

CHAPTER 4: STORES AND ASSETS MANAGEMENT

4.1 Procurement practices

4.1.1 Railway Board: Blocking of capital due to creation of buffer stock

Provision of buffer stock of Cartridge Tapered Roller Bearings by Railway Board resulted in surplus stock and thus blocking of capital amounting to Rs.13 crore in 2004-05. Also since the Cartridge Tapered Roller Bearings were procured in excess of the actual annual utilization/ requirement, the Railway Board could not avail of the benefit of lower rates obtained in the subsequent tenders and suffered loss of Rs.4.22 crore during the years 1998-99 to 2001-02

Railway Board meets the requirement of wagons by placing orders on Railway workshops and private/ public sector wagon builders. Steel, wheel-sets and Cartridge Tapered Roller Bearings (CTRBs) are supplied as free supply items in wagon manufacturing/ fabrication contracts. Procurement of these items is centralised with Railway Board. Assessment of requirement of these items for a particular year is done on the basis of wagon production targets set by the Railway Board and maintenance requirements as indented by the Zonal Railways. Planning, accountal and release of CTRBs and wheel-sets for wagon manufacture contracts is the responsibility of Chief Material Manager (Bulk Indent), Eastern Railway, Kolkata. As per Railway Board directives, while placing release orders on the suppliers it must be ensured that stock of these items with the wagon builder does not exceed three months requirement of wagon production. In no case should the stock exceed the value of Indemnity Bond furnished by the contractors.

M/s National Engineering Industries (NEI) and M/s Timken India Limited (TIL) are two indigenous Research Designs and Standards Organization (RDSO) approved sources for supply of CTRBs to the Railways. The annual requirement of CTRBs for wagon production and maintenance is met by placing orders on these firms. The delivery clause of the contracts with these firms stipulates commencement of supply immediately after placement of contract and complete delivery within four/ five months as per monthly delivery schedules advised by Chief Material Manager (Bulk Indent), Eastern Railway, Kolkata. The option clause in the contract gives Railway Board the right to increase/ decrease the ordered quantity by 30 per cent within the currency of the contract.

It was observed that while finalising the annual requirements of CTRBs from year to year Railway Board provides for buffer stock of CTRBs to the extent of two/ three months wagon production requirement. While vetting the tendered quantity for 2001-02, the Finance Directorate objected to the provision of buffer stock in view of scarce resources and advised that emergent demand, if any, could be met by exercising the option clause. Stores

Directorate, however reiterated the need for a buffer stock as non-availability of a free supply item like CTRB may disrupt the wagon production. Finance Directorate therefore agreed for provision of buffer stock to the extent of two months requirement as a special case for that year. However, Railway Board continued to provide for buffer stock in subsequent years also.

Audit observed that Railway Board assessed a requirement of 1,21,009 CTRBs for the year 2004-05 including 13,774 CTRBs as buffer stock. While working out the requirement the Railway Board took into account the surplus stocks of 40,363 CTRBs worth Rs.38.22 crore lying with the wagon manufacturers over and above the pending wagon orders. In this connection, a review in audit of the receipts, utilisation and stock-in-hand of CTRBs during the years 2001-02 to 2004-05 revealed shortfall in wagon production against the targets set by Railway Board in all the four years. Excess stocks over and above the requirement of three months consumption were observed with all the wagon manufacturers/ workshops. As assessed on the basis of monthly average consumption during the year the excess stock of CTRBs lying with the wagon manufacturers/ Railway workshops was sufficient for 2 to 76 months requirement at the end of 2001-02, 1 to 20 months requirement at the end of 2002-03, 1 to 56 months' requirement at the end of 2003-04 and 1 to 33 months requirement at the end of 2004-05.

Thus, the provision of buffer stock was not justified as both the approved sources M/s NEI and M/s TIL had offered to commence the supplies as per Railway's demand. Minister for Railways, while approving the 1997-98 tender for CTRBs, had directed introduction of strict inventory control measures to avoid locking up of funds. The justification given by the Stores Directorate for maintaining buffer stock was not based on a correct assessment of requirements. Unwarranted provision of buffer stock and consequent procurement of 13,128 CTRBs over and above the requirement resulted in blocking of capital of Rs.13.00 crore in 2004-05.

