

CHAPTER 6: OTHER TOPICS

6.1 Avoidable payment of Taxes/ Penalties/ Surcharge

6.1.1 Eastern Railway: Avoidable payment of Sales Tax

Injudicious decision taken by the Railway Administration to shift loading point of Railway Consumption Depot at Malda Town from Barauni to Rajbandh caused an additional expenditure of Rs.5.74 crore towards Sales Tax during a short period of 16 months

Railway Board instructed (July 2002) all Zonal Railways to endeavor to achieve a reduction of 3 to 5 per cent in the average High Speed Diesel (HSD) price through rationalisation of fuelling pattern. Railways were also advised to avail the benefit of CST on interstate transactions payable at four per cent against Form 'D' for HSD purchases.

Audit review of records of Railway Consumption Depot (RCD) at Malda Town (West Bengal) revealed that from May 2003 the procurement of HSD was shifted from Barauni situated in Bihar to Rajbandh situated in West Bengal. As a result of this switchover, Railway Administration was required to pay State Sales Tax at the rate of 17 per cent instead of Central Sales Tax at the rate of 4 per cent, as both the supply and receipt points were situated in the same State (West Bengal). This practice continued till August 2004 by which time Railway Administration had incurred extra expenditure of Rs.5.74 crore on account of the difference in rates of Central and State Sales Tax. The arrangements were reversed in September 2004.

When the matter was brought to the notice of Railway Administration (May 2005), they contended (July 2005) that the loading point for RCD, Malda Town was shifted from Barauni to Rajbandh after bifurcation of Eastern Railway because the supply of HSD ex-Barauni had become quite precarious as Barauni fell in the jurisdiction of East Central Railway. Railway Administration added that this step was necessary to avoid the risk of dislocation of train services due to non-availability of HSD.

The contention of the Railway Administration is not acceptable because the quantity of HSD oil received from Barauni during the year 2002-03 was seen to have been 11454.84 KL (87.44 per cent) of the indented quantity of 13100 KL whereas the quantity of HSD received from Rajbandh during 2003-04 was 12433.65 (86.34 per cent) of the indented quantity of 14400KL. This indicates that shifting the supply point to Rajbandh did not result in any significant improvement in the supply of HSD.

Thus, the injudicious decision of shifting supply point from Barauni to Rajbandh resulted in loss of Rs.5.74 crore.

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

6.1.2 South Eastern Railway: Non-recovery of Sales Tax

Failure to recover Sales Tax from the bills of contractors executing works contracts led to avoidable liability of Rs.2.19 crore
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Under the provisions of Section 13 AA of the Orissa Sales Tax Act, 1947, a person responsible for paying any sum to a contractor for carrying out any works contract is liable to deduct two per cent of the amount towards Sales Tax at the time of making the payment. If any person contravenes these provisions, the Sales Tax Officer shall, after giving him an opportunity of being heard, impose penalty not exceeding twice the amount required to be deducted.

The constitutional validity of the section 134A was challenged in the Orissa High Court in 1987. In April 1993 the Hon'ble High Court of Orissa struck down the Section. Subsequently, Government of Orissa passed the Orissa Sales Tax (Amendment and Validation) Act, 1993 as notified on 8 December 1993, making the tax applicable to works contracts involving transfer of property in goods. This notification was effective from 4 October 1993. The notification was brought to the notice of Divisional Accounts Officer, Chakradharpur (CKP) in February 1994 by the Commercial Tax Officer, Sambalpur III Circle with the request to deduct 2 per cent from contractor's bills. The rate of sales tax was enhanced from two per cent to four per cent from 26 August 1995. Dy. FA&CAO intimated the change of rate to Construction Wing of CKP on 4 March 1996 for effecting recovery at the enhanced rate.

Review of records in Audit revealed that in pursuance of the Hon'ble High Court's orders of April 1993, the Railway Administration of CKP division stopped recovery of sales tax with effect from 15 April 1994. The Railway Administration did not deduct sales tax from the payments made to the contractors during the period 26 August 1995 to 21 October 2003 in respect of 163 works contracts, as seen from Contractors Bills checked in audit, though the Orissa Sales Tax (Amendment and Validation) Act, 1993 was in the knowledge of Railway Administration from February 1994. The Railway started the recovery of Sales Tax with effect from 22 October 2003.

When the matter was taken up (May 2005), the Railway Administration stated (June 2005) that Sales Tax was not recovered from the contractors in view of the judgement of Orissa High Court. They further stated that on receipt of the letter dated 11 February 1994 from Sales Tax Office, the matter was referred back to them for clarification whether any appeal had been made by the State Government against the judgement of High Court before restarting the recovery of Sales Tax to avoid contempt of court's order. However, Sales Tax Department did not furnish reply in this regard. The Railway Administration has further claimed that Railway was not aware of the Notification dated 26 August 1995 and the Orissa Government did not inform Railways about the enhancement of rate.

The reply cannot be accepted in audit as the Railway administration failed to act upon the notification of 8 December 1993. The court had struck down the Section 13AA of the Orissa Sales Tax Act, 1947. However, the Orissa Sales

Tax (Amendment and Validation) Act, 1993 notified on 8 December 1993 brought in an amended section effective from 4 October 1993. This new section was not the subject matter of the Orissa High Court judgment, which has been relied upon by the Railway Administration in their reply. Recovery of sales tax was stopped with effect from 15 April 1994 even after the Commercial Officer had clearly informed Railways of the notification dated 8 December 1993 with the request (February 1994) to discharge their liability by way of deducting 2 per cent at the time of making payments to the contractors as per the provision laid down in amended Section 13AA. Moreover, the August 1995 notification was in the knowledge of Railway Administration as seen from the Dy. FA&CAO's intimation to Construction Wing of CKP.

Thus, the Railway Administration's failure to recover sales tax of Rs.0.73 crore in 163 cases of works contracts gave undue benefit to the contractors concerned on the one hand and simultaneously burdened the exchequer with an unnecessary liability of Rs.2.19 crore comprising sales tax due and twice the amount thereof as penalty.

