4.5)

Supply of unfit tank wagons: Failure of the Railway Administration to supply fit tank wagons for loading of POL traffic resulted in loss of freight of Rs.3.32 crore besides avoidable cost of Rs.0.53 crore on account of empty haulage of unfit tank wagons on North Central Railway.

(Paragraph No.2.4.6)

Non-realisation of anticipated savings in a doubling project: The continued deployment of banking engine even after commissioning of doubling work of Talcher-Rajathgarh section led to non-realisation of anticipated savings of Rs.19.15 crore for the period 1996-97 to 2003-04.

(Paragraph No.3.1.1)

Loss due to delay in acquisition of land: Southern Railway's ineffective pursuance with the State Government for land acquisition under emergency clause of Land Acquisition Act resulted in non-completion of work, blocking of Rs.5.25 crore deposited with State Government, detention of stock and loss of earning capacity of Rs.2.13 crore for the period 2001-02 to 2003-04.

(Paragraph No.3.1.2)

Non-commissioning of a line after doubling: Poor planning of doubling projects by Railway Administration and avoidable decision to link the commissioning of a completed line between Ernakulam Junction and Ernakulam Marshalling Yard to an ongoing project led to idling of assets created at the cost of Rs.6.99 crore.

(Paragraph No.3.1.3)

Wasteful expenditure on GC: Improper use of old and unserviceable released materials during the Gauge Conversion of Samastipur-Darbhanga section resulted in premature undertaking of Complete Track Renewal and Through Rail Replacement works at an avoidable cost of Rs.2.72 crore.

(Paragraph No.3.2.1)

Provision of excess ballast in a GC project: Provision of ballast in excess of the requirement in the sanctioned detailed estimate of the main line

Secunderabad-Nizamabad-Mudkhed and the branch line Jankampet-Bodhan, resulted in avoidable expenditure of Rs.2.33 crore.

(Paragraph No.3.2.2)

Non-realisation of cost of deposit works: Incurrence of expenditure on deposit works without getting adequate funds deposited by the parties, led to non-recovery of Rs.7.54 crore besides interest of Rs.4.12 crore on the outstanding dues.

(Paragraph No.3.3.1)

Non-provisioning of departmental charges in a deposit work: Failure of the Railway Administration to include departmental charges in the estimates of deposit works for restoration of Chhitauni-Bagaha rail link and conversion of the rail bridge into a rail-cum-road bridge as per codal provision resulted in loss of Rs.11.10 crore.

(Paragraph No.3.3.2)

Augmentation of homing capacity of Valsad Electric Loco Shed: Western Railway Administration could not realise the savings of Rs.6.40 crore per annum due to non-utilisation of the augmented homing capacity at Valsad Electric Loco Shed. The expenditure of Rs.3.98 crore on the work remained unproductive.

(Paragraph No.3.3.3)

Delay in providing direct connection to a siding: Indecisiveness for over a period of eight years, on the type of signalling arrangements to be made, led to avoidable detention to rolling stock and loss of earning capacity of Rs.8.45 crore at Thermal Power Station siding, Birdhwal.

(Paragraph No.3.3.4)

Non-recovery of seigniorage fee from contractors: The Railway Administration's failure to incorporate a suitable clause for recovery of seigniorage fee in the agreement as also to recover the amount where the clause was incorporated resulted in non-recovery of Rs.4.05 crore besides an additional liabilities of Rs.2.52 crore in respect of the balance quantity yet to be supplied.

(Paragraph No.3.3.5)

Awarding work based on wrong design: Awarding of contracts for earthwork based on wrong design led to re-tendering of contracts involving extra expenditure of Rs.4.48 crore.

(Paragraph No.3.3.6)

Defective construction of a siding: Non-utilisation of a new jumbo rake siding at Kurduwadi station led to heavy detention to wagons and consequential loss of their earning capacity of Rs.2.98 crore besides rendering the expenditure of Rs.0.89 crore on its construction unproductive.

(Paragraph No.3.3.7)

Improper planning in execution of a project: Defective planning in execution of work of optical fibre cable and radio trunking system in the section of Raipur–Rayagada led to provision of two communication systems and avoidable expenditure of Rs.3.54 crore.

