Report of the Comptroller and Auditor General of India

for the year ended March 2014

Laid in Lok Sabha/ Rajya Sabha on _____

Union Government (Railways)

No.24 of 2015

(Audit Report Volume I)

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PREFACE

The audit of Ministry of Railways and its subordinate offices is conducted under Article 149 and 151 of the Constitution of India read with Section 13 of the C&AG ‘s (Duties, Powers and Condition of Service) Act, 1971 and in accordance with C&AG’s Regulations on Audit and Accounts.

The Audit Report for the year ended 31 March 2014 has been prepared in two volumes viz., Volume I and Volume II for submission to the President under Article 151 (1) of the Constitution of India.

This Audit Report (Volume I) contains 19 audit observations including three reviews. Matters relating to earlier years which could not be included in the previous Reports and matters relating to the period subsequent to 2013-14 have also been included, wherever considered necessary.

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Abbreviations used in the Report

IR	Indian Railways
CR	Central Railway
ER	Eastern Railway
ECR	East Central Railway
ECoR/E. Coast	East Coast Railway
NR	Northern Railway
NCR	North Central Railway
NER	North Eastern Railway
NFR/NEFR	Northeast Frontier Railway
NWR	North Western Railway
SR	Southern Railway
SCR	South Central Railway
SER	South Eastern Railway
SECR	South East Central Railway
SWR	South Western Railway
WR	Western Railway
WCR	West Central Railway
RPU	Railway Production Units
DLW	Diesel Locomotive Works
CLW	Chittaranjan Locomotive Works
ICF	Integral Coach Factory
RCF	Rail Coach Factory
DMW	Diesel Modernization Works
PAC	Public Accounts Committee
FA&CAO	Financial Advisor and Chief Accounts Officer
RB	Railway Board

Overview

This Audit Report contains the audit findings of significant nature detected during audit in Ministry of Railways (Railway Board) of the Union Government and its field offices for the year ended 31 March 2014. The Audit Report is divided into two volumes viz., Volume I and Volume II. Volume I of the Report comprises five chapters containing audit findings related to three departments viz., Traffic – Commercial and Operation; Electrical – Signalling and Telecommunication units; Mechanical – Zonal Headquarters/ Workshops/ Production Units, and Public Sector Undertakings of Indian Railways including the chapter on 'Introduction. Volume II of the Report contains audit findings related to Engineering department of Indian Railways.

Chapter 1, Volume I of the Audit Report gives a brief introduction of the audited entities; recoveries made by Ministry/ Department at the instance of Audit; remedial actions taken in response to audit observations made in earlier Reports; summarized position of Action Taken Notes. Chapters 2 to 5 present detailed findings/observations under the relevant department title.

Some of the important findings included in the Volume I are given below:

Para 2.1 - Review on 'Management of Private Sidings in Indian Railways'

Sidings are constructed to eliminate handling of goods at the stations as well as local haulage between the place of production/ consumption and Railway station. As on 31-03-2014, out of the total number of 1211 sidings, 835 are private sidings and the remaining are assisted sidings, departmental sidings and defence sidings. A detailed study of the 293 private sidings out of 835 in the Indian Railways has been conducted in audit.

Audit observed that the proposals of the private parties for setting up sidings were approved with delays subsequently leading to delays in construction and commissioning of new sidings. In respect of 25 sidings (out of 55), the delays in approval ranged between 45 days and 1500 days over and above the prescribed time limit of 120 days. Delays in approval led to delays in construction of private sidings resulting in loss of revenue to the Railways as the traffic projected by the parties intending to set up sidings could not be tapped by Railways.

Further, 32 newly constructed sidings (out of 55) failed to achieve their traffic projection (shortfall ranging between 10 to 75 per cent) resulting in loss revenue to Railways. Despite clear codal provision, Railway Board did not initiate any action to undertake the annual review the earnings of such sidings.

No siding agreements existed in respect of 16 sidings owners till 31st March 2014. Despite a directive from Railway Board (July 2005) and fresh agreements were not executed in the revised format in 53 sidings in 13 Zonal Railways. Further, information like effective date of agreement, preliminary survey expenditure, payment to be realised for land licence fee, maintenance

and other charges from siding etc were not recorded in the siding agreement at appropriate places in respect of the 178 sidings (out of 293) in 13 Zonal Railways**.** Railway dues amounting to ₹ 304.13 crores remained outstanding for recovery from the siding owners on account of Siding charges, land license fee, maintenance charges, shunting charges, damage & deficiency charges and demurrage charges etc.

An amount of ₹ 59.70 crore was outstanding since March 2012 on account of land license fee, dismantling charges in respect of eight closed sidings in two Zonal Railways. Besides, an amount of ₹ 45.47 crore was outstanding on account of recoverable dues from the siding owners against 19 out of 76 private sidings which were not in operations for the period more than 10 years.

79 private sidings are yet to have a weighbridge in their premises despite Railway Board's instructions to this effect in 2004. Of these, in 48 sidings, there was neither weighbridge at the siding premises nor at any en route station. In the remaining 31 sidings weighment arrangement existed at *en route* stations at the distance ranging between 3 to 390 kilometres from the siding premises enhancing the risk of overloading and damage to track.

