

CHAPTER XVI: MINISTRY OF RAILWAYS

Container Corporation of India Limited

16.1.1 Blocking of funds

The Company's decision to construct residential flats for staff without ascertaining the demand for the same and without proper survey of the location, led to blocking of funds of Rs.95.29 lakh and consequential loss of interest of Rs.45.13 lakh.

With a view to meeting the shortage of accommodation for housing in Mumbai, Container Corporation of India Limited (Company) made a proposal (October 1995) to the Western Railways for construction of 24 flats on Railway land with the condition that 12 flats would be allotted to the Company on long-term lease of 30 years and 12 flats to the Railways. While the entire cost of construction of the flats was to be borne by the Company, the ownership of all the flats would remain with the Railways. The Railways accepted (January 1996) the Company's proposal to construct the flats and the Company deposited Rs.95.29 lakh with the Western Railway during the period from May 1997 to July 1999.

It was observed (July 2005) in Audit that the Company did not verify the suitability of location of the site before making payments or during construction of flats. Though the Company took over the possession of 12 flats in April 2002, it could not allot the same to the employees as they were reluctant to occupy these flats. As per the inspection conducted (October 2003) by the Company, the flats were located around a slum area and were far away from the Railway station.

In June 2004, the Western Railway intimated the Company that if the flats were not required, the same could be taken back by them. Only after the matter was pointed out by Audit in July 2005, the Company took up the matter with the Railways (January 2006) for surrender of flats and refund of deposit alongwith interest. The Railways have not refunded the amount so far (August 2006).

The Management stated (August 2005) that the Company was a growing organisation and the arrangement of suitable accommodation for its staff was a welfare activity. There was no loss in keeping the flats in its possession, as their cost was more than two times the actual amount deposited.

The reply was not acceptable, as the requirement was not assessed realistically before construction and the suitability of the site was not verified which was established by the fact that all the flats have been lying vacant for the last four years. The Management itself considered (February 2006) the flats unsafe for residential purpose on the ground that the locality was surrounded by a slum area and was full of anti-social elements. As regards appreciation in the value of the flats, this was not relevant as the Company has already

surrendered the flats and there was no provision for getting refund of the market value of the flats.

Thus, the Company's decision to construct the flats without ascertaining the demand for the same and without proper survey of the location, led to blocking of funds of Rs.95.29 lakh and consequential loss of Rs.45.13 lakh* on account of interest on the blocked funds (upto 31 August 2006).

The matter was reported to the Ministry in October 2006; reply was awaited (January 2007).

* *At a simple rate of six per cent per annum*