(Paragraph No.3.3.8)

Non-realisation of hire charges: Failure to debit hire charges for the Railway assets utilised in works executed on cost sharing/ deposit work resulted in non-realisation of Rs.3.51 crore.

(Paragraph No.3.3.9)

Extra expenditure on purchase of imported material: The Railway Board's failure follow its own instructions to procure directly from the original spare part manufacturers resulted in extra expenditure of Rs.20.29 crore in procurement of grease seals during 2000-01 to 2003-04.

(Paragraph No.4.1.1)

Procurement of loco component of incorrect specifications: Faulty recommendations of the TC resulted in procurement and subsequent rejection of 1,740 Centre Pivot Rubber Bush Assemblies of incorrect specifications worth Rs.6.78 crore.

(Paragraph No.4.1.2)

Procurement of HSD oil at higher rates: The Railway Board's failure to counter-offer lowest rate, enforce fall clause and amend price variation clause in procurement of HSD oil resulted in extra expenditure of Rs.309.66 crore.

(Paragraph No.4.2.1)

Avoidable expenditure on excess procurement of steel: Failure of the Railway Board to finalise wagon production programme before initiating procurement of steel and unnecessary provision of buffer stock lead to excess procurement of steel costing Rs.48.67 crore.

(Paragraph No.4.2.2)

Incorrect production programme leading to avoidable expenditure: Delay in changing the approved production programme by the Railway Board resulted in manufacturing of unwanted Jan Shatabdi coaches and avoidable expenditure of Rs.5.82 crore on converting them as conventional coaches.

(Paragraph No.4.2.3)

Delayed commissioning and poor performance of Wheel Lathes: Unjustified waiver of liquidated damages of Rs.1.12 crore and the Railway's failure to get supplier to resolve performance problems of lathes procured at a cost of Rs.26.52 crore led to their idling/ underutilisation and inconvenience in maintaining the rolling stock.

(Paragraph No.4.3.1)

Injudicious procurement of non-stock items of stores: Metro Railway had procured non-stock items of electrical (Rs.25.58 crore) and engineering stores

(Rs.0.94 crore), without proper justification and assessment of quantity needed. This has resulted in accumulation of large number of such stores, which had completed their shelf life.

(Paragraph No.4.4.1)

Non-disposal of land surplus to requirement: Delay in disposal of land surplus to the Railway's requirement led to loss of sale proceeds to the extent of Rs.21.94 crore.

(Paragraph No5.1.1)

Indecisiveness in regard to leasing of surplus Railway land: Indecisiveness on the part of the Railway Administration on the leasing of Railway land to CONCOR deprived the Railways of revenue to the tune of Rs.9.57 crore. Further, avoidable expenditure of Rs.2.24 crore is proposed for recommissioning a technically flawed flyover in the surplus land.

(Paragraph No.5.1.2)

Non-realisation of licence fee from State Government: Failure to pursue recovery of licence fee in respect of the Railway land licensed to the Government of Punjab resulted in accumulation of arrears of Rs.14.55 crore (based on revised orders of March 2004) for the period 1986-87 to 2003-04.

(Paragraph No.5.1.3)

Non-realisation of lease charges: Delay in executing a lease agreement in respect of the Railway land under unauthorised occupation of Visakhapatnam Municipal Corporation led to non-realisation of lease charges of Rs.5.12 crore.

(Paragraph No.5.1.4)

Non-recovery of engine hire charges: Placement/ withdrawal of rakes from exchange yard constructed on electrified traction to Kolaghat Thermal Power Plant siding by a Railway diesel engine resulted in loss of Rs.7.47 crore.

(Paragraph No.5.2.1)

Non-recovery of licence fee, maintenance and inspection charges: Failure of the Railway Administration to execute and revise agreements with one private siding on Northern Railway/ two defence sidings and two private sidings on North Eastern Railway resulted in non-recovery of Railway dues amounting to Rs.4.51 crore.

(Paragraph No.5.2.2)

Non-recovery of cost of staff: Failure of the Railway Administration to execute a formal agreement with a siding owner and prefer bolls for excess staff deployed in another siding resulted in non-realisation of Rs.3.37 crore.

(Paragraph No.5.2.3)