Para 2.2 - Review on 'Liberalised Active Retirement Scheme for Guaranteed Employment for safety Staff (LARSGESS)'

The 'Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS)' was notified by Ministry of Railways (Railway Board) on 2 January 2004. The scheme provided for employment of a ward of an employee belonging to a specified category, subject to conditions laid down, in lieu of the employee seeking voluntary retirement. The scheme was conceived following demands by the Trade Union representatives of Indian Railway employees. Initially, the Scheme covered only two safety categories of staff viz. Drivers (excluding shunters) and Gangmen. Subsequently, numbers of amendments have been made by Ministry of Railways (Railway Board) during the period 2005 to 2014 by relaxing the prescribed norms for recruitment and also including other categories of staff under this Scheme. These amendments had the effect of diluting the eligibility criteria for recruitment and reducing the qualifying service period of the existing employee. Ministry of Railways had permitted recruitment of candidates under LARSGESS who did not even possess the minimum educational qualification of 10^{th} pass or equivalent as required for other categories of staff. **As such, recruitments under LARSGESS were made in violation of the conditions viz., (a) eligibility condition is to be the same as prescribed for direct recruitment, and (b) suitability of wards was to be assessed in the same manner as was being done in the case of direct recruitment, prescribed by Indian Railways itself. In the 10,086 test checked appointments out of total appointments of 24,848 during January 2011 to March 2014, 7,860 (80 per cent) appointments were made by diluting one of more of these conditions.**

LARGESS was implemented without consultation with Department of Personnel and Training (DoPT) and also without approval of Cabinet of the Union of India.

Para 2.3 - Fake Indian Currency Notes received through station earnings on Indian Railways

In Indian Railways, there are 8666 booking locations, where cash transactions take place through ticket bookings/ refunds, parcel booking etc. Audit reviewed the issues relating to receipt of Fake Indian Currency Notes (FICNs) through these locations and procedure adopted by Railway authorities for dealing with the FICNs. In Indian Railways, there are 40 Cash Offices nominated by Zonal Railways, where stations earnings are deposited. Audit reviewed the records of five stations under each of 40 Cash Offices. In addition Audit also reviewed 85 stations, remitting station earnings directly to banks, over 17 Zonal Railways.

Audit noticed that total debits of ₹92.33 lakh were raised as on July 2014 by banks/ cash offices on these selected stations for remitting Fake Indian Currency Notes (FICNs). Though major portion (78.60 per cent) of the debits was made good by the concerned booking staff, the procedure adopted by the railway authorities for dealing with the FICNs was not as per the procedure laid down in Cash and Pay Manuals of the Railways. FICNs detected by banks/ cash offices were being returned to the concerned booking staff, which was in violation of provisions laid down in Cash and Pay Manuals of Zonal Railways. This also led to possibility of recirculation of FICNs in open market. In case of three Railways (CR, ER, WR), concerned station authorities intimated to Audit that the FICNs were destroyed by the station staff, whereas these should be handed over to the Chief Commercial Superintendent of the Division for impounding.

The issue of installation of Currency Authenticator Machines at booking locations was reviewed by Audit and noticed that out of 196 selected booking locations over 14 Zonal Railways, such machines were installed only in 58 locations. Audit further revealed that despite installation of the machines, FICNs of ₹9.26 lakh were received through these booking locations.

Para 2.4 - Loss of revenue due to faulty agreement between Western Railway and Project Railway

Agreement for revenue sharing between the Western Railway and Kutch Railway Company Limited (KRCL) on the Gandhidham-Samkhiyali - Palanpur stretch was disproportionately framed in favour of KRCL, depriving the Western Railway of revenue to the extent of ₹ 300.21 crore in the period July 2006 to March 2014. Other port lines like Pipava Railway Corporation Limited and Bharuch Dahaj Railway Company Limited provide for equitable sharing on 50:50 basis. Railway Board also did not respond to the anomaly pointed by Western Railway in this regard in July 2012.

Para 2.5 - Rationalization order issued by Railway Board containing contradictory provisions led to loss of revenue amounting to ₹ 98.68 crore

Audit noticed that traffic booked from cement sidings on Jabalpur Division of WCR were being charged freight via shortest route. While issuing the rationalization order (August 2012), Railway Board failed to exercise due

diligence by not rationalizing the actual carried route. Due to contradictory conditions in the rationalization order regarding utilization of a particular route for movement of goods trains, freight was being charged via shortest route instead of actual carried longer route. The rationalization order has been amended (February 2014) only after being pointed out by Audit in August 2013. Failure of rationalization of actual longer route resulted in loss of revenue of ₹ 88.22 crore for the period from 20, August 2012 to 12 February 2014 besides loss of ₹10.46 crore due to less loading of wagons on the rationalized route as proposed by WCR.

Para 2.6 - Non-revision of agreement and consequent non-realization of revised wagon hire and haulage charges

SR Administration failed to incorporate clause providing for automatic revision of wagon hire charges periodically notified by Railway Board in the agreement with Chennai Port Trust (CPT). Despite the assurance given by Railway Board in their Action Taken Note on earlier Audit Para (2.4.3 of Report No.8 of 2003) to amend the agreement, SR Administration could not execute the revised agreement with the CPT. This resulted in short recovery of wagon hire charges (₹4.08 crore) up to March 2014, which may further increase till revision of agreement. Besides, Audit also noticed delay in claiming of haulage charges against CPT resulting in accumulation of dues amounting ₹7.91 crore upto July 2014.

Para 3.3 - Avoidable expenditure of ₹ 5.89 crore due to defective planning of works.

As a part of the ongoing DC-AC conversion works in Mumbai Suburban section, Central Railway Administration awarded three contracts in November 2007, April, 2008 and October, 2008 for provision of Diesel Generator (DG) sets, construction of DG set rooms with provision of power supply arrangements etc. for replacing the 2.2. KV DC system. However, GM, Central Railway subsequently decided (December, 2010) to retain the 2.2. KV DC power supply system for suburban area taking into account its advantages. The inadequate planning and belated decision to retain the 22KV/2.2 KV DC traction system three years after works were commenced and an expenditure of ₹ 8.83 crore had been incurred resulted in avoidable expenditure of ₹ 5.89 crore after taking into account the savings on transfer of surplus DG sets elsewhere.