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

6.1.3 Diesel Locomotive Works: Payment of Entry Tax not due

Non-pursuance of refund of Entry Tax, which was not payable in the first instance, resulted in reduction of overall profit of Diesel Locomotive Works to the extent of Rs.0.57 crore
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Diesel Locomotive Works (DLW) entered into a contract (April 2001) for supply of WDG 3A⁶ locomotives to National Thermal Power Corporation Limited (NTPC) for their Talchar Super Thermal Project, Stage-II at a cost of Rs.23.76 crore for supply of five locomotives, along with mandatory spares.

The bid submitted by DLW stipulated that 100 per cent of applicable taxes and duties, which are payable by the employer (NTPC) under the contract, were to be reimbursed by the employer after despatch of equipment, on production of satisfactory documentary evidence by the contractor. Later, in a post-bid discussion during January/ February 2001, these provisions were modified and it was confirmed by DLW that the prices quoted by them were inclusive of taxes and duties and levies for direct transaction between DLW and their vendors/ sub-vendors. DLW also confirmed that octroi/ Entry Tax was included in the bid price and DLW would pay them directly to the Government authority, with no liability to NTPC. In case the procedure required NTPC to pay Entry Tax, the same was to be deducted from the bills payable to DLW under the contract.

The locomotives were delivered during the period July 2002 to September 2002.

As NTPC had withheld the payment of DLW bills, preferred in January 2003, DLW approached NTPC in May and August 2003 stating that, in term of

⁶ WDG 3A – This is a type of Diesel Locomotive.

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Orissa Entry Tax Act, 1999 and as advised by their advocate, Entry Tax was not leviable. This was not agreed to by NTPC who sought clarification from the Advocate General, Government of Orissa, who opined in October 2003 that locomotives were obtained by NTPC for purpose related to generation of electricity and as such Entry Tax was leviable under item 9 of Part II of the Schedule inserted by Orissa Entry Tax (Amendment) Act, 2000. Accordingly, NTPC deducted an amount of Rs.0.57 crore from DLW bills and deposited the same with Government of Orissa.

In March 2004, DLW specifically referred the views of the Advocate General of Orissa for examination of Legal Cell of Railway Board. The Railway Board clarified in June 2004 that locomotives and spares will not be subject to Entry Tax under Orissa Entry Tax Act, 1999 as even the Advocate General, Orissa, had accepted that locomotive and whooper wagons are not specifically mentioned in the schedule and that as per settled law, while interpreting a provision of a taxing statute, doctrine of strict construction is required to be applied. From Section 2 (37) of the Railway Act 1989, it is implied that locomotive is rolling stock and not “machinery and equipment”. As such, Railway Board directed that action be taken to get refund of the Entry Tax deducted by NTPC. Despite Railway Board advice, the DLW did not obtain the refund on the ground that they did not want to undertake a long drawn legal battle with NTPC or the Government of Orissa.

When the matter was brought to the notice of DLW in March 2005 they stated (April 2005) that recovery of Rs.0.57 crore on account of Entry Tax was made by NTPC according to the provisions of the contract as agreed to in the post-bid discussions. The reply is not acceptable. DLW’s agreement to bear Entry Tax in the post-bid discussions cannot be interpreted to include a tax not legally due. Non-pursuance with NTPC/ Government of Orissa for refund of Entry Tax, which was not payable in the first instance, despite legal advice by Railway Board, has resulted in reduction of overall profit of the DLW.

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

6.1.4 East Coast Railway: *Avoidable payment of surcharge for low power factor*

Railway Administration sustained an avoidable loss of Rs.1.75 crore towards payment of surcharge for low power factor due to failure to provide capacitor banks in Traction Sub-Stations
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Electrification of Kharagpur-Bhubaneswar-Waltair main line alongwith Talcher-Cuttack-Paradeep branch line included provision for construction and commissioning of 16 Traction Sub-Stations (TSSs) (11 in Khurda Road Division, 3 in Vishakhapatnam Division and 2 in Kharagpur Division of South Eastern Railway). Railway Board empowered (January 1999) the Railway Electrification (RE) organisation to provide capacitor banks with a view to synchronizing commissioning of capacitor banks with that of TSS so as to arrest low power factor and consequent surcharge levied by the Electricity Boards. However, none of TSSs commissioned was provided capacitor bank

by RE against the on-going project, on the ground that tender for these projects were awarded prior to Board's directive.

Subsequently, on the advice of Railway Board (April 2000), RE proposed material modifications to the sanctioned estimate for provision of capacitor banks at these TSSs to which Railway Board communicated their approval in July/ October 2001.

Scrutiny of records in Audit revealed that Railway Administration paid an amount of Rs.1.68 crore as surcharge for low power factor in respect of six TSSs under the jurisdiction of Khurda Road Division due to the failure to commission capacitor banks along with the TSS. The status of commissioning of these TSS and capacitor banks is as under.

Sl. No.	Name of TSS	Date of commissioning of the TSS	Date on which Capacitor Bank was commissioned	Period during which electric energy was consumed	Amount paid towards surcharge for LPF (Rs. In crore)
1.	Jagannathapur	10.11.2000	13.09.2003	January 2002 to August 2003	0.33
2.	Kaipadar Road	16.04.2002	27.10.2003	April 2002 to October 2003	0.20
3.	Baruva	02.11.2002	12.09.2003	November 2002 to September 2003	0.62
4.	Meramandoli	09.02.2003	15.06.2005	February 2003 to March 2005	0.36
5.	Rambha	21.10.2003	Not provided	October 2003 to March 2005	0.10
6.	Solary	24.12.2001	14.02.2005	December 2001 to March 2005	0.14
Total					1.75

When the matter was taken up (May 2005) with the Railway Administration, they admitted (July 2005) the audit contention of payment of penalty for low power factor. However, they added that capacitor banks were commissioned by the RE in and after September 2003. No penalty was paid after communicating of the capacitor banks.

Thus, the Railway Administration sustained an avoidable loss of Rs.1.75 crore towards payment of surcharge for low power factor due to delay in timely provision of capacitor banks in TSSs despite the Railway Board's instructions in this regard.