It was also observed that there was a downward trend in the prices of CTRBs during 1998-99 to 2002-03. During these years, the prices of CTRBs decreased from Rs.9,425 to Rs.7,030 per unit. Due to unnecessary provision of buffer stock, Railways suffered a loss of Rs.4.22 crore on account of higher prices paid for unwarranted procurements.

Thus, provision of buffer stock has resulted in blocking of huge capital, besides loss of savings of Rs.4.22 crore due to downward trends in prices of CTRBs.

The matter was taken up with the Railway Board in February 2005. Their reply has not been received so far (December 2005).

4.1.2 Railway Board: *Extra expenditure on procurement of High Speed Cast Steel Bogies*

Failure to incorporate necessary clauses in the tender documents to prevent cartel formation resulted in additional expenditure of Rs.13.27 crore on procurement of high-speed cast steel bogies from Chittaranjan Locomotive Works besides incurring extra expenditure of Rs.2.32 crore on placement of orders at a rate higher than the updated last purchase rates. Railways also incurred an avoidable expenditure of Rs.0.63 crore on account of delay in finalization of tender

Indian Railway Standard Conditions of Contract and General Conditions of Contract govern stores contracts awarded by Railways. Railway Board issued instructions (5 August 2002) to include the following conditions in the tender documents:

- Wherever all or most of the approved firms quote equal rates and cartel formation is suspected, Railways reserve the right to place order on one or more firms with the exclusion of the rest, without assigning any reasons there for.
- Firms are expected to quote for a quantity not less than 50 per cent of tendered quantity. Offers for quantity less than 50 per cent of tendered quantity will be considered unresponsive and liable to be rejected in case cartel formation is suspected. Railways, however, reserve the right to order on one or more firms any quantity.
- The firms who quote in cartel may be warned that their names are likely to be deleted from list of approved sources.

A tender for procurement of 2,326 (later revised to 2,194) fully assembled CASNUB¹ High Speed cast steel Bogies, required for manufacture of wagons in Railway workshops during 2004-05, was issued by Railway Board without including the aforesaid conditions. Out of the nine firms (eight Part-I and one Part-II² firm) participating in the tender, seven firms quoted for less than fifty per cent of the quantity at a uniform price of Rs.99,638 per bogie, which was a clear indication of cartel formation. The lowest rate of Rs.87,000 per bogie was quoted by a Research Designs and Standards Organization (RDSO) approved Part-II firm M/s Raneka Industries Ltd. Another Part-I firm M/s HEI Ltd. quoted for the full quantity at a rate of Rs.1,05,000 per bogie. Negotiations held with the seven firms (April 2004) were not successful in bringing down the rates as only one firm offered a token reduction of 1 per cent in their quoted price, offering a revised price of Rs.98,642 per bogie. Having failed to get the rates reduced, Railway Board decided to place an order for 550 bogies on Chittaranjan Locomotive Works (CLW) on 29 April 2004 at book price. The only Part-II firm M/s Raneka Industries Ltd. was

¹ CASNUB bogies-Cast steel bogies with friction damping arrangements (Cast steel SNUBer equipped)

² Part-II (new firms cleared for educational orders). RDSO approved list covers two type of firms-Part-I (regular firms cleared for bulk supplies) and Part-II (new firms cleared for educational orders). Part-II firms are upgraded to Part-I firms on the basis of good performance reports during 18 to 24 months.

given an order for 50 bogies at Rs.87,000 per bogie. Orders for 1,644 bogies were distributed among 3 Part-I firms at Rs.98,642 per bogie as the remaining firms reduced their quantities still further during negotiations.