Para 4.1 - Functioning of Research Designs and Standards Organization (RDSO) Lucknow

Research Designs and Standards Organisation (RDSO) is an organization under Ministry of Railways, responsible for development of new technology and upgradation of existing technology for Indian Railways. It is also involved in development of new vendors for procurement of safety and safety related items including upgradation and down gradation of the existing vendors. In IR, Zonal Railways/ Production units used to procure safety and safety related items through these approved vendors.

Audit reviewed the functioning of RDSO and concluded that it has been focusing less on its primary function of Research and Development (R&D) activities and more on subsidiary functions like Vendor Development & Inspection and Design activities despite repeated recommendations/ instructions of the Railway Board. Detailed scrutiny of records of 15 selected R&D projects, undertaken at RDSO, revealed that 11 projects were completed with the delay ranging from 10 to 82 months whereas two projects could not be completed till March 2014 even after expiry of six years of date of completion. Audit also noticed that RDSO did not have required in-house expertise to undertake R&D projects and had to remain dependent on outside experts to carry out its primary functions of R&D activities.

During review of vendor development activities of RDSO, it was revealed that despite having single vendors for 51 items related to electrical, mechanical and signaling items since 2008, RDSO had not taken action to develop new vendors for these items leaving the field open for the existing vendors and giving them monopoly.

Para 4.2 - Functioning of Rail Coach Factory (RCF), Kapurthala

Rail Coach Factory Kapurthala, a coach production unit of Indian Railways was set up in 1986. It is carrying out the responsibility of design, development and manufacturing of coaches. Initially the production capacity was 1000 Coaches per annum which was increased to 1500 coaches per annum in 2010.

Provisions for new coaching stock in the annual Rolling Stock Programme (RSP) which were to be made at least two years in advance were finalised by Railway Board with delays. Further, Railway Board made frequent changes in respect of the Production programme approved by it as seen in the years 2012-13 and 2013-14 which resulted in the stores/materials worth ₹ 31.93 crore remaining unutilised.

Store components valuing ₹ 21.53 crore were lying unutilised without issue for more than 36 months. These items were not declared as scrap or useable as Survey committee had not surveyed these items resulting in non-disposal of stores besides avoidable payment of dividend to General Revenue.

Delay in despatching as many as 286 finished coaches resulted in the investment of ₹ 414.40 crore remaining unfruitful besides an avoidable loss of earning capacity of ₹ 46.14 crore.

Shortage of manpower in the technical cadre was dealt with in casual manner by appointing excess Group 'D' staff by General manager and deploying them in place of technicians and supervisors for which higher technical qualifications are required and who are recruited by Railway Recruitment Board.

Para 4.3 - Non-availing of the benefit of CENVAT while paying Excise Duty on Rolling Stock

Central Board of Excise and Customs (CBEC) vide their Notification of 20th April 2011, imposed Excise duty (ED) on Rolling Stocks manufactured by Railway Production units for the use of Zonal Railways under one of the

following two options - 1) ED @ 1%+ Cess 3% in case CENVAT is not availed, and 2) ED@5 % +Cess 3% in case CENVAT credit is availed. Railway Board in October 2011 and again in April 2012 instructed Production Units to pay ED under Option 1 without analysing whether such an option was beneficial to them. It was only in June 2012 that RB instructed them to carry out such an analysis. Audit had advised one of the production units i.e. Diesel Locomotive Works (DLW), Varanasi in August 2012 that if the Countervailing Duty paid on imported items was factored in computation, option 2 would be a far more beneficial option to that unit. However, it was only in April 2014/May 2014 that DLW sought permission of Railway Board to switch over to Option 2. Railway Board, in August 2014 asked all Production Units to be ready with all required documents to switch over to Option 2 with effect from 1st April 2015. During the period from 2011-12 to 2014-15(February 2015), at least three Production units viz, DLW, Rail Coach Factory, Kapurthala and Integral Coach Factory, Perambur have together made avoidable payment of ₹ 313.70 crore on Excise Duty due to imprudent decision by Railway Board and Production units to pay ED without availing benefit of CENVAT, resulting in drain on Railways revenues.

Para 4.4 - Defective honing and consequent reworking on cylinder liners

Cylinder liner plating shop (CLP shop) at Golden Rock Workshop (WS/GOC), Ponmalai in Southern Railway undertakes plating process for new cylinders and old cylinders reclaimed from diesel locomotives received from various zonal railways. Audit revealed that the workshop is undertaking the plating process with the honing machines which have outlived their codal lives. This resulted in defective honing of cylinder liners and additional expenditure of ₹7.70 crore on reworking on liners. Besides, the workshop was not able to supply the targeted quantity of liners which may cause non-availability or delay in availability of locos in train operation. Defective liners may also cause damage to the piston and affect the smooth and effective functioning of the piston which in turn impacts smooth operation of engines and ultimately locos.

Chapter 1: Introduction

1.1 Audit Report Outline

This Audit Report comprises results of scrutiny of transactions relating to expenditure, receipts, assets and liabilities of the audited entities to assess whether the provisions of the Constitution of India, the applicable laws, the subordinate legislations and other rules and regulations are being duly complied with by the audited entities. This also includes an examination of the adequacy, legality, transparency, etc. of the relevant rules to ascertain whether these ensure effective control over public expenditure and safeguard against misuse, waste and loss. Performance of the audited entities have also been reviewed to assess whether the audited entities performed their core activities in an efficient, economical and effective manner.

