CHAPTER VII

Conclusions

7.1 The Delhi MRTS Phase I Project has been widely assessed as a success story in project implementation that is worth emulating in other projects. It is unique project, under the present administrative model. Some of the innovative practices that contributed to the successful implementation of the Project as reported by the management and as also observed by Audit are:

(i) All decisions were taken by participative discussions rather than through file notings. This led to speedy decision making. However, the company needs to record the minutes of such discussions for future reference and guidance to maintain continuity and to secure proper accountability;

(ii) The company has adopted exemplary practices to minimise inconvenience caused to the public during the construction of the Project.; and

(iii) The company has adopted international standards for fire, safety and environmental safeguards at work sites which are now being emulated by other projects being executed in the country.

7.2 Audit pointed out certain shortcomings and lapses in the systems and procedures, as highlighted below, to facilitate the management to further improve its systems and bring it at par with the best practices.

(i) The innovative practices adopted by the Project need to be adequately documented for the benefit of similar and other infrastructure projects;

(ii) Under the unique administrative model evolved by the Government of India, the company has not been put under direct control of any administrative ministry. This model presents ambiguity relating to the issues of (i) coordination and control by the executive government and (ii) the proper forum for legislative accountability. There are also no independent Directors on the Board of Directors of the company, a practice which is not conducive to good corporate governance.

(iii) The company has not prepared a Corporate Plan to chart out its goals and strategies for achievement of business development, diversification, technology upgradation, and customer satisfaction. It has also not 'Manualised' the procurement guidelines for domestically funded contracts.

(iv) The highest daily average ridership attained by the company was 21 *per cent* of the original projections and 29 *per cent* of the revised figure. The shortfall in ridership was mainly due to higher fare structure, lack of proper connectivity and lack of feeder bus system.

(v) The company adopted the broad gauge in Phase I as per the decision of the Group of Ministers. However, it was not ensured that the associated systems were planned and implemented to meet the stated objectives of adopting the broad gauge as envisaged by the Group of Ministers in August 2000.

(vi) The company has not provided Automatic Train Operation on all lines to ensure safer operation of trains. Noise levels were beyond the permissible limits and there were premature wear and cracking in the wheel and floor of the rolling stock raising doubts on the stipulated 30 years design life.

(vii) General consultant for the Project was appointed based on a system where the best bid was selected on 'technical quality' basis and not on 'technical quality cum cost' basis.

(viii) Out of 13 'design and construct' contracts reviewed in audit, estimates were revised or approved after opening of financial bids in seven cases. Further out of these seven cases, in three cases, even financial concurrence was not obtained before the approval of estimates by the competent authority.

(ix) On the request of the company, the JBIC allowed negotiation simultaneously with the first two lowest parties in two contracts, which was not in accordance with the loan agreement. A letter indicating discount of 13 *per cent* on the contract price, allowing a bidder to become the lowest evaluated tenderer in one contract, did not find any mention in the tender opening register.

(x) There were cases of granting advances (Rs. 38.72 crore) not provided in the contracts, short-recovery from contractors (Rs. 18.28 crore), payment of inadmissible claims (Rs. 6.92 crore) and avoidable payment (Rs. 28.02 crore).

(xi) The contract for design, manufacture, supply and commissioning of rolling stock was awarded with a condition that if the contractor failed to carry out the indigenous programme it would be treated as default on his part attracting termination of the contract. There was, however, no provision for levy of any pecuniary penalty.

(xii) Audit analysis of quality control indicated scaling down of testing requirements, non-witnessing of tests by the company's representatives, testing of material in non-accredited laboratories and non-preservation of test reports.

(xiii) The company has acquired 32.38 lakh square metre of land for Phase I of the Project but has not maintained location wise data of land used for the Project and property development. In nine locations the company acquired total land of 6.42 lakh square metre, which was in excess of the Project requirement by 14 to 354 *per cent*.

(xiv) The company finalised the lease/concession for property development at four locations based on one qualified bid received in each case and the amount realised was only 0 to 3 *per cent* over the reserve price**.** Apart from the restrictive clause for the land use in the allotment letters, poor response was also because of the stringent qualifying criteria fixed for the bid process.

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