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

6.1.5 West Central Railway: Avoidable payment of penalty

Failure of the Railway Administration to avail increased demand of electricity from 33 KV system resulted in avoidable payment of Rs.1.14 crore on account of penalty

The electricity requirements of Satna Railway Station of West Central Railway were met from supply by Madhya Pradesh State Electricity Board (MPSEB) through its 11 KV feeder line. The demand was initially for 350 KVA but started increasing from October 1995. Consequently, in April 1996,

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Railway Administration approached MPSEB to enhance the contract demand from existing 350 KVA to 450 KVA. MPSEB informed Railways in July 1998 that connections above 200 KVA have to be obtained from 33KV system as per rules of the MPSEB and asked the Railway Administration to apply for obtaining supply from 33 KV feeder.

Though Railway Administration was continuously paying penal charges for exceeding the contract demand, action to avail supply from 33 KV line was initiated only after about 2 years (May 2000) when a proposal was sent for inclusion in the Works Programme for the year 2000-01. The work was included in the Works Programme for the year 2001-02 at a cost of Rs.27.04 lakh. Railway Administration awarded the work to a contractor after further delay of two years in May 2003. The work was ultimately completed in March 2005. By this time Railway Administration had already paid a penalty of Rs.1.14 crore on account of increased demand. Thus the Railway Administration failed to heed the advice of MPSEB in time and processed the matter in a lackadaisical manner leading to avoidable payment of penalty of Rs.1.14 crore.

When the matter was brought to the notice of Railway Administration in March 2005, they stated (July 2005) that they had been pursuing for enhancement of contract demand on 11 KV system despite refusal by MPSEB in July 1998, as in the past also MPSEB had conceded to their requests. The reply of the Railway Administration does not adequately explain why the matter, involving financial loss to Railways, was not handled expeditiously. It also furnishes no reasons for further delay in commencement and completion of the work. Audit is of the view that immediate action to avail supply from 33 KV line could have avoided payment of penal charges.

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

6.1.6 Eastern Railway: *Avoidable payment of penalty due to non-revision of contract demand*

Railway Administration's failure to revise contract demand due to delay in commissioning of Traction Sub-station at Barasat resulted in avoidable expenditure of Rs.1.60 crore
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Railway Board sanctioned (August 1999) a detailed estimate of Rs.36.90 crore for electrification of Barasat-Hasnabad (BT-HNB). For feeding this section, one Traction Sub-Station (TSS) at BT was considered essential and included in the estimate. Since the commissioning of TSS was not synchronised with the electrification of the BT-HNB section, the section was opened for traffic in December 2002 by obtaining electricity from Ashokenagar feeding point. However, the Railway Administration did not raise the Contract Demand (CD) to the extent required for electrified BT-HNB section.

Audit scrutiny of records revealed that the TSS at BT, originally scheduled for commissioning in May 2002, was not commissioned. As of January 2005, the commissioning was pending for want of additional supply of cables, fitting of some components of transformers and non-completion of the work of providing 132 KV power supply by West Bengal Electricity Board. It was

noticed that even though, due to non-revision of CD and delay in commissioning of TSS, the Railway Administration was paying avoidable penalty in respect of Ashoknagar feeding point, extension of time for commissioning of the TSS was requested by Dy. Chief Electrical Engineer/CON/Sealdah stating that no inconvenience will be faced on this account. The TSS is yet to be commissioned (September 2005).

An assessment in Audit revealed that the Railway Administration has incurred an avoidable expenditure of Rs.1.60 crore on account of penalty during the period December 2002 to September 2005. The Railway Administration will continue to incur such avoidable expenditure till the revision of contract demand/ commissioning of TSS.

The matter was taken up with the Railway Administration and Railway Board in March 2005 and October 2005 respectively. Their reply has not been received (December 2005).

**6.1.7 South Eastern: Avoidable extra expenditure due to excess
Railway load capacity of transformers**

Railway Administration incurred an avoidable extra expenditure of Rs.3.65 crore due to raising of the load capacity of the transformers in violation of Tariff Condition
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Bihar State Electricity Board's (BSEB) Tariff Notification dated 26 August 1991 provides (Clause 16.4) that the transformer capacity of High-Tension (HT) and Extra High-Tension (EHT) consumers shall not be more than 150 per cent of the Contract Demand. The Notification further provides vide clause 16.8 that in the event of the meter being out of order, due to any reason during any month/months, the consumption for these month/ months shall be assessed on the average consumption of previous three months from the date of meter being out of order or the average consumption for the corresponding three months of the previous year's consumption or the Minimum Monthly Guarantee, whichever is the highest.

BSEB (now JSEB) was supplying power to Sini Railway complex under Chakradharpur Division of South Eastern Railway for a Contract Demand (CD) of 920 KVA per month. Review of records in Audit revealed that the Railway Administration violated the tariff condition mentioned above, when they commissioned their 7th transformer in 1996, raising the load capacity to the extent of 1670 KVA. The Railway Administration did not take any action to enhance the Contract Demand of 920 KVA. It was also seen that the Railway Administration had been paying the energy bills on the basis of actual consumption upto November 1999. Thereafter, the meter of the complex was burnt in December 1999. Hence, the State Electricity Board started preferring monthly energy bills on monthly average consumption basis. The Railway Administration had been making the payments of the billed amount and a sum of Rs.1.48 crore was paid for the electricity consumed during the period from December 1999 to October 2001.

JSEB intimated (November 2001) the railway authorities that as per joint inspection conducted in September 2001, the load capacity found in their connection was 3120 KVA which was much more than 150 per cent of the

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Contract Demand (920 KVA) and requested the Railway Administration to execute an agreement for a contract demand of 2100 KVA. The Railway Administration, however, did not agree (December 2001) to the excess load capacity of the transformers on account of the meter being defective and argued that the load capacity of standby transformers was also taken in account by JSEB in arriving at the load capacity as 3120 KVA. The JSEB started preferring average energy bills on the enhanced CD of 2100 KVA and a sum of Rs.6.51 crore was claimed by JSEB for the electricity consumed during the period from November 2001 to April 2005. It was seen in Audit that leaving aside the four standby transformers, the total load capacity of eight transformers was 2070 KVA. The Railway Administration neither took the JSEB into confidence while installing additional transformers as standby/ other wise, nor did they approach JSEB to execute an agreement for 1400 KVA as CD, which covers 150 per cent of the load capacity of working transformers.