The matters arising out of audit of the transactions incurred out of the Railway Budget by the Ministry of Railways and its field formations pertaining to the year 2013-14 are also highlighted in this Audit Report.

The Audit Report for the year ending March 2014 is divided into two volumes viz., Volume I and Volume II. Volume I of the Report comprises five chapters containing audit findings related to three departments viz., Traffic – Commercial and Operation; Electrical – Signalling and Telecommunication units; and Mechanical – Zonal Hqrs/ Workshops/ Production Units and Public Sector Undertakings of IR. Volume II of the Report contains audit findings related to Engineering department of Indian Railways.

This Report (Volume I) presents audit findings of significant materiality with regard to the totality of nature, volume and size of public spending in keeping with the generally accepted auditing standards and is intended to aid the Executive in instituting corrective actions/mechanisms to bring about improved governance and better financial management. In particular, the Report brings out the results of review of one selected subject viz., Management of Private Sidings in IR and two long paragraphs covering all the zonal railways. The detailed findings of the review and the long paragraphs are presented department-wise in this Report. In addition, detailed audit findings contained in 16 individual paragraphs including two long paragraphs covering respective Zones are presented department-wise from Chapters 2 to 5 of this Report. These would enable better clarity in terms of accountability of the audited entity, both at the policy-arm at the Board level and the implementing agency at the field level.

Paras 1.2 to 1.5 of this chapter (Chapter 1) outline the broad profile of the Ministry of Railways and its subordinate field offices, basis of selection of units and issues for audit investigation and the reporting procedure for inclusion of audit observations in the Audit Report. Paras 1.6 to 1.10 provide a summary of the year-wise pendency of audit observations vis-à-vis response received from the Railway authorities and present impact of audit in terms of recoveries effected and important remedial actions taken.

1.2 Audited Entity

Indian Railways is a multi-gauge, multi-traction system with a total route length of 65808 kms (as on 31 March 2014). Presently, the Indian Railways, a premier transport organization of the country is one of the world's largest rail network under one management.

Table 1.1

	Broad Gauge (1676 mm)	Meter Gauge (1000 mm)	Narrow Gauge (762/610 mm)	Total
Route Kilometers	58,177	5,334	2,297	65,808
Running Track Kilometers	81,914	5,708	2,297	89,919
Total track kms.	1,07,513	6,688	2,564	1,16,765
Electrified route Kms				21,614
Electrified running track kms.				39,661

Indian Railways runs 12,559 passenger trains and 7,421 Goods trains every day. It carried 23 million passengers and 2.88 million tonnes freight each day during 2013-14. As on 31 March 2014, the Indian Railways have 1.33 million work force and maintained infrastructural assets and rolling stock as shown in the Table below:

Table 1.2

Locomotives	10,499
Coaching Vehicles	66,392
Freight wagons	245,267
Stations	7,112

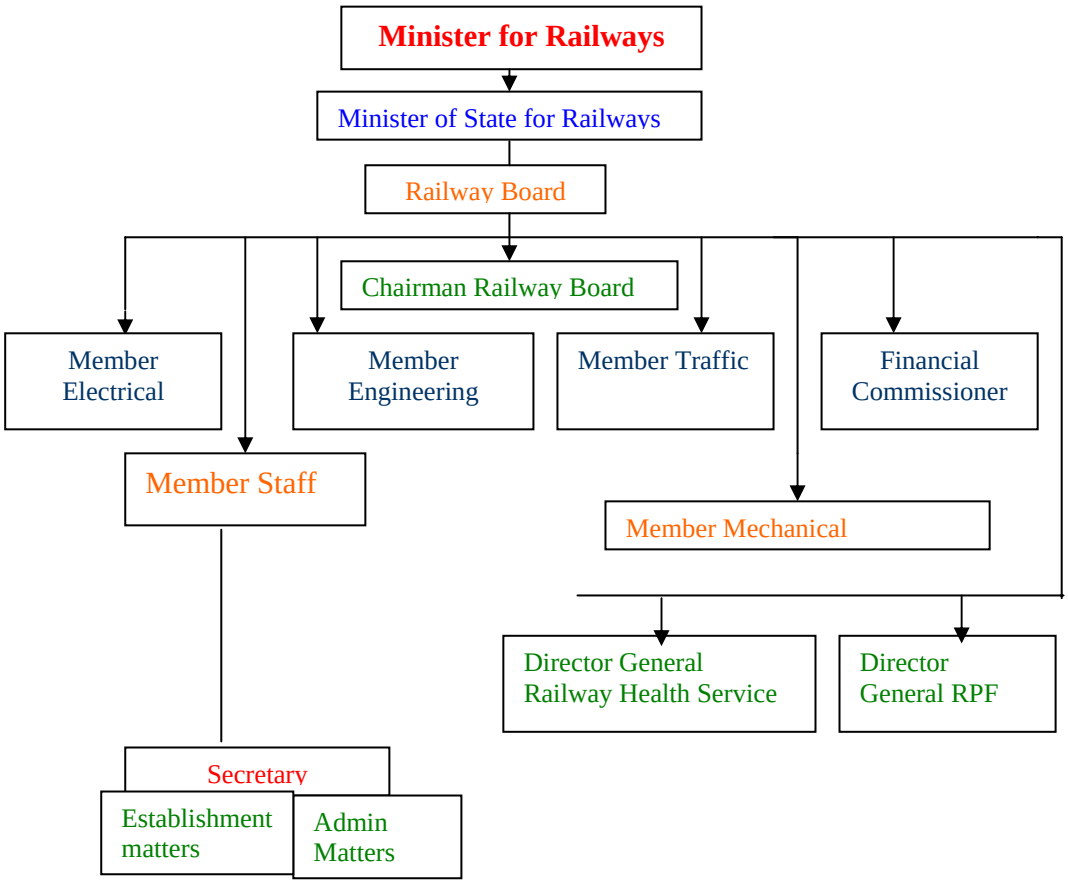
Source – Indian Railways year book 2013-14 and Indian Railways' website

