

CHAPTER II
**Introduction of New Services through Supplementary Demands
for Grants**

2.1 Highlights

- **Of the 172 works introduced during 1999-2005 as New Services through Supplementary Demand for Grants by Railways and reviewed in audit, 77 works (44 per cent) had not even commenced one to five years after their approval by the Parliament.**
(Para 2.7)
- **Only 29 works (17 per cent) had been completed upto March 2005.**
(Para 2.7)
- **Five years after introducing the work of Mobile Radio Communications as New Service, on grounds of security of passengers in areas affected by terrorist activities, railways have managed to complete only the portion relating to consultancy for system design (March 2005). The work of actual provision of the system was likely to take another two to three years.**
(Para 2.10)
- **Construction had not commenced upto March 2005 for 50 (75 per cent) out of 67 road over/ under bridges for which approval of Parliament was obtained during 1999-00 to 2004-05 on 'out of turn' basis.**
(Para 2.10)
- **Delay in preparation of detailed estimates in eight out of thirteen doubling projects delayed the commencement/ completion of the projects, diluting the spirit of obtaining Parliament's approval on 'out of turn' basis.**
(Para 2.10)
- **Six works for which advances were drawn from the Contingency Fund of India could not be started after lapse of one to three years since their introduction.**
(Para 2.10)

2.2 Gist of recommendations

- Railways should subject the works, which have not commenced upto now, to a de-novo review and set specific time schedules for their completion.
- Works, which are not in a state of preparedness for commencement within one year, should not be introduced outside the regular budget.

- Once approved, works taken up as new services on 'out of turn' basis should be given priority in funding and their completion ensured within the prescribed time frame.

2.3 Introduction

Under the provisions of Article 115 of the Constitution of India if the amount authorized to be expended for a particular service for the current financial year is found to be insufficient or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service, not contemplated in the budget, a Supplementary or Additional Demand for Grant can be brought for the vote of Parliament.

Ministry of Finance, Department of Economic Affairs in April 1982 issued guidelines defining the term New Service¹³ appearing in Article 115 (1) (a) as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment. Relatively large expenditure arising out of important expansion of an existing activity is treated as a 'New Instrument of Service', which is a slight variant of the term 'New Service'. In cases of extreme urgency where it is not possible to wait for prior approval of the Parliament, advances from the Contingency Fund of India can be drawn for meeting the expenditure, pending its authorization by Parliament.

Railway budget cycle for a financial year starts in June-July of the previous year, when Railway Board conveys to each zonal railway the total outlay in respect of each Plan head within which they should prepare their Preliminary Works Programmes. On receipt of the financial ceiling the zonal railways take stock of the schemes already formulated/ under consideration for inclusion in the Preliminary Works Programmes. Preference is expected to be given to works in progress. The zonal railways submit their Preliminary Works Programmes containing financial appraisal of each work to the Railway Board in the first week of September. The Preliminary Works Programmes of zonal railways are discussed and deliberated upon at various levels till February when the Final Works Programme for the Ministry of Railways as whole is finalised for printing and submission along with the budget documents. Expenditure can be incurred on new works, introduced through regular budget, after May of the financial year when funds under the Demands for Grants become available.

Railways also introduce new works as New Service on several occasions during a financial year on various grounds through Supplementary Demands for Grants outside the regular budget cycle. Rules¹⁴ provide that such new expenditure should be examined to see whether it was definitely not anticipated in the budget and whether it cannot be postponed without serious detriment to safety or efficiency.

¹³ **New Works estimated to cost more than Rs.50 lakh each require prior approval of Parliament as New Service as per Ministry of Finance OM no.F.7(15)-B(RA)/82 dated 13 April 1982.**

¹⁴ **Para 384 of Indian Railway Financial Code (Volume I)**

The rules¹⁵ also provide the procedure for meeting unforeseen expenditure, which cannot be met by re-appropriation from the existing grant and expenditure on a New Service not contemplated in the budget, out of the balance in the Contingency Fund of India placed at the disposal of Financial Commissioner (Railways).

2.4 Audit objectives

A review of the process of introduction of New Services through Supplementary Demands for Grants by Indian Railways was carried out with a view to assess the manner in which the railway administration is using this constitutional provision and to examine

- whether necessary preparatory exercises were undertaken for establishing the urgency and detailed justification prepared for taking up the work on 'out of turn' basis; and
- whether the urgency with which these works were taken on 'out of turn' basis, was sustained in subsequent years.