- Railway Board's failure to incorporate the necessary conditions in the tender documents to prevent cartel formation by the approved firms forced the Railway Board to negotiate with the firms in the cartel. To deal with the cartel the Railway Board decided to place orders on CLW for manufacture of 550 bogies at book rate. The CLW later raised debit of Rs.3,39,930 per bogie, which was more than three times the negotiated rate (Rs.98,642). By placing order on CLW (April 2004) railways will expend an additional Rs.13.27 crore in procurement of 550 bogies.
- Railways also had to place orders on three firms of the cartel at a rate much higher than the updated last purchase rate, which was worked out to Rs.86,936 per bogie. Due to non-incorporation of cartel clause Railways could not reject the offers of the firms quoting less than fifty per cent quantity and consequently incurred an excess expenditure of Rs.2.32 crore as compared to updated last purchase rate.
- As against the stipulated time frame of 76 days Railway Board took 137 days to finalize the tender. The offer of the firm M/s Raneka Industries Ltd., at the quoted rate of Rs.87,000, was valid for 90 days. The Railway Board asked all the firms to extend the validity of offer till 30 April 2004. However M/s Raneka Industries Ltd. agreed to extend the validity of its offer upto 30 April 2004 for a reduced quantity of only 50 bogies at their quoted price and requested Railway Board for placement of order for another 150 bogies at the enhanced price of Rs.98,000. Thus, due to non-finalization of the tender in the stipulated time frame, Railway lost the benefit of lower rate for another 450 nos. bogies and had to pay Rs.0.63 crore more.

Thus, failure to incorporate necessary clauses in the tender documents to prevent cartel formation resulted in additional expenditure of Rs.13.27 crore on procurement of 550 high-speed cast steel bogies from CLW besides incurring extra expenditure of Rs.2.32 crore on placement of orders at a rate higher than the updated LPR. Railways also incurred an avoidable expenditure of Rs.0.63 crore on account of delay in finalization of tender.

The matter was taken up with Railway Board in August 2005. Their reply has not been received so far (December 2005).

4.2 Material management

4.2.1 Eastern Railway: Excess release of free supply items to wagon builder

Failure of the Railway Administration to plan and regulate the supply of items as per provisions of the contracts or retrieve the damaged/ rejected stock immediately, resulted in blockade of material worth Rs.5.82 crore

As per provision of the contracts for manufacture of wagons entered into between Railway Board and manufacturers, some items like Cartridge Tapered

Roller Bearings (CTRB), wheels sets etc. are supplied free of cost by Railways. Chief Material Manager/BI/Kolkata (CMM/BI) is responsible for regular planning and allocation of free supply items so that the stock of these items with a wagon builder does not exceed three months' requirements. In no case, the supply should exceed the value of indemnity bond furnished by the contractor. The wagon builders are required to furnish the account of these items regularly to CMM/BI. As per clause 9 and 10 of the Special Conditions of Contracts, the contractor is solely responsible for the safe custody of free supply items till they are utilised in manufacture of wagons. The Railway is entitled to recover compensation for any loss or damage in respect of these items lying in firm's custody.

From the accounts of free supply items to one of the wagon manufacturers viz. M/s.Cimmco Birla Limited, Bharatpur (M/s.Cimmco) for the period January 1999 to October 2000, it was seen that, based on the average production of 63 wagons per month during the year 1998, the requirement of wheel sets and CTRBs for three months works out to 756 and 1,512 respectively. As against this, the actual stock with M/s.Cimmco in every month ranged between 3,973 (February 1999) and 1,780 (August 2000) for Wheel sets and between 4,749 (December 1999) and 2,717 (January 1999) for CTRBs. The percentage of stock, in excess of three months' requirement, ranged from 425 per cent (February 1999) to 135 per cent (August 2000) for wheel sets and from 214 per cent (December 1999) to 79 per cent (January 1999) for CTRBs. It was also noticed that though M/s.Cimmco had stopped the manufacture of wagons after July 2000, Railway Administration supplied 800 CTRBs to them in August 2000. 1846 CTRB declared damaged due to floods in 1997 and 47 wheel sets rejected in 1999, valuing Rs.2.53 crore, were lying in the premises of the wagon builders and no action was taken by the Railway Administration to retrieve the same. M/s.Cimmco informed (14 November 2000) the Railway Board that they were facing labour unrest and had declared 'Lock Out' from 13 November 2000. Thereafter, CMM/ BI advised the wagon builder in December 2000 for transfer of free supply items lying in stock with them to various other wagon builders. However, the firm indicated (February 2001) their inability to release any material because of blockade of access to the factory. The contracts pending with M/s.Cimmco were terminated by Railway Board in April 2001 on account of non-supply of wagons. A demand notice of Rs.5.82 crore, representing the stock of items lying with M/s.Cimmco was also served in September 2001.