Organizational Structure

The Railway Board comprising six Members (Electrical, Mechanical, Traffic, Staff, Engineering and Financial Commissioner) is headed by the Chairman reporting to the Minister of Railways. It is responsible for laying down policies on all matters of operations, maintenance, finance and acquisition of assets and monitoring their implementation across zones. The Railway Board is responsible for regulating pricing of both passenger fares and freight tariffs.

The Functional Directorates under each Member assist and aid in decision-making and monitoring of railway operation.

Fig.1.1



At the field level, there are 17 Railway Zones, one research and standards organization namely, Research, Designs and Standards Organization (RDSO) Lucknow; a Central Organization for Modernization of Workshops (COFMOW) for procurement of specialized machinery; two locomotive manufacturing units (Diesel Locomotives Works-DLW and Chittaranjan Locomotives Works-CLW) at Varanasi and Chittaranjan respectively; three coach factories at Kapurthala, Raebareli and Perambur; one wheel and axle plant at Yelahanka; and diesel modernization works at Patiala.

The names of Railway Zones with their headquarters and total route kilometers are given below:

Table 1.3

Railways	Headquarters	Route kms.
Central	Mumbai	4,042
Eastern	Kolkata	2,641
East Central	Hajipur	3,708
East Coast	Bhubaneshwar	2,679
Northern	New Delhi	7,197
North Central	Allahabad	3,215
North Eastern	Gorakhpur	3,831

Northeast Frontier	Maligaon (Guwahati)	3,983
North Western	Jaipur	5,527
Southern	Chennai	5,079
South Central	Secunderabad	5,919
South Eastern	Kolkata	2,716
South East Central	Bilaspur	2,489
South Western	Hubli	3,322
Western	Mumbai	6,440
West Central	Jabalpur	2,992
Metro Railway	Kolkata	28
Total		**65,808**

Each Zone is headed by a General Manager who is assisted by Principal Heads of Departments, such as Operating, Commercial, Engineering, Electrical, Mechanical, Stores, Accounts, Signal & Telecommunication, Personnel, Safety, Medical etc.

Besides the above, there are 27 Public Sector Undertakings (PSUs) and 2 Autonomous Bodies (ABs) functioning under the administrative control of the Ministry of Railways (as on 31 March 2014). The operations of these PSUs cover a wide spectrum i.e. from providing passenger and freight container services to lease financing, tourism and catering.

1.3 Integrated Financial Advice and Control

A fully integrated financial advice and control system exists both at the Railway Board headed by the Financial Commissioner and the Financial Advisers and Chief Accounts Officers at the Zonal level. The Financial Heads are responsible for rendering advice and scrutinizing all proposals involving expenditure from the pubic exchequer.

1.4 Audit Planning

Broadly, the selection of the units for audit of the Railways was planned on the basis of a risk assessment with regard to the level of budgets planned, resources allocated and deployed, extent of compliance with internal controls, scope of delegation of powers, sensitivity and criticality of function/activity, external environment factors, etc. Previous audit findings, PAC's recommendations, media reports, where relevant, were also considered.

Based on such risk assessment, test audit of 4533 audited entities of the Railways out of a total of 18121 units was carried out during 2013-14.

The audit plan in particular focused on selected reviews/ long paragraphs of significant nature in terms of policy and its implementation inter-alia covering freight traffic, Railways Earnings, infrastructural development, passenger amenity activities, asset management, material management and safety works. Each study is accompanied by recommendations/suggestions on the basis of audit findings, reported under department specific chapters, so that the

authorities concerned may act upon them to obtain better results in terms of the policy/scheme objectives.

The findings of the following seven reviews/ long paragraphs covering all Railway Zones have been included in these two Audit Reports (Vol.I and Vol.II):

1. Management of Private Sidings in IR (Vol.I);
2. Safety Related Retirement Scheme for Drivers and Gang men and Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (Vol.I);
3. Fake Indian Currency Notes received through station earnings on IR (Vol.I);
4. Maintenance of Bridges in IR (Vol.II);
5. Procurement and Utilization of Track Machines in IR (Vol.II);
6. Provision and Utilization of Direction and General (D&G) charges provided in works estimates on Construction Organisation in IR (Vol.II); and
7. Management of vacant land in IR (Vol.II);

In addition to the above topics, 26 paragraphs including two long paragraphs pertaining to individual zones are also included in these Reports (Volume I & II).

1.5 Reporting

The audits of these topics were conducted across the Zonal Railways using sampling methodology and accessing relevant records and documents of the field units including those of the Railway Board. The audit findings were issued to the respective Zonal Managements for their response. Similarly, Audit Notes/Inspection Reports (IRs)/Special letters arising out of regular audit of vouchers and tenders was issued to the Associated Finance and Head of the unit for obtaining their replies. Audit findings were either settled or further action for compliance was advised depending upon action taken. Important audit observations, not having been complied with, were followed up through Draft Paragraphs addressed to the General Managers of Zonal Railway with copies endorsed to the FA&CAOs and Heads of the Departments for reply within the prescribed period. Selected issues raised in these Draft Paragraphs were taken up as Provisional Paragraphs with the Ministry of Railway (Railway Board) for furnishing their reply within a period of six weeks (as prescribed by the Public Accounts Committee) before their inclusion in the Audit Report.