Railway Administration's failure to apprise the JSEB of the updated position of load capacity of the above connection from time to time after the introduction of tariff notification dated 26 August 1991 coupled with the failure to increase the CD from 920 KVA to 1400 KVA, compelled the Railway to make avoidable excess payments on enhance CD of 2100 KVA which works out to Rs.3.65 crore during the period from November 2001 to April 2005.

When the matter was taken up (April 2005), the Railway Administration in their reply (June 2005) and in the meeting held (July 2005) stated that the CD was raised arbitrarily by JSEB which resulted in excess billing. The Railway had no other option but to avail of power supply from the JSEB and, as such, payments were made under protest. Railway Administration also stated that Chairman, JSEB has been advised to arrange for immediate repair/ replacement of the energy meter and to return the excess amount paid by Railway.

The reply is not acceptable. The Railway Administration is unlikely to get refund of the excess amount paid as they violated the tariff condition of JSEB and also did not apprise the JSEB while installing standby transformers raising the load capacity.

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

6.2 Non-recovery of railway dues

6.2.1 North Eastern: Non-recovery of construction cost of Railway Road Over Bridge

Failure of the Railway Administration to execute an agreement before commencement of the works resulted in non-recovery of Railway dues of Rs.4.34 crore. It was also likely to jeopardize the recovery of operational and maintenance costs in future

Para 1818 of Indian Railway Code for Engineering Department, provides that before undertaking construction of any Road Over Bridge (ROB)/ Road Under

Bridge (RUB), the cost of which is to be entirely or partially borne by the Road Authority, an agreement, clearly spelling out the liability to bear initial, recurring/ maintenance and other costs, should be executed between the Road Authority and the Railway. Railway Board's instructions issued in December 1965 also stipulate that provision should be made in the agreement specifying clearly that the existing level crossing would not be required after opening of the ROB/ RUB to road traffic and in case the level crossing was needed to be kept open or was restored for any reason whatsoever, the Road Authority would reimburse the cost borne by Railways under the terms of Agreement/ Memo of Terms and Conditions.

Audit scrutiny of the records of Railways revealed that despite commissioning of the two ROBs constructed in lieu of level crossings Nos. 4 ML near Nishatganj and level crossing No.7 ML near Raidas Temple between Daliganj – Badshah Nargar Railway stations in Lucknow in 1994 and 2002 respectively, the level crossings were not closed due to public protests and political pressure. Since the efforts made by Railway Administration to get these level crossings closed did not yield any results, they approached the State Government in May 2003 to reimburse Rs.4.34 crore (Rs.3.74 crore on account of the Railway's share of cost of ROBs and Rs.0.60 crore towards annual maintenance charges). It was also observed that the Railway Administration had not executed any formal agreement with the State Government, before undertaking construction of these ROBs, as required under the extant rules.

When the matter was taken up (April 2005), the Railway Administration stated in May 2005 that the amount would be adjusted against Rs.2.50 crore which was to be given to the State Government as Railway share for construction of another ROB over level crossing No.3A at Mavaiya. It also stated that a high level meeting was held in May 2003, in which the Railways were informed by the State Government that the level crossings would not be closed due to unavoidable reasons and the State Government would soon take necessary action over the issue.

These arguments are not tenable as even after lapse of two years after the high level meeting no action has been taken by the State Government either to close the level crossings or to make payment. Moreover, Railway Administration has also not adjusted the amount from the dues of the State Government. Even if the cost of ROBs is adjusted/recovered, the chances of recovery of operational and maintenance costs of level crossings, in the absence of specific agreements, are remote.

Thus, failure of the Railway Administration to execute an agreement before commencement of the work resulted in non-recovery of Railway dues of Rs.4.34 crore. It was also likely to jeopardise the recovery of operational and maintenance costs in future.

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

6.2.2 Central Railway: Non-recovery of Railway dues from a siding owner

Incorrect billing and non-resolution of disputes resulted in non-recovery of Rs.2.24 crore including interest on delayed payments, in respect of the four sidings of Western Coalfields Ltd.

Rules contained in Indian Railways Code for the Engineering Department call for agreements to be entered into with the siding authorities by Railway Administration for levying and recovering charges for maintaining the assisted sidings inside the premises. Railway Board in April 1982 issued orders for recovery of repair and maintenance charges for private sidings on kilometer basis in accordance with prescribed guidelines. Maintenance charges for overhead (OHE) installations in respect of electrified private/assisted sidings were also to be worked out on kilometer basis. In pursuance of these orders and in order to streamline the procedure, the Railway Administration issued a Joint Procedure Office Order (April 1999) for raising bills for maintenance charges on kilometer basis, which, inter alia, asked for incorporation of these guidelines in the agreements entered into by Railways with the parties.

Audit scrutiny of records of twelve sidings of Western Coalfields Limited (WCL) on Nagpur Division revealed that in respect of four sidings at Ballarpur, Ghugus, Rajur and Wani, Railway had not entered into any agreement with the siding owners. Further review of records indicated that:

- The Railway Administration was not raising bills correctly, on kilometer basis, for maintaining the portions of the sidings inside the owners' premises, as required in the Railway Board's orders of April 1982. This resulted in short-billing to the extent of Rs.0.78 crore from three sidings at Ballarpur (Rs.0.37 crore), Ghugus (Rs.0.21 crore) and Rajur (Rs.0.20 crore) during the period 1996-97 to 2004-05.
- Bills raised by the Railway Administration in respect of three sidings at Ballarpur, Rajur and Ghugus were disputed by the party (December 2002) on the grounds that there were over-writings, and excess levy of wages and pensionary benefits. As a result of the meeting held in November 2003, the Railway Administration issued revised bills in January 2004. Despite this, it was observed that the dispute had not been resolved and the Railway Administration is yet (August 2005) to recover an amount of Rs.1.33 crore which included Rs.0.43 crore for maintaining sidings inside the owners' premises in respect of their sidings at Ghugus, Rajur and Ballarpur and Rs.0.90 crore for maintenance of OHE installations in respect of their sidings at Rajur and Wani.
- An amount of Rs.0.13 crore towards interest charges on delayed payments is also recoverable from the party in respect of the four sidings.