- Audit observed that CMM/ BI failed to do proper planning and monitoring of the material lying with the manufacturer as well as the requirements for the next three months. As a result of unplanned supply of these items there was accumulation of surplus with the manufacturer on the date of lock out.
- Moreover, though it is the responsibility of the manufacturer to keep the stock in safe custody to avoid any loss or damage, 1846 CTRBs costing Rs.2.15 crore approximately had been damaged in floods in 1997. Railways neither fixed responsibility for the damages nor

recovered the material for making it fit for use. Similarly, 47 wheel sets costing 0.39 crore, rejected in 1999, were not retrieved.

When the matter was taken up with the Railway Administration in March 2005, they stated (May 2005) that this unforeseen situation had arisen due to sudden Lock Out declared by M/s.Cimmco. Demand notice for Rs.5.82 crore towards cost of materials, including damaged materials worth Rs.2.62 crore, had been issued by the CMM/ BI as well as Railway Board. It was also stated that as per information received (26 April 2005) from M/s.Cimmco, Railway Board had appointed an arbitrator to settle the issue finally.

The reply is not satisfactory. Had the CMM/ BI followed the provisions of the contracts with regard to issue and monitoring of the material, the total material accumulation with the manufacturer on the date of lock out would not have amounted to Rs.5.82 crore. Non-observance of the provisions of contracts has resulted in blockade of material amounting to Rs.5.82 crore for the last five years.

The matter was taken up with Railway Board in September 2005. Their reply has not been received so far (December 2005).

4.3 Land and estate management

4.3.1 Eastern Railway Loss due to non-allotment of railway quarters

Failure of Railway Administration to maintain the staff quarters properly and allot them to eligible employees immediately on falling vacant has resulted in loss of Rs.17.65 crore

Railways provide quarters to its staff at places where the conditions are such that either private enterprise does not meet the demand of housing the staff or it is necessary to provide quarters near the place of their work. Each Railway Administration is required to maintain a list of all buildings, whether residential or service. Railways are also required to prepare rent rolls of all residential buildings indicating the type of quarters, name and designation of the occupant, emoluments of the occupant, period of occupation and rent recoverable etc. Compilation of such information, besides ensuring regular recovery of rent, also helps in monitoring the vacant quarters for further allotment to eligible employees.

Audit scrutiny of records of four Divisions and two Workshops of Eastern Railway revealed that quarters as indicated below remained vacant during the years 2000-01 to 2004-05:

| Year | Type of Quarters | | | | | Total |
|---------|------------------|---------|----------|---------|--------|-------------|
| | Type I | Type II | Type III | Type IV | Type V | |
| 2000-01 | 2310 | 279 | 110 | 23 | 18 | 2740 |
| 2001-02 | 2689 | 325 | 123 | 21 | 21 | 3179 |
| 2002-03 | 3259 | 375 | 190 | 40 | 27 | 3891 |
| 2003-04 | 4008 | 472 | 229 | 68 | 33 | 4810 |
| 2004-05 | 5017 | 703 | 259 | 103 | 53 | 6135 |

The above position indicates that the number of vacant quarters are increasing every year. Such a large number of quarters was lying vacant primarily due to poor repair and maintenance as the employees were unwilling to occupy the quarters while private houses of better quality were available within their entitled house rent allowance. In addition, field offices were not informing the updated position of vacation of quarters to Divisional Authorities regularly, as a result of which vacant quarters could not be allotted to eligible employees.

As a result of non/ deficient maintenance of residential quarters by the Railway Administration and non-allotment to the eligible employees, the Railway could not recover rent of Rs.1.08 crore and paid house rent allowance to the extent of Rs.16.57 crore, which could have been avoided.

Thus, the failure of Railway Administration to maintain the staff quarters properly and allot them to eligible employees immediately on falling vacant has resulted in loss of Rs.17.65 crore.

The matter was taken up with Railway Board in October 2005. Their reply has not been received so far (December 2005).