1.6 Response of the Ministry/Department to Provisional Paragraphs

A total of 199 Draft Paragraphs including reviews were issued to the General Managers of the concerned Zonal Railway up to December 2014. After considering the replies of Railway Administrations wherever received, 32 Provisional Paragraphs (including seven reviews/ long paragraphs covering all zonal railways) proposed for inclusion in both the Audit Reports (Volume I & II), were forwarded to the Chairman Railway Board, Members concerned and the Financial Commissioner, Railway Board between **10th December 2014**

and 26th March 2015. As on 31 May 2015, Railway Board's replies have been received in respect of eight Provisional Paragraphs. Railway Board's remarks on these eight paragraphs have been included in the relevant paragraphs.

1.7 Audit objections issued, settled and outstanding

During the year 2013-14, based on the results of test audit, a total of 4327 Audit objections involving financial irregularities of ₹ 17283.09 crore were issued through Special letters, Part-I Audit Notes and Inspection Reports. Besides these, there was a carry forward of 8059 audit objections pertaining to the previous years. A total of 4048 Audit objections were settled during the year as Railway Administrations recovered/ agreed to recover the amounts involved or had initiated corrective/ remedial action. The balance 8338 audit objections outstanding as on 31 March 2014 involved financial irregularities amounting to ₹ 36447.24 crore.

1.8 Recoveries at the instance of Audit

Audit has pointed out the cases of under charges in realization of freight and other earnings, over payments to staff and other agencies, non-recovery of dues of the Railways etc. amounting to ₹ 672.53 crore in the various Zonal Railways during the year 2013-14. An amount of ₹ 575.81 crore was accepted for recovery (₹ 107.70 crore was recovered and ₹ 468.01 crore was agreed to be recovered). Seven Zonal Railways accounted for recoveries exceeding ₹10 crore each - East Coast (₹417.54 crore), Northern Western (₹28.23 crore), Northern (₹28.23 Crore), Northeast Frontier (₹23.28 crore), DLW (₹15.27 crore), East Central (₹14.19 crore) and South East Central (₹11.74 crore). Out of the total amount of ₹ 575.71 crore recovery accepted, an amount of ₹ 81.35 crore pertained to transactions that were already checked by Accounts department of concerned Railways and ₹ 493.78 crore were other than those checked by Accounts department. As a result of further review carried out by Accounts department another ₹2.59 crore were recovered/agreed to be recovered.

1.9 Remedial Actions

In addition, Railway Board initiated remedial action in response to audit observations by appropriate changes in freight tariffs and issue of instructions during 2013-14 for better and improved compliance. Some of the important cases are illustrated in Table 1.4 below:

Table 1.4

Para No. of the Report	Audit observations	Action Taken by Ministry
Para 2.19 of Report No.34 of 2010-11	Central Track Depot (CTD) at Asansol (ER) was established in 1960 for centralized receipt, stocking and subsequent dispatch of P. Way materials to different P.Way inspectors over the division. With the bifurcation of ER, CTD lost its locational advantage as most of the supplying firms were located in and around Kolkata. Audit revealed that the process of dispatching materials to CTD first and thereafter to the divisions led to avoidable transportation cost of ₹1.64 crore.	Ministry of Railway decided (December 2013) to do away with the practice of operating Central Track Depot at Asansol and to get the supplies of P. Way materials to different track depots over ER.
Para 6.1.1. of Report No. CA 19 of 2008-09	As per the standard format of siding agreement for defence siding, maintenance charges should be revalued after every five years. Ignorance of this rule by CR Administration resulted in short recovery of maintenance charges.	Chief Engineer/ CR has issued instructions (May 2012) to the concerned department to review the agreements of Private and Defence sidings and ensure the compliance of the procedure for recovery of outstanding dues. Further realization of the short recovery is being followed up with the Defence Authorities.
Para 6.4.2 of Report No. CA 19 of 2008-09	SCR – Improper planning on part of Railway for unloading of rails and avoidable transportation of the rails by road resulted in extra expenditure of ₹4.25 crore	As a remedial measure, Railway Board instructed (February 2013) SCR Administration to ensure proper planning and adequate action to prevent such occurrences in future.
Para 3.1.8 of Report No. CA 6 of 2008	SCR - Idle expenditure on construction of staff quarters without assessing the demand.47 Staff quarters constructed by SCR at a cost of ₹3.17 crore remained unoccupied	As a remedial measure, Railway Board instructed SCR for fixing the responsibility for the bad planning and post staff at the stations where surplus quarters exist. Railway Board also instructed (May 2012) all Zonal Railways to undertake a critical review of existing quarters. Assessment of requirement of quarters should be done in consultation with the DRMs before construction of new quarters in any project even if the provision exists for quarters in the estimate.