When the matter was taken up (December 2004), the Railway Administration contended (April 2005) that Rajur and Ballarpur sidings had paid actual

maintenance charges in March 2005. As regards OHE maintenance charges, Divisional Railway Manager, Nagpur had accorded sanction for withdrawal of OHE maintenance charges in respect of Wani and all out efforts were being made for recovery in respect of Ghugus and Rajur sidings.

These contentions are not satisfactory. Though bills amounting to Rs.0.23 crore in respect of Rajur, Ballarpur and Ghugus sidings for the period 1996-97 to 2004-05 had been paid, there was short-billing to the extent of Rs.0.78 crore, as the charges were not raised on kilometer basis. Further, in respect of Wani Colliery siding, one loop line with platform is being exclusively used by the siding and Commercial Department had declared this siding as an independent booking point with chargeable distance of two kilometers. Therefore, withdrawal of OHE maintenance charges, in this case, was against the spirit of the rules stipulating recovery of OHE maintenance charges. Efforts made by the Railway Administration for recovery of charges were not effective as the outstanding amount from these four sidings had increased from Rs.1.41 crore in December 2004 to Rs.2.24 crore as at the end of March 2005.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and October 2005 respectively. Their reply has not been received (December 2005).

6.2.3 Central Railway: *Loss due to non-inclusion of the element of productivity linked bonus in calculation of maintenance charges*

Failure of the Railway Administration to include the element of productivity linked bonus while calculating the rate of maintenance charges to be recovered from the private siding owners resulted in short-realisation of Rs.1.13 crore

Rules provide that in cases where the private siding owners are unable to maintain sidings and request the Railways to undertake maintenance on their behalf, the Railway Administration should fix the charges for such maintenance in consultation with their Associate Accounts. In April 1982, the Railway Board decided that the maintenance and repair charges for private sidings, wherever these are maintained by the Railways, should be levied on per kilometer basis. A review of these charges should be made every five years applicable from 1st April and in the interregnum, charges should be increased by 10 per cent on the base rate every year.

Audit scrutiny of records revealed that though while revising the rates in April 1987 and January 1993 the Railway administration had taken into account the element of productivity linked bonus, in the subsequent revision in January 2000 (effective from 1 April 1997) the element of PLB paid to the staff had not been included for working out maintenance charges. This resulted in incorrect fixation of maintenance charges and led to short-realisation of Rs.1.13 crore from the siding owners in four divisions viz., Mumbai, Bhusawal, Nagpur and Solapur.

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It was also observed that though the Engineering Branch of the Central Railway Headquarters had directed in June 2002 that maintenance charges should be finalised at Divisional level effective from 1 April 2002, the Divisions had not initiated any action in this regard (August 2005).

Thus, failure of the Railway Administration to include the element of productivity linked bonus, while calculating the maintenance charges for the period April 1997 to March 2002 to be realised from the private sidings, resulted in non-realisation of Rs.1.13 crore.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and September 2005 respectively. Railway Administration and Railway Board accepted (October 2005 and December 2005) the error and stated that bills taking into account revised rates including the element of PLB would be raised by the respective divisions shortly.

6.2.4 South East Central: Loss due to non-realisation of Railway cost of damages to rolling stock

Railway Administration's inaction in realising cost of damage to rolling stock from Hasdeo Thermal Power Plant/ Madhya Pradesh Electricity Board resulted in loss of Rs.1.16 crore
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A case of non-realisation of dues of Rs.0.49 crore on account of cost of damages to rolling stock, track as well as re-railing charges arising out of an accident, in the absence of any agreement executed with Hasdeo Thermal Power Plant/ Madhya Pradesh Electricity Board (HTPP/ MPEB), was taken up with the erstwhile South Eastern Railway Administration in May 1997 (DP No.1 of 1996-97). In their reply (September 1997) the Railway Administration had assured that the possibility of recovering the due amount from the future power tariff bills of MPEB, by way of adjustment, would be explored as per Railway Board's direction (July 1995) on the recommendation of Railway Convention Committee.

Review in Audit of further progress made towards adjustment of Railway's dues revealed that Divisional Railway Manager, Bilaspur once again requested (October 1997) the Chairman, MPEB to advise the concerned MPEB authorities at Korba to accept the debit bills at the earliest. However, while rejecting the Railway's request, MPEB suggested (December 1997) a joint committee, who could go into the details and examine the facts and figures before arriving at a final conclusion. Again, in a joint meeting held on 7 March 1998, the MPEB stated that it was not possible for them to accept these damages and requested for re-examination of the whole case. The Railway Administration, however, stated that there was no scope for re-examination of the case as a detailed reply on this issue had already been furnished (October 1997) by the Divisional Railway Manager, Bilaspur to the Chairman, MPEB. Meanwhile, the Railway Administration had revised the cost of damages to Rs.0.50 crore.

Subsequently, in August 1998 and March 2000 the Divisional Authorities, Bilaspur sought the permission from Zonal Headquarters to adjust the dues of Rs.0.50 crore from power tariff bills/energy bills of HTPP/ MPEB. Thereafter, there was no further progress on this matter. The Headquarters' permission to

adjust the dues from energy bills of MPEB is still awaited (August 2005). Meanwhile, an amount of Rs.0.66 crore has accrued as interest on the dues outstanding as on March 2005 in terms of Railway Board's order dated 6 March 1990.

- Railway Administration's failure to execute an agreement with HTPP/ MPEB laying down the respective party's rights and obligations which would have been binding on the party coupled with their refusal to go in for a joint examination as suggested by the party, led to a stalemate and consequent non-realisation of Rs.1.16 crore.
- Railway Administration also did not recover Railway's dues by adjustment with the power tariff bills of HTPP/ MPEB despite Railway Board's clear directives of July 1995 in this regard and assurance given to Audit in September 1997.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and October 2005 respectively. Their reply has not been received (December 2005).

6.2.5 Central Railway: Non-recovery of electricity charges from private parties/ Government Departments

Failure of the Railway Administration to implement orders/ decisions resulted in accumulation of outstanding electricity charges of Rs.2.14 crore from outsiders
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In October 1988, the Railway Board clarified their earlier orders of September 1986 laying down the procedure for recovery of electricity charges from outsiders/ Government Departments/ Public Sector Undertakings being given supply from Railway feeders. Under the new orders, Zonal Railways were required to take security deposit equivalent to three months anticipated consumption charges from the parties. The security deposit was to be in addition to the service connection charges, which were to be collected for providing connection to the parties.