4.3.2 Northern Railway: Non-recovery of licence fees from private parties

Failure of the Railway Administration/ Railway Board to resolve the issues raised by the licencees led to non-realisation of Railway dues amounting to Rs.6.36 crore from private parties

Three plots of Railway land measuring 1603 sq.m. (reduced to 1405 sq.m. from January 1983), 2195 sq.m. and 575 sq.m. in prime commercial areas were licensed by Delhi Division to three private parties for stocking iron and steel, timber and other forest produce received through rail by the licencees with effect from August 1966 [M/s. Ram Singh, Maha Singh (RSMS)], May 1978 [M/s. Reliable Iron Store (RIS)] and M/s. United Iron Manufacturing Store (UIMS) respectively. The licence fees were fixed at Rs.1,150, Rs.15,338 and Rs.6,188 per annum respectively to be paid in advance and were to be revised from time to time.

Railway Board issued instructions (August 1995) for fixing the licence fees on the basis of the land value of the surrounding areas as determined from the Revenue Authorities and/ or from other some agency viz., Town Planning Department, Public Works Department and Central Public Works Department. The value of land so fixed was to be increased notionally every year on 1 April, starting from April 1986, at the rate of 10 per cent over the previous year. Accordingly, the rates of licence fees of the three plots were revised by the Divisional Authorities on the basis of rates of land as notified by the Land Development Office (L&DO), Ministry of Works and Housing, Land and Urban Development and bills of licence fees for Rs.1.40 crore, Rs.0.82 crore and Rs.0.20 crore for the period April 1986 to March 1999 were preferred (January 1999) against the three parties respectively.

Though the Railway Administration served show cause notices to these licencees later in February/ March 1999, the licencees did not pay the arrears.

Finally, their licences were terminated (July 1999) and the parties asked to vacate the Railway premises within 30 days. The licencees disputed (August 1999) the revision and deposited licence fees at existing rates, stating that the Railway Plot Holders Association of Delhi had been pursuing the matter with Northern Railway Headquarters/ Railway Board and requested withdrawal of the eviction notices. However, the Railway Board revised the guidelines of August 1995 only in March 2004, making the instructions effective from April 1995, instead of April 1986 as ordered earlier. In the meanwhile, the parties stopped offering traffic to Railways after 1999 (RSMS) and September 2000 (UIMS and RIS) and thus, the purpose of licensing these plots to these parties also ceased to exist.

The Railway Administration did not initiate action for eviction of these parties under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 according to the notice issued earlier, but instead, preferred arrears bills of license fees/ damage charges for Rs.2.04 crore (November 2001), Rs.2.23 crore (June 2004) and Rs.0.57 crore (June 2004) respectively, against these three parties under the August 1995 orders.

It was observed by Audit that the three licensees have never paid license fees at the revised rates fixed from time to time. An assessment made by Audit indicated that arrears of license fee/ damage charges for the period up to March 2006 amounting to Rs.6.36 crore were recoverable from the three parties. Moreover, although reasons for the licensing arrangement with these defaulting parties had ceased to exist, the Railway Administration had not initiated action for eviction under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971.

When the matter was taken up (January 2005), the Railway Administration accepted (August 2005) that the revised bills for recovery of arrears of licence fees had not been preferred as the matter had been under consideration of the Railway Board between 1998 and February 2005. In February 2005, the Railway Board came out with revised policy superseding the previous policy. Keeping in view the revised policy, due charges were being calculated after which bills would be preferred and licence fee recovered.

The Railway Administration's remarks are not acceptable. Orders of the Railway Board dated February 2005 are a reiteration of their earlier orders of 24 March 2004. The parties have stopped offering traffic to the Railways, defeating the very purpose for which the plots, situated in prime commercial areas, had been licensed to the parties. Only raising of bills and/ or collection of license fee from these parties will not address the issue of change in the locus standi of the parties vis-à-vis Railways.

The matter was taken up with Railway Board in October 2005. Their reply has not been received so far (December 2005).

4.3.3 Southern Railway: Non-realisation of licence fee from Oil and Natural Gas Commission due to non-execution of agreement prior to handing over of land

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| Railway handed over the land to licensee (Oil and Natural Gas Commission) without prior execution of agreement, which led to disputes and non-realisation of licence fee (Rs.4.30 crore) |
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Railway Board's guidelines (1985 and 1995) for commercial licensing of Railway lands provide that proper agreement must be executed between the Railway Administration and the licensee, before the licensee is given possession of the land. In case of any violation of these instructions, the official handing over the land shall be held personally responsible.