2.5 Audit methodology and scope

Railways introduced 205 new works as New Services through Supplementary Demands for Grants during 1999-00 to 2004-05. Data regarding progress of work on 172 such works over various zonal railways was reviewed to ascertain whether the progress of work continued to reflect the urgency with which they were taken up.

2.6 Acknowledgement

In order to ascertain the auditee concerns on the issue, the Deputy Comptroller and Auditor General of India (Railways) discussed the audit plan, including the audit objectives, with the Financial Commissioner (Railways) and other senior officers of the Ministry of Railways in the entry and exit conferences. The co-operation of the Ministry of Railways during the meetings and in the course of audit is acknowledged. The review note was issued to the Ministry of Railways in November 2005.

2.7 Introduction of works as new service

Ministry of Railways introduced 205 new works as New Service through Supplementary Demands for Grants during the years 1999-00 to 2004-05. Besides works relating to accident relief, security of operations and road safety, railways introduced several projects under other Plan heads such as new lines, gauge conversion, doubling, traffic facilities, track renewal, bridge works, signalling and telecommunication works, railway electrification, passenger and staff amenities, Metropolitan Transport Project, computerization, rolling stock and railway research etc., through Supplementary Demands for Grants as New Service. Audit reviewed 172 works out of the 205 works introduced as New Service. It was seen that 75 works out of these were already under consideration of railways prior to the

¹⁵ Para 382 of Indian Railway Finance Code (Volume I)

commencement of the regular budget cycle and could have been included therein.

An analysis of the justification furnished for taking up these works revealed that works were taken up on an 'out of turn' basis broadly under the following categories of reasons:

- Relief works in case of accidents and natural calamities (five works).
- Works taken up for safety and security considerations where it is not possible to wait till the next budget cycle e.g., track renewal, bridge works, signalling and telecommunication works and road safety works (116 works and projects).
- Works taken up for enhancing efficiency of operations, revenue generation and for providing facilities to passengers, railway staff and general public (84 works and projects).

Audit observed that although railways introduced these works as New Service on grounds of urgency, a large number of works were yet to commence (March 2005) even though periods ranging upto five years had elapsed since they were introduced as can be seen from the following table:

Status of works	Number of works						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Total
Not yet started	0	1	1	45	27	3	77
Completed	4	9	4	11	1	0	29
In progress	14	18	0	19	9	0	60
Dropped from Works Programme	2	2	1	1	0	0	6
Total	20	30	6	76	37	3	172

Railways thus failed to take advantage of the time gained by introducing these works before the regular budget cycle. During the exit conference the Ministry explained that usually eight to nine months are required for completing the preparatory steps for commencing the work and as such works approved only one year ago should not be objected to. It was however pointed out by audit that even if the three works pertaining to the year 2004-05 were to be excluded the overall pattern would not change substantially.

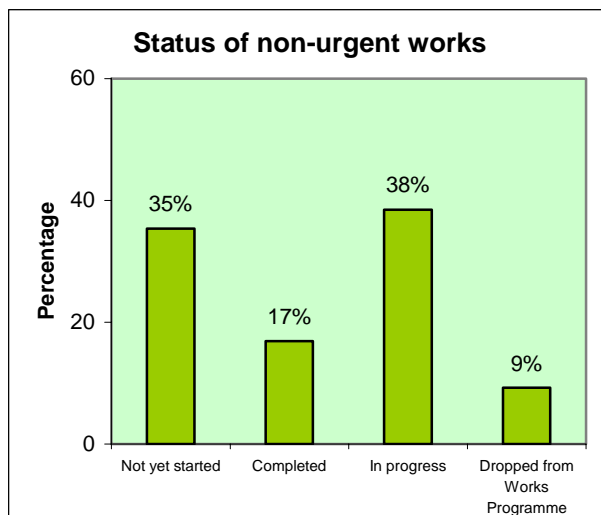
2.8 Progress of safety related works

Audit reviewed the progress of works in 107 out of the 116 works taken up on safety considerations and observed that only 18 works had been completed upto March 2005. While the approval of Parliament was obtained for these works on account of importance and urgency on safety considerations, railways did not even commence 54 works after one to five years of their approval while 35 works were still in progress one to six years after approval.



