OVERVIEW

1. Passengers Revenue Management in Indian Railways

The Indian Railways consist of an extensive network spread over 63,122 kms. covering 6,906 stations, making it the world's second largest Railway system under a single management. Indian Railways run nearly 8,927 passenger trains daily, carrying on an average, 1.4 crore passengers per day. During 2003-04, the total passenger traffic was about 5,112 million and the revenue earned by the Railways from catering to such traffic was about Rs.13,298 crore. Despite appointment of various committees for suggesting ways and means for augmentation of the Railways' revenue by rationalisation of passenger fares, the recommendations made were either not implemented or implementation was delayed nullifying the benefits to be derived therefrom. Review of the efforts made by the Railways in rationalisation of passenger fares, utilisation of the capacity and introduction of new train services revealed that:

- **Almost 60 per cent of the passengers travelled to distances less than 150 kms. Of these, 86 per cent passengers travelled in ordinary second class. Financial impact in terms of loss of earnings due to non-revision of second class ordinary passenger fares was assessed at Rs.702 crore in respect of passengers who travelled in the distance slabs of 1-150 kms. during the years 2001-02 and 2002-03.**
- **Out of a total of 69.38 crore passengers who travelled between distance slab of 1-150 kms. in second class ordinary trains during the period 2002-03, Audit assessed, based on test-check, that 20.92 crore passengers travelled in distance slabs for which fares were reduced resulting in fall in revenue amounting to Rs.24 crore.**
- **By extrapolating results of test-checks, Audit assessed loss of revenue of Rs.2,344.76 crore during the period 1999-00 to 2002-03 due to non-acceptance of recommendations of RFFC to bring rail fares at par with bus fares.**
- **Non-adherence to prescribed level of relativity in fixing the fares for various classes resulted in loss of revenue of Rs.1.48 crore during the year 2003-04 in respect of 215 pairs of stations test checked.**
- **Non-acceptance of recommendation of RFFC for fixing the fare for Inter City trains ten per cent higher than the Mail/ Express trains resulted in loss of revenue of Rs.22.76 crore per annum in respect of 39 out of 53 trains test checked.**
- **Fixing of passenger fares for Rajdhani trains 15 per cent above Mail/ Express fares instead of 20 per cent recommended by RFFC deprived the Railways of an additional revenue of Rs.15.54 crore during the year 2003-04 alone.**

- **Ministry of Railway has foregone an amount of Rs.325.84 crore on account of various concessions during the year 2003-04 alone.**
- **Charging of 50 per cent fare instead of 75 per cent recommended by RFFC in respect of children provided with full berth resulted in loss of Rs.0.28 crore during 2003-04 in respect of 21 trains selected by Audit for test-check.**
- **Non-acceptance of RFFC's recommendation for withdrawal of concessions to delegates of various organisations resulted in loss of Rs.0.65 crore during the year 2003-04 alone.**
- **Running of 33 ordinary passenger trains in excess of requirement in 13 out of 21 non-suburban sections test checked resulted in loss of Rs.48.20 crore during the year 2003-04.**
- **Introduction of new trains, extension of run of existing trains and increasing the frequency without conducting traffic surveys or cost analysis resulted in almost all the trains adding to losses incurred by the Railways.**
- **Introduction of 18 pairs of Jan Shatabdi trains during 2002-03 and 2003-04 has resulted in loss of Rs.72.22 crore from the dates of their introduction to March 2004.**
- **Railways have incurred loss of Rs.137.76 crore during the year 2002-03 and Rs.137.51 crore during the year 2003-04 in operating 1,384 and 1,399 halt stations respectively.**

(Chapter 1)

2. Construction and Maintenance of Road Over Bridges/ Road Under Bridges on Southern and South Western Railways

Road Over Bridges (ROBs)/ Road Under Bridges (RUBs) are constructed with the main objective of eliminating level crossings, to improve the efficiency of the Railway operations and also to ensure safety to the public travelling by road and rail. Audit attempted to examine the efficacy of the funding mechanism for construction of ROBs/ RUBs, the adequacy of the planning process, the efficiency in execution of works and the extent to which level crossings were closed after construction of ROBs/ RUBs. The review revealed the following:

- **Budget provisions made by the State Government (Tamil Nadu) and the Railways were not commensurate with the estimated cost of works. Even the funds provided were surrendered by both the State Government (Tamil Nadu) and the Railways showing lack of commitment. The differing pace at which works were progressing on the various ROBs/ RUBs on the State side and the Railway side reflected lack of co-ordination and common prioritisation of works.**
- **Southern Railway Administration surrendered funds (allotted during Budget Grant stage) to the extent of 84 per cent, 74 per**

cent, 74 per cent and 71 per cent during the years 2000-01 to 2003-04.