Prior to 1989, Oil and Natural Gas Commission (ONGC) was transporting crude oil from Narimanam oil field to Chennai Refinery in oil tank wagons. ONGC planned to construct an oil terminal at Tondiarpet to unload the oil filled tank wagons and then to pump the oil through a pipeline into the Refinery stock tanks. As the proposed pipeline had to run mostly on the Railway land, ONGC requested Railway for permission for laying the pipeline. Laying of pipelines was a joint work, which was to be executed by ONGC and M/s Indian Oil Corporation (IOC) on cost sharing basis. Accordingly, Railway, ONGC and IOC met (1989) to discuss various aspects but no formal agreement could be entered into for licensing the Railway land. In view of urgency expressed by ONGC and Chief Freight Traffic Superintendent to start the rail movement of crude oil, the General Manager agreed provisionally (1990), as a special case, to allow ONGC to take up the work pending finalisation of modalities etc. The ONGC took possession of 11,241 square meters of Railway land for the purpose and laid their pipeline on Railway land during 1990. The IOC also laid four lines. Divisional Authorities, Chennai, in the capacity of custodian of Railway land, neither took any action as per Railway Board's guidelines issued in 1985 and 1995 nor did they make formal proposal for General Manager's approval thereafter. However, Railway Administration sent (July 1990) a copy of agreement for getting acceptance of ONGC, but no response was received.

The Railway Administration did not pursue the agreement with ONGC nor was any license fee charged from them. There was also no monitoring of use of land for more than a decade. M/s Rail India Technical and Economic Services sought a permission in September 2001 for dismantling the ONGC pipeline for its re-use by M/s Bharat Petroleum Corporation Limited (BPCL) for their storm water disposal system. At that stage, Railway Administration took up the matter with ONGC (October 2001) by raising the issue of non-payment of licence fee. The ONGC then informed the Railway Authorities that the crude oil transportation had been stopped on 31 March 1994 and the pipeline along with facilities such as storage tank, pump house etc. had been handed over to BPCL on 18 March 1996. When the Railway Administration claimed the licence fee amounting to Rs.3.15 crore in January 2002 for almost 12 years (1990 to 2001), ONGC disputed the claim stating that the license fee

should be taken from IOC. After some pursuance, ONGC paid a sum of Rs.22.70 lakh as their share for the period from 1 April 1990 to 31 March 1996 only and contended that the balance amount should be collected from IOC and BPCL.

Thus, Railway Administration failed to get the agreement executed before handing over the land to ONGC and also failed to raise licence fee bills during 15 years (1 April 1990 to 31 March 2005). Railway Administration's failure in getting the agreement signed and non-monitoring of the agreement resulted in transfer of land by ONGC to IOC and BPCL without Railway Administration's coming to know of it, which left the issue open to dispute. As a result of non-execution of agreement and lack of monitoring, the Railway Administration has failed to realise Rs.4.30 crore due towards license fee from ONGC/ IOC/ BPCL.

When the matter was taken up (January 2005), Railway Administration contended (January 2005) that Heads of Department committee of Headquarters had not responded to the request made by Divisional Authorities (October 1990) for approval of the rate of licence fee to be recovered. Due to this, the matter remained unattended till the related file was traced from a record room in January 2001.

Railway Administration's reply is not satisfactory as they failed to act according to Railway Board's guidelines. Inaction on the part of various functionaries of Railway Administration has left the matter open to dispute and resulted in non-realisation of Rs.4.30 crore from the licensee.

The matter was taken up with Railway Board in September 2005. Their reply has not been received so far (December 2005).