Audit had pointed out (October 1997) the unrealised electricity charges amounting to Rs.1.22 crore due from various private parties/ Government Departments. The Audit objection was closed on assurance of action by the Railway Administration (September 2001) for recovery on a regular and more systematic manner. However, records of review meetings held by the Divisional authorities in February 2002 and November 2003 revealed that the position of outstanding electrical charges from the outsiders had deteriorated. The Divisional authorities decided (November 2003) to disconnect electricity connections of defaulters whose dues still persisted even after adjusting from their security deposit. It was decided to ask Railway Institutes, Co-operative Societies and Railway Union Offices to take independent connections from the State Electricity Boards (SEBs) within a period of three months. Divisional Authorities also decided to simultaneously initiate action for recovery of outstanding dues. However, it was seen that the position of outstanding electricity charges from private parties and Government Departments continued to be unsatisfactory as the amount outstanding on this

account was Rs.2.14 crore as of February 2005. Further Audit scrutiny of the system for monitoring of outstanding dues revealed that even after nearly two years since these decisions were taken in November 2003, the details of security deposit of the various parties were not available with the Divisional Authorities. As against 262 parties involved, the Railway Administration had with them only an amount of Rs.8.17 lakh on account of security deposits from 12 defaulters. No security deposits had been collected by the Railway Administration from 13 Institutes, 22 Co-operative Societies and 38 Union Offices and, therefore, chances of recovery of Rs.0.93 crore outstanding against these 73 parties are remote. Bills for outstanding charges were also not being preferred regularly and the Railway Administration had not taken recourse to disconnecting the electricity connection in respect of any of the defaulters.

When the matter was taken up (January 2005), the Railway Administration accepted (March 2005) that uniform procedure had not been followed for the earlier period and necessary adjustments had not been carried out due to lack of co-ordination between different departments.

Thus, due to lacunae in maintaining records and failure to follow the procedures laid down by the Railway Board/ implement the decisions taken during the meeting held in November 2003, the Railway Administration could not realise outstanding dues amounting to Rs.2.14 crore on account of electricity charges from various outside parties.

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

6.3 Miscellaneous

6.3.1 South Central: *Excess consumption of high speed diesel oil due to utilisation of high power diesel locomotives for inadequate trailing load*

Utilisation of high power diesel locomotives for trailing inadequate loads led to wasteful consumption of high speed diesel oil valuing Rs.6.31 crore

Horsepower (HP) of a locomotive decides the tractive effort and trailing load to be hauled. The Railway Board decided (November 1999) to increase the HP of WDM-2 and WDG-2⁷ locomotives by upgrading them as WDM-3A and WDG-3A⁸ and authorised Diesel Component Works, Patiala (DCW) to undertake rebuilding of these locomotives. The HP of rebuilt locomotives was increased from the existing 2600 HP to 3100 HP which brought up the trailing load of these locomotives to 9700 MT per multiple unit for BOX-N wagons, in plain area, as against 4750 MT earlier. Diesel Loco Shed, Gooty on South Central Railway was holding 118 WDM-3A and WDG-3A locomotives, including some rebuilt locomotives received from DCW. These high power locos were being used by the Railway to haul trailing load of 4750 MT which was earlier being hauled by WDM-2 locomotives of 2600 HP.

⁷ WDM-2/ WDG-2 - Types of diesel locomotives with 2600 horse power.

⁸ WDM-3/ WDG-3A - Types of diesel locomotives with 3100 horse power.

Specific fuel consumption (SFC) represents quantum of fuel consumed per 1000 GTKM⁵ on services provided by Diesel Locomotives. Audit observed that actual SFC for goods services provided by Diesel Locomotives of all Diesel Loco Sheds on South Central Railway during the years 2001-02 to 2003-04 was respectively 2.67, 2.66 and 2.92 litres as against targets fixed by Railway Board which were 2.40, 2.93 and 2.61 respectively. One of the causes for higher SFC on South Central Railway was the SFC of Diesel Shed, Gooty for the three years, which was 2.85, 2.88 and 3.21 (upto November 2003). In view of higher consumption of Diesel Shed, Gooty, Zonal Railway Administration requested (April 2004) the Railway Board to re-fix/ revise the SFC for goods services to 2.92, as a special case, taking into account the actual SFC of Diesel Shed, Gooty at 3.21. No acceptance was received from Railway Board for the proposal. South Central Railway attributed the higher SFC on Diesel Shed, Gooty to the fact that Gooty Diesel Loco Shed provides locos for working in ghat sections of Castle Rock (CLR) and Kulem (QLM) section to haul loads of 54 BOX-N wagons over broad gauge track having steep gradient of 1 in 37. This required utilisation of three diesel locomotives down the ghat to control the speed and seven diesel locomotives up the gradient to haul the loads. Diesel Shed, Gooty started providing high powered locomotives in triple multiple units only from August 2001. However, it was seen that, even prior to gauge conversion of CLR-QLM section, the Guntakal loco shed, whose locomotives were also operating in the same geographical terrain, had an SFC target of 2.15 as against 2.79 of Gooty Shed for the year 1998. Audit is of the view that the higher SFC at Gooty was due to holding of high powered diesel locomotives by Gooty Shed.

A review of records revealed that actual average SFC of Diesel Shed, Gooty had gone up to 3.23 for 2003-04 and 3.43 during 2004-05 (up to December 2004) from 3.21 projected earlier to Railway Board. The higher SFC of Diesel Shed, Gooty resulted in excess consumption of 3995 kilolitres of HSD oil valuing Rs.6.31 crore during the period April 2003 to December 2004. Audit is of the view that the Railway had not gained any substantial advantage from the introduction of the upgraded locomotives as they were being utilised to haul the same trailing load as WDM-2 locos, while their diesel consumption had gone up.

On this being taken up by Audit in May 2005, the Railway Administration contended (July 2005) that earlier WDM-2 locomotives were made to haul a load of 4750 tonnes, which was beyond their capacity and, therefore, there was need for induction of high powered locomotives to ensure smooth running of trains. The Railway Administration added that in respect of high-powered locomotives of Diesel Shed, Gooty, the payload⁶ of the wagons had been increased so as to increase the trailing load⁷ without going in for increasing the standard length of loop line. This has resulted in additional income of Rs.291.96 crore during the year 2003-04. According to the Railway

⁵ Unit has not been mentioned hereafter. GTKM denotes Gross Tonne Kilometers which means load on train multiplied by lead involved.