2.9 Non-urgent works taken up on 'out of turn' basis

It was also observed that railways took up 84 works of passenger and staff amenities, new lines, gauge conversion, doubling, railway electrification, traffic facilities, computerisation and railway research through the



Supplementary Demand for Grants on an 'out of turn' basis. Many of these works are related to normal activities of the railways and the railways justified their introduction under provision for New Service on grounds of enhancement of railway efficiency. A review of 65 out of these 84 works revealed that only 11 works have been completed so far. Twenty-five works were in progress even one

to six years after their approval. Six works had been dropped and 23 works were yet to commence. Thus, benefits from 73 per cent of the 65 works introduced to enhance efficiency could not be delivered even after one to five years of their approval by Parliament. These works were taken up on 'out of turn' basis though the Finance Department of Railway Board had expressed reservations on the requirement in 27 cases out of 65. The slow progress of work in these cases validates the Finance Department's reservations.

Recommendations

- Railways should subject the works, which have not commenced upto now, to a de-novo review and set specific time schedules for their completion.
- Works, which are not in a state of preparedness for commencement within one year, should not be introduced outside the regular budget.

2.10 Urgency of taking up the works not sustained in subsequent years

To substantiate the conclusions emerging from the macro-analysis of data, audit reviewed the implementation of 172 selected works. Audit verified the grounds of urgency claimed for taking up these works on 'out of turn' basis and examined the reasons for delays in commencement/ implementation of the works. It was observed that:

- Railways proposed taking up three works of Mobile Radio Communications System for safety network on Northern, Northeast Frontier and Eastern Railways in December 1999. This facility was proposed to ensure security of passengers travelling in areas affected by terrorist activities or in other emergencies by providing instant communication between the railway staff in trains and on the ground

so as to report emergencies for timely relief. Railways obtained approval of the Parliament on 'out of turn basis' through Supplementary Demands for Grants in December 1999 on safety considerations. The work was planned to be completed in two to three years. At that time the railways had not envisaged the requirement of consultancy for system design. After obtaining approval of Parliament railways proposed to award a consultancy for system design to arrive at technical parameters and draw detailed estimates, as they did not have the expertise for system design. Five years after approval of the New Service railways have only managed to complete the work of consultancy (March 2005). The work of actual provision of the system is likely to take another two to three years.

- Railways introduced 67 road over/ under bridge works on safety considerations under the provisions for New Service, as the traffic vehicle units on corresponding level crossings had crossed the limit of one lakh and smoother movement of traffic required closure of level crossings. Audit observed that work for 50 (75 per cent) road over/ under bridges had not been taken up even after a lapse of one to five years since approval. Even Memorandum of Understanding with the concerned State Governments for cost sharing had not been signed in five cases. In two other cases railways decided to re-locate the road-over bridges after obtaining Parliament's approval.
- Thirteen doubling works were also introduced as New Service out of which, five works are in progress (March 2005), with financial progress ranging from 0.3 per cent to 35 per cent even after three to five years after obtaining approval from Parliament. It was observed that eight works were yet to commence (March 2005). Delay in preparation of detailed estimates in eight out of thirteen projects delayed the commencement/ completion of these projects, thus diluting the spirit of obtaining Parliament approval on 'out of turn' basis.
- In terms of the revised guidelines on New Service/ New Instrument of Service, issued by Ministry of Finance, Department of Economic Affairs in April 1982, recourse to Contingency Fund of India should be taken only in cases of extreme urgency. During the last six years railways drew advances from the Contingency Fund of India for 27 works. Audit reviewed the records in respect of 23 such works and observed that twelve works, though introduced two to six years back, were still in progress as of March 2005. Six works were yet to commence even though one to three years had elapsed after approval. Thus railways have not identified these works appropriately for drawal of advances from the Contingency Fund of India.

Recommendation

- Once approved, works taken up as new services on 'out of turn' basis should be given priority in funding and their completion ensured within the prescribed time frame.

2.11 Conclusion

Railways took up 205 works/ projects as New Service through Supplementary Demand for Grants. The non-commencement/slow progress of works indicated that the Railways resorted to introducing works through the constitutional provision intended for emergent cases, but did not reflect the same urgency in implementing the works in subsequent years. Benefits expected from a large number of these works also did not become available several years after their approval by Parliament.