4.3.4 Central Railway: *Loss due to incorrect fixation of licence fee of land leased to Food Corporation of India*

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| Adoption of incorrect rate of land licensed to the Food Corporation of India resulted in loss of revenue of Rs.1.80 crore |
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In terms of Railway Board's instructions of September 1985, the Railway Administration was to fix the licence fee of ordinary commercial plots at 10 per cent of its market value. To avoid delays and difficulties in obtaining the market value of land and consequent adoption of unrealistic land values, the Railway Board issued revised instructions in August 1995 directing that for ordinary commercial plots with temporary structures for stacking/ storing, 7.5 per cent should be charged as annual licence fee on the basis of the market value of allotted land including covered area, as on 1 January 1985. Market value for this purpose was to be determined from the Revenue Authorities and/ or Town Planning Department/ Public Works Department/ Central Public Works Department/ Sub-Registrar's Office/ professional evaluators of the State and Central Governments. With effect from 1 April 1986, the value so fixed was to be increased notionally on the 1st of April every year, at the rate of 10 per cent over the previous year's value, for the purpose of fixing license fee. The retrospective effect of this order was reversed in March 2004,

intervals. All Railway land should be managed on commercial lines, and each Railway Administration should endeavour to put any areas in its occupation, which, though not eligible for disposal, are lying idle to profitable use. Every Railway Administration should be in a position to justify the retention of land occupied by them and where unable to do so, should classify it as 'eligible for disposal' and arrange for its disposal under the rules.

Concerned with the large number of encroachments, the Railway Board issued directives (September 1990) to all the Zonal Railways to take a one time census of all types of encroachments (both by outsiders and by Railway employees) as a first step. It was also desired that a record should be kept of all encroachments on site plans as well as in Encroachment Registers maintained by each Inspector of Works (IOW). One set of the documents should also kept in Headquarters office with Chief Engineer (General). In June 1992, the then Minister of Railways (MR) specifically ordered launching of a vigorous drive against encroachments on Railway land in which Engineering/ Commercial/ Operating/ Security Departments were to initiate preventive action in vulnerable areas as well as take eviction process and file cases under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971, expeditiously finalise pending cases, take action for possession where eviction orders were received, mobilising the help of Civil Authorities by formal/ informal requests at different levels, where necessary, and pursue for early finalisation of the cases pending in the courts.

Audit scrutiny in January 2005 of Land Encroachment Registers maintained by Danapur Division revealed that 12,562.64 sq.mts. of Railway land (valued at Rs.1.20 crore) in 29 locations had been lying under the occupation of 1,216 unauthorised encroachers for the last three to twenty years and the encroachers were utilising the same for commercial purposes. The Railway Administration had failed to preserve unimpaired title of land under their occupation in the above cases and take action as enunciated in the Railway Board's orders of June 1992.

In March 2001, the Railway Board issued guidelines permitting planning and development of shopping facilities in station areas as well as colonies, wherever such development may bring adequate revenues. Had the Railway Administration followed the codal provisions and kept the land free from encroachments, the land, having commercial potential, could have been utilised as brought out in the Railway Board's orders of March 2001. The Railway Administration neither used the land for commercial purpose nor disposed it off as, in fact, it was not in their possession for long periods of time. Long duration of encroachments indicates that the land was surplus to the Railway's requirement.

Prolonged unauthorised encroachments are likely to lead to legal proceedings and possible claims for payment of compensation, before the same can be made free of encroachments and put to any alternate use.

When the matter was taken up (June 2005), the Railway Administration stated (August 2005) that the encroachments were being removed every year in drives launched for this purpose.

This reply is not satisfactory because further scrutiny by Audit revealed that though Railway Administration removed encroachers on a few occasions, the plots were again occupied by the encroachers immediately after the drive was completed thereby nullifying the effort being made by the Railway Administration in this direction during the drives.

The matter was brought to the notice of Railway Board (October 2005); their reply has not been received so far (December 2005).

4.3.6 North Central: Non-recovery of licence fees from the Food Railway Corporation of India

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| Failure of the Central and Western Railways to keep proper records of their land and carry out inspection to guard against illegal occupation as required under codal provisions has resulted in non-recovery of Rs.1.12 crore |
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As per para 1004 of the Indian Railway Code for the Engineering Department (E), Railway Administration should preserve unimpaired title to all land in its occupation and keep it free from encroachment. General Managers of the Zonal Railways are responsible for drawing up supplementary rules to ensure that records of title are safely preserved and kept up-to-date, boundaries are periodically inspected and any encroachments found are promptly reported and dealt with. Para 1008-E provides for Railway land to be managed on commercial lines and put to profitable use.