⁶ Load per wagon for which freight is charged by Railway.

⁷ Load of total rake which is trailed by the locomotives.

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Administration, by utilising high-powered locomotives, a tremendous reduction of 95 per cent in stalling cases had been achieved. The SFC of Gooty locomotives was higher due to utilisation of three diesel locomotives (multiple units), which is unavoidable.

Again during discussion (August 2005), the Zonal Railway Administration contended that efforts were being made to contain the SFC in close coordination with South Western Railway.

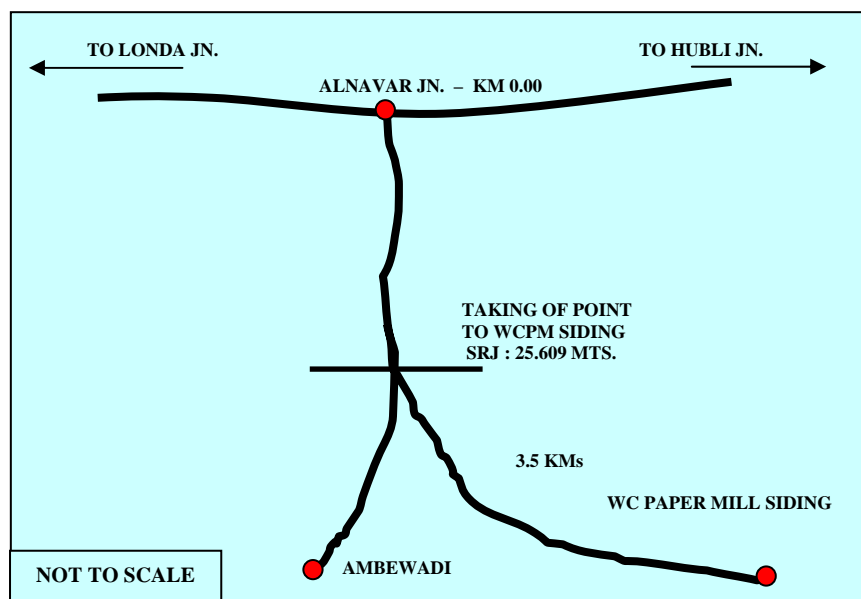
Railway Administration arguments are not acceptable in view of the fact that as per the load chart circulated by RDSO, WDM-2 locomotives are capable of hauling 4750 tonnes in plain section of track and utilisation of bankers had been contemplated in the critical gradient section. Railway Administration has not been able to establish a direct correlation between additional earning of Rs.291.96 crore and use of the high powered locomotives nor can the increase in earning be solely attributed to increase in payload. Moreover, the payload increase by Railway was in accordance with Railway Board directives (July 2004) to load the BOXN wagons upto carrying capacity plus two tonne (increased further to carrying capacity plus six/ ten tones from May 2005), irrespective of the locomotive used. Audit has worked out the excess fuel consumed over and above the SFC of 3.21, which was projected by the Railway Administration while justifying a higher target of SFC. Railway Administration had already taken into account the unavoidable consumption of HSD oil in Castle Rock - Kulem section.

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

6.3.2 South Western: Avoidable extra expenditure due to Railway non-shifting of serving station

Failure of Railway Administration to shift a serving station for a paper mill from Ambewadi to Alnavar, has resulted in avoidable expenditure of Rs.5.14 crore
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Alnavar – Ambewadi is a branch line in the Hubli – Londa section in the Hubli Division of South Western Railway. This branch line was converted to Broad Gauge (BG) between Alnavar – Ambewadi in September 1995. Out of the two sidings that were being served by Ambewadi station prior to gauge conversion, gauge of West Coast Paper Mills Siding (WCPM) was converted to BG, since its conversion was justified on traffic demand. Subsequent to the conversion, there has been no passenger service in the section and the WCPM siding is being served by the Alnavar – Ambewadi line.



Though Ambewadi was notified as serving station for the siding, the traffic to and from the siding is being controlled from Alnavar station. The issue of non utilisation of traffic facilities created at Ambewadi to handle the WCPM traffic and the actual handling of WCPM traffic from Ambewadi station was also commented in Para 3.3.3 of Audit Report No.9 of 2002.

In March 2001, Divisional authorities, Hubli proposed closure of Ambewadi and operation of trains to WCPM siding from Alnavar station. This proposal was made on the ground that the pattern of train operation to the siding had stabilized. The proposal for closure was approved by the South Central Railway Administration in July 2001. Even as the formalities for closure of the Ambewadi station were in progress, Hubli Division came under the jurisdiction of newly formed South Western Railway (April 2003). Based on the proposal (May 2003) of Divisional authorities, Hubli approved (August 2003), the closure of Ambewadi station and working of the section between Alnavar – WCPM as a siding. However, the WCPM authorities requested that Ambewadi should be continued as serving station as they would neither be able to handle all the consignments at Alnavar nor be able to maintain the Railway siding between Alnavar – Ambewadi. The WCPM authorities were willing to pay the staff cost for operating Ambewadi as a serving station. On this basis, it was decided that Ambewadi would continue as serving station for WCPM siding. However, neither any bills for the cost of staff engaged in operating Ambewadi as a serving station were preferred by the Railway Administration nor was any payment made by WCPM.

The traffic to WCPM siding was being charged on Through Distance Basis upto the Buffer end of the siding. The freight realised for the distance between Alnavar to WCPM siding limits was not commensurate with the actual expenditure in dealing with the traffic in the section. An analysis in this regard indicated that the freight realised, during the period between April 2001 to March 2005 only was Rs.2.08 crore against the total expenditure of Rs.7.22 crore incurred (i.e. cost of haulage of goods trains from Alnavar to WCPM

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siding – Rs.1.18 crore and dividend paid on capital investment – Rs.6.04 crore).