Para 3.13 of CA-08 of 2004 (DP-01/2002-03)	Failure of CR Railway Administration to adhere to codal provision for "Deposit Works" resulting in non-recovery of expenditure incurred in excess of deposit made by the parties.	Railway Board issued instructions (May 2012) to all Zonal Railways to review all such cases and to ensure that the necessary action is taken as prescribed in the Para Nos. 1134 and 1849 of Engineering Code. Board also issued strict instructions to all concerned Railways that non-observance of codal provisions would be viewed seriously and responsibility shall be fixed. In the instant case, 75 per cent of the amount pointed out by Audit has been recovered by CR Administration.
DP No.03/ 2012/ ECR	As per rules, where placement and/ or withdrawal of wagons are done by multiple engines, the siding charges should be calculated taking into account the multiple engines. Contrary to this, wrong fixation of siding charges using single engine led to loss of ₹14.59 crore to the Railway.	The ECR Administration accepted the audit contention and instructed (July 2012) Operating Department to notify the number of locos used for placement and/or withdrawal of wagons in specific siding. After such notification, siding charges would be rectified at this end and division would be advised accordingly to calculate and levy correct siding charges. The concerned divisions were also advised to realize under charges after rectification of siding charges earlier fixed.
Special letter/SECR dated 24.03.2011	SECR - Wrong fixation of siding charges from serving station instead of Depot station as the placement of rakes were done from the depot station. This led to the loss of ₹ 30.24 lakhs to SECR on account of short recovery of siding charges.	SECR Administration accepted (May 2013) the audit contention and ensured to carry out fresh "Time & Motion study" for implementation of correct siding charges.
Special letter/SECR dated 28.09.2010	SECR - Irregular grant of train Load Benefit to Food Corporation of India (FCI) led to loss of ₹0.83 crore.	SECR Administration accepted the audit contention and stated (December 2010) that the debt has been raised against FCI for realization of the short recovery.
Part I inspection Report /SECR dated 21.03.2012	SECR - Inward parcels booked to the Kotma station from different locations were over carried to Chirmiri station.	SECR Administration issued (March 2013) instructions to the concerned department to take extra care and arrange to unload the parcels and avoid over carrying of parcels in future failing which the matter will be viewed seriously.

1.10 Paragraphs on which Action Taken Note received/pending

To ensure the accountability of the Executive on all issues dealt with in the Report of the Comptroller and Auditor General of India, the PAC had decided (1982) that the concerned Ministries/ Departments of the Government of India should furnish corrective/ remedial Action Taken Note (ATNs) on all

Paragraphs contained therein and had further desired in their Ninth Report (Eleventh Lok Sabha) presented to Parliament on 22 April 1997 that henceforth corrective/ remedial ATNs, duly vetted by Audit, on all Paragraphs included in the Reports be furnished within four months after the Report was laid on the Table of the Parliament.

The position of ATNs furnished by the Railway Board (May 2015) on the Paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Railways) up to the year ended 31 March 2013 is given below:

Table 1.5

Year	Total para included in the Reports	No. of para on which ATN Finalized	No. of Paragraphs on which ATNs are pending				
			Not received	ATN on which comments sent to Railway Board	ATNs finally vetted	ATN under verification by Audit	Total
1998-99	105	105	0	0	0	1	1
2000-01	101	100	0	1	0	0	1
2001-02	101	98	0	1	0	2	3
2002-03	110	109	0	1	0	0	1
2003-04	114	111	0	1	0	2	3
2004-05	105	104	0	0	0	1	1
2005-06	138	131	0	4	0	3	7
2006-07	165	162	0	2	0	1	3
2007-08	172	168	0	1	0	3	4
2008-09	104	101	0	1	1	2	3
2009-10	59	52	0	4	1	3	7
2010-11	34	16	0	7	2	9	18
2011-12	29	9	0	11	0	9	2
2012-13	30	2	7	6		15	28
Total	**1368**	**1268**	**7**	**40**	**2**	**51**	**100**

ATNs in respect of seven Paragraphs relating to the Report for the year 2012-13 were not received within the prescribed period of four months. 40 ATNs received for vetting by audit were returned with observations for lack of adequate remedial action. 2 ATNs, vetted by audit, are yet to be finalized by Ministry of Railways. In 51 cases, the action stated to have been taken is under verification by Audit.

Chapter 2: Traffic - Commercial and Operations

The Traffic Department comprises four streams viz., Traffic, Commercial, Coaching and Catering & Tourism. The activities related to these streams are performed by the concerned directorates headed by Additional Members/ Executive Director. At the Railway Board level, the Traffic Department is headed by Member Traffic.

The activities such as marketing, traffic development, improvements in quality of railway service provided to customers, regulation of passenger/ coaching/ freight tariffs, monitoring of collection, accountal and remittance of revenues from passenger/ freight traffic are managed by Commercial Directorate. The activities such as planning of transportation services – both long-term and short-term, management of day to day running of trains including their time tabling, ensuring availability and proper maintenance of rolling stock to meet the expected demand and conditions for safe running of trains are, however, managed by Traffic Directorate.

The management of passenger and parcel services is done by Coaching Directorate and activities related to catering and tourism are managed by Catering and Tourism Directorate.

At the zonal level, the traffic department consists of two departments, viz., Operating department and Commercial department. These are headed by Chief Operations Manager (COM) and Chief Commercial Manager (CCM) respectively, who are under charge of General Manager of the concerned Zonal Railway. At the divisional level, the Operating and Commercial Departments are headed by Senior Divisional Operations Manager (Sr. DOM) and Senior Divisional Commercial Manager (Sr. DCM) respectively who are under charge of Divisional Railway Manager of the concerned Division.

The total expenditure of the Traffic Department during the year 2013-14 was ₹5550.19 crore. Total Gross traffic receipt during the year was ₹1,39,558 crore[1]. During the year, apart from regular audit of vouchers and tenders, 1420 offices of the department including 559 stations were inspected.

This chapter includes one review on **Management of Private sidings in IR** and two long paragraphs on **Liberalized Active Retirement Scheme for Guaranteed Employment for safety staff (LARSGESS)** and **Fake Indian Currency Notes (FICNs) received through station earnings on IR** covering all Zonal Railways. These reviews/ long paragraphs are related to train operation and railway earnings, dealt with by the Commercial department of IR.