Western Railway handed over two pieces of Railway land measuring 4.2735 acres (1,86,153.66 sq. feet) and 6,216 sq. feet at Agra to the Central Railway in 1,963 for the construction of a foodgrain siding for the Ministry of Food and Agriculture. After formation of Food Corporation of India (FCI) in 1966, this siding was handed over to them on 1 November 1966.

Audit scrutiny of records of Central and Western Railways revealed that -

- The records as to how much land was leased/ licenced to FCI or when the siding was constructed were neither available with Western Railway nor with Central Railway.
- Western Railway was raising bills for rental charges only for 6216 sq. feet. These charges were paid by FCI till March 2001.
- In August 1978, the Inspector of Works, Idgah Agra informed Assistant Engineer, Bharatpur of Western Railway that while as per records land measuring only 6,216 sq. feet was licensed to FCI, the actual area in their possession was much more. In January 1979, Western Railway informed the FCI that the actual area of land on which the siding had been constructed was 1,33,515 sq. feet and therefore, rent for the area in excess of 6,216 sq. feet would be calculated and intimated to them shortly for making payment. The matter regarding raising of bills for the excess area of land in possession of FCI could not, however, be resolved despite joint verification conducted in 1988 and 1993, which established the actual area in possession of FCI as 1,40,332.13 sq. feet.

- The first bill of Rs.0.80 crore on account of arrears of licence fees in respect of 1,40,332.13 sq. feet for the period April 1986 to 31 March 2001 was preferred against the FCI in October 2000 by Western Railway. An amount of Rs.1.02 crore for the period from April 1986 to March 2005 was recoverable from FCI. The amount for the past period could not be worked out for want of details as to when and how much land was in possession of FCI.
- Audit also noticed that in February 1988, Central Railway had raised bills for Rs.0.06 crore for the period from 1 April 1976 to 31 March 1987 on account of land rent for 1,134 sq. yards (10,206 sq. feet), maintenance charges and staff cost. However, these bills were withdrawn (February 1989) on the ground that no Railway land was in possession of FCI at Agra. In December 1999, Central Railway again raised bills for Rs.0.24 crore for the period 1 January 1985 to 31 December 1999 on account of licence fee of Railway land measuring 3,565 sq. meters (38,373 sq. feet). In October 2000, Central Railway informed FCI that Railway land measuring 3,565 sq. meters was occupied by FCI since 1 April 1976. These bills were disputed by FCI who requested the Central Railway to supply details of land leased/licenced to them by Central Railway. In December 2001, Central Railway indicated that actual area of their land in possession of FCI was only 1,510.97 sq. meters (16,264 Sq. feet). Thereafter, Central Railway sent a revised bill of Rs.0.15 crore on account of licence fee for the period January 1985 to March 2002. The reasons for withdrawal of bills raised in December 1999 were not on record. However, payment of the bills raised by Central Railway has not been made by FCI.
- Audit scrutiny of records further revealed that despite a siding being in existence, neither Central Railway nor Western Railway had signed any agreement stipulating terms and conditions of leasing/ licensing. The actual measurement of land claimed to have been leased to FCI by Central and Western Railways was not supported with adequate documents and bills were raised, modified or withdrawn from time to time making the system of raising of bills open to question by the lessee. It was only in July 2004 that North Central Railway Administration, under whose jurisdiction Agra Division falls now, entered into an agreement with FCI. However, this agreement is also incomplete, as it does not contain details of land licensed to FCI.

Thus both Central and Western Railways failed to keep proper records of their land or to sign necessary agreements with lessees. Necessary precautions such as inspections to guard against illegal occupation of their land as required under codal provisions were also not taken. This has resulted in non-recovery of Rs.1.12 crore on account of licence fee.

When the matter was taken up with the Railway Administration (May 2005), they stated (September 2005) that despite several meetings with the FCI authorities, the dispute regarding land and its licence fee could not be resolved and efforts were on to resolve the issue. The reply is not acceptable because

Railway was unable to provide to FCI sufficient proof of leasing of land to Ministry of Agriculture/ FCI in the form of agreements or land transfer records, in the absence of which, the resolution of the dispute in Railway's favour is unlikely.

The matter was taken up with Railway Board in October 2005. Their reply has not been received so far (December 2005).