Railway Administration's failure to shift the serving station from Ambewadi to Alnavar and treat Alnavar – Ambewadi as a siding, despite the fact that the Alnavar – Ambewadi branch line was exclusively used for WCPM resulted in avoidable extra expenditure of Rs.5.14 crore (Rs.7.22 crore – Rs.2.08 crore) during four years (2001-02 to 2004-05). Had Alnavar been notified as serving station, maintenance charges for the entire siding length of 26 kms. from Alnavar, amounting to Rs.3.71 crore for the period under review, could also have been collected from WCPM.

Audit took up the matter in November 2002 with the Railway Administration, who agreed (March 2004) to close down Ambewadi station and notify Alnavar as a serving station. They also agreed to recover maintenance charges after execution of an agreement. As the Railway Administration failed to act as per their assurance, the matter was again taken up (April 2005) with them. Railway Administration contended (September 2005) that WCPM siding was opened for traffic on through distance basis and question of controlling the traffic from Alnavar did not arise. Secondly, Alnavar -WCPM section cannot be considered as a siding for recovering maintenance charges from WCPM because agreement entered into with them is with Ambewadi as a serving station. Thereafter, during discussion with Audit (September 2005) Railway Administration accepted that after gauge conversion in 1995, only WCPM traffic was being dealt in the section. However, they stated that treating Alnavar as a serving station and levying siding maintenance charges on the party may result in the diversion of traffic to road. Also, the party can be asked to pay the direct cost only.

Railway Administration's contention is not acceptable in view of the fact that after gauge conversion, Alnavar-Ambewadi section is exclusively serving the WCPM siding. Freight realised on through distance basis is not compensating the actual expenditure incurred in dealing with the traffic in the section. In case Alnavar had been notified as serving station as per South Central Railway's decision of July 2001 or August 2003, recovery of maintenance charges for the total length of siding could have offset the extra expenditure incurred by Railway on the provision of a line exclusively for WCPM. As regards the statement about the likelihood of diversion of traffic to road, it is pointed out that the argument was not taken by Administration even in August 2003 when the South Central Railway took the decision to notify Alnavar as the serving station and as such it is an afterthought, without supporting evidence. Moreover, gauge conversion and complete track renewal works were carried out for WCPM and hence, indirect costs like dividend payable to general revenue should be borne along with siding maintenance charges by the party.

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

6.3.3 East Central: Under-utilisation of Surface Wheel Lathe Railway Machine

Failure to procure a diesel generator set for ensuring uninterrupted power supply resulted in under-utilisation of a Surface Wheel Lathe procured at a cost of Rs.1.78 crore for about 9 years

A Surface Wheel Lathe, procured at a cost of Rs.1.78 crore to meet the requirement of turning wheels for Barwadih BOXN ROH depot (BRWD) as well as other depots of Dhanbad Division, was received by BRWD in August 1996. The voltage stabiliser procured at a cost of Rs.2.35 lakh for the lathe machine was malfunctioning right from its receipt in October 1996. After rectification of defects the Surface Wheel Lathe and the stabilizer were commissioned in July 1997.

Audit scrutiny revealed that the wheel was not performing satisfactorily since its commissioning and there were frequent breakdowns due to some design and manufacturing defects in the lathe. Though the supplier promised to rectify the deficiencies, he failed to do so within the warranty period and the lathe continued to malfunction. Despite the malfunctioning, the Proven Test Certificate was issued for the machine on 6 October 1997. The supplier suggested in February 1998 that the lathe would give trouble free service if uninterrupted power was supplied through a diesel generator (DG) set. This was also demonstrated practically. Though the Railway Administration proposed procurement of one 500 KVA DG set (estimated cost Rs.25 lakh) in the Machine and Plant Programme for 1998-99, it has not been procured so far (August 2005).

Audit scrutiny of the records revealed that the lathe remained under breakdown condition for 796 days during the period 26 July 1997 to March 2005. In addition, 729 days were lost due to power failure. The outturn achieved by the lathe was only 15.46 per cent of its installed capacity. Due to non-functioning of the lathe for turning wheels, wagons were detained in the depots for want of wheels. Though poor power availability/ low voltage was causing detention of wagons on account of non-availability of re-profiled wheels, Railway Administration had not procured the DG set for ensuring uninterrupted power supply. Railway Administration could not furnish details of exact number of wagons detained or days of detention.

When the matter was taken up (December 2004), the Railway Administration stated (January 2005) that all efforts were made to ensure optimum utilisation of the wheel lathe for re-profiling of wheels as per requirement. It was, however, accepted that 33 per cent of the wagons were released from BRWD depot without re-profiled wheel sets.

Thus, failure of the Railway Administration to ensure the procurement of a DG set for ensuring uninterrupted power supply of requisite voltage, the Surface Wheel lathe procured at a cost of Rs.1.78 crore in August 1996 remained grossly underutilised for nearly 9 years. In the meanwhile, the depot is releasing wagons without re-profiled wheels thereby endangering the safety of goods as well as Railway assets.

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When the matter was taken up (May 2005), the Railway Administration stated (September 2005) that the firm had attended breakdown as and when reported and rectified the defects within warranty period. Upon attention to the machine by the firm and proper functioning, the PTC was issued. The Railway Administration also claimed that there was arising of 28,022 wheels for turning during the period and all of them were turned on the machine. Moreover, a 250 DG set for wheel lathe for providing uninterrupted power supply had been installed and one additional 500 KVA DG set is also being procured under Machine and Plant programme 2005-06.

Railway Administration's contention cannot be accepted as the Chief Mechanical Engineer had categorically reported in his letter dated 9 May 2000 to the Chief Administrative Officer (COFMOW) that the firm had failed to rectify the defects during warranty period. The machine, which was commissioned on 23 July 1997, remained in breakdown condition frequently. Even after the issue of PTC on 6 October 1997, the machine broke down again on 8 October 1997 and on many occasions thereafter. This shows that the issue of PTC was not correct. The actual arising of wheels for turning during the period was 39,328, out of which only 28,022 wheels were turned. Moreover, the fact that the Sr. Divisional Mechanical Engineer (C&W), Dhanbad had been demanding 500 KVA DG set since 1999 and it has been proposed to procure a DG set of this capacity in 2005-06 shows that a DG set of requisite capacity was necessary and the Railway Administration had failed to procure the same till now.

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