In addition, this chapter incorporates six Audit Paragraphs highlighting individual irregularities pertaining to inadequate/improper agreement for revenue sharing; non-revision of wagon hire charges; irregular waiver of demurrage charges etc.

[1] Indian Railway year book 2013-14

2.1 Review on 'Management of Private sidings in Indian Railways'

Executive Summary

Freight traffic is the major source of revenue for Indian Railways and plays a vital role in industrial progress and economic growth of the country. Large share of freight hauled by Indian Railways is loaded and unloaded at various sidings, which are mainly either private sidings[2] or assisted sidings[3] of various customers of Indian Railways. Sidings are constructed to eliminate handling of goods at the stations and facilitate local haulage between the place of production/ consumption and Railway station. As on 31-03-2014, out of the total number of 1211 sidings, 835 are private sidings and the remaining are assisted sidings, departmental sidings and defence sidings. As per changing market and customer requirements, new sidings are opened and old ones are closed and dismantled.

The Railways deploy resources such as rolling stock (wagons, locomotives) and engage manpower etc. to run such sidings. The Railways charge the customers for various services provided to them in the sidings. It is, therefore, imperative for the Railways that operations in sidings are effectively monitored at different levels.

A detailed study of the 293 private sidings out of 835 in the Indian Railways has been conducted in audit. This Report highlights the performance of Indian Railways during 2009-2014 on the aspects pertaining to private siding operations that included setting up new sidings, operation of the new as well as existing sidings and recovery of various charges from the siding owners besides closure of sidings not in operations.

2.1.1 Major Audit Findings

I. *Audit reviewed the process of setting up 55 new sidings by the private parties and observed that:-*

(a) (i) 43 sidings (out of 55) were constructed by the private parties through the Railways approved consultants. Of which, approval of the detailed project report in case of 25 private sidings was delayed for a period ranging between 45 and 1500 days over and above the prescribed time limit of 120 days (four months).

(ii) As the Railway Board did not prescribe definite time period for the construction of sidings by the parties, the delays in construction could not be assessed. While no record relating to the period of construction was made available in respect of 31 sidings in 10 Zonal Railways, the time taken for completion of construction of remaining 12 sidings (NWR-3, SER-5,

[2] ***In a private siding, the siding owner is required to bear all costs within and outside the siding premises.***

[3] ***In an assisted siding, the siding owner is required to bear all the cost within the private siding premises. Between the serving station and the exchange point, the private party is required to acquire the land and hand over to the railways. The cost of all retrievable materials between the serving station and the exchange point such as track, sleepers, fastening girders of bridges, points and crossings, fencing and signaling, interlocking appliances, machinery of any kind and overhead electric equipment shall be borne by the Railways.***

WCR-1 and WR-3) ranged between 67 days to 2182 days (out of 43 sidings ibid). As a result of such delays in construction, the earning potential could not be tapped by Indian Railways. ***(Para 2.1.7.1.2 B)***

(b) In 7 sidings, clearance from Commissioner for Railway Safety (CRS) was not obtained before commissioning of the sidings. ***(Para 2.1.7.1.3)***

(c) In 26 sidings, the shortfall in the traffic with reference to the projections was more than 50 per cent. The reasons of shortfall in achieving the projected traffic were not made available by the Railway Administration in respect of 12 sidings. Further, no efforts were made by the Railway Administration to review the volume of traffic emanating from sidings despite enabling codal provision in this regard. ***(Para 2.1.7.1.5)***

(d) Survey and inspection charges (codal charges) amounting to ₹ 56.27 crore remained recoverable from 18 private siding owners in eight Zonal Railways as on 31-3-2014. ***(Para 2.1.7.1.6)***

II. *Audit examined the completeness of the Agreement entered between the Railways and the siding owners, effectiveness of the siding operations besides issues relating to the closure of the sidings not in operation. It was observed that:-*

(a) (i) Agreements with 16 sidings owners were not executed till 31st March 2014. Fresh agreements as per the Railway Board's orders of July 2005 were not executed in the revised format in respect of 53 sidings in 13 Zonal Railways. Further, delay was also observed in execution of agreements in respect of 31 existing sidings in six Zonal Railways.

(ii) Copies of agreements were not available in 59 Accounts offices and with 134 serving stations impacting the operation of the sidings. ***(Para 2.1.7.2.1)***

(b) Out of 293 private sidings[4] selected for detailed study, documentation such as siding agreement, land license agreement, siding register etc. were not available in respect of 113 sidings at Zonal Headquarters, 83 sidings at Divisional offices and at 111 concerned sidings offices. Further, meetings were not arranged by the concerned departments to sort out unresolved issues/disputes in respect of 25 private sidings. These reflect inadequate monitoring. ***(Para 2.1.7.2.2)***

(c) Though 155 sidings (out of 293) handled two or more rakes per day, no sick lines/ train examination lines were provided inside the siding. In absence of train examination facility, it was not possible for Railways to assess the quantum of damage and deficiency occurring to the wagons inside the siding premises. Further, tipplers were not provided in 45 sidings (out of 293) which affected smooth loading/unloading operations at these sidings. Directives of the Railway Board for specific safety related facilities in Petroleum Oil and Lubricant (POL) sidings were not followed in 15 out of 38 POL sidings by the Railway Administration. ***(Para 2.1.7.2.3)***

[4] ***293 private sidings selected for detailed study include 238 existing private sidings and 55 new private sidings constructed during 2009 to 2014.***

(d) *Engine on Load (EOL) Scheme meant for helping the customers in prompt clearance of freight