- **Seven works were incorrectly taken up on cost sharing basis by the Railways resulting in avoidable financial liability of Rs.32.11 crore.**
- **Due to lack of clear norms regarding the length, additional facilities and width of approach roads, the Railways has undertaken avoidable financial liability of Rs.23.37 crore.**
- **Due to change in scope of work from RUB to ROB, Southern Railway incurred extra liability of Rs.9.05 crore in respect of two works.**
- **South Western Railway is yet to realise Rs.2.72 crore towards State Government's share in respect of seven works.**
- **Due to non-levy of departmental charges/ handling charges, the Railways incurred additional expenditure of Rs.7.92 crore in respect of 11 bridges.**
- **Due to non-commencement/ delay in commencement of works in respect of 72 bridges, LC continued to be operated resulting in avoidable expenditure of Rs.2.42 crore as of 31 March 2004.**
- **Investment of Rs.8.46 crore on the bridge portion already completed by the Railways remained idle due to non-completion of approach roads by the State Governments.**
- **In the absence of any agreement, the Railways could not claim reimbursement of Rs.7.15 crore from the State Government for the operation of three LCs in spite of opening of the ROBs for traffic.**

(Chapter 2)

3. Working and Performance of Signal Workshop, Gorakhpur

Signal Workshop, Gorakhpur, the second largest workshop in Indian Railways, is engaged mainly in the manufacture of Electric Points Machines – Rotary, Relays, Lifting Barriers Gates, Apparatus cases etc. The working and performance of the Signal Workshop was reviewed to see the level of economy, efficiency and effectiveness achieved in the manufacture of signal equipment. The Audit findings revealed that:

- **There were no records available to determine the overall production capacity of the workshop to manufacture various items. The production was short of target and well below the required level to meet the pending orders in all the years reviewed.**
- **The gap between annual expenditure and annual outturn was widening year after year. The gap of Rs.1.50 crore as on 31 March 2001 increased to Rs.4.90 crore as on 31 March 2004.**
- **The laid down procedure for maintenance and reconciliation of vital records for proper accounting of stores consumed, wages/ salaries paid, percentages of on-costs applied and harmonising**

various production activities to arrive at correct cost of production of various items was not being observed.

- **During 2002-03 to 2003-04, the unit cost of production of Electric Points Machines (Rotary) and QN1 Relays was very high. It was Rs.68,880 and Rs.2,470 respectively as against Rs.33,750 and Rs.1,825 respectively of cost of production in sister Workshop, Podanur. The cost of production of Electric Points Machines (Rotary) was also very high as compared to the price at which the workshop procured them from the market (Rs.49,200 per unit).**

  The price at which the Electric Points Machines (Rotary) and QN1 Relays were sold from October 2002 (Rs.48,250 and 2,025 per unit respectively) were much lower than the assessed cost per unit.

- **Workshop Manufacturing Suspense Account was not being reviewed every month to ensure that there were no inefficient balances. The balance was steadily increasing and it increased from Rs.2.69 crore as on 31 March 2000 to Rs.10.37 crore as on 31 March 2004 and is unlikely to be reduced.**

- **The capacity utilisation of cupola in the foundry shop was to the extent of only 53 per cent. Against the calculated capacity of 730 tonnes per annum, the actual production per annum was only 386 tonnes. Under-utilisation has serious implications in view of high pendency of indents for Electric Points Machines (Rotary) and the Railways resorting to procurement of these bases from the market.**

- **The Workshop Authorities are not serious about obtaining ISO-9000 certification despite the Railway Board's orders of July 1992 and August 2001.**

(Chapter 3)

IV. Information Technology Audit of Material Management Information System on Central Railway

Railway Board in 1997 instructed Central Railway to initiate action for developing a new RDBMS based online Material Management Information System (MMIS). Central Railway awarded a contract to M/s.CMC for development and implementation of the system. MMIS was fully implemented by December 2002. Audit review of the working of MMIS revealed that management of software contract awarded to M/s.CMC was poor in that full payment was made to the party though the party did not fully comply with all contract conditions. The MMIS suffered from deficiencies in program logic and validation procedures, as a result of which system outputs were not completely reliable.

(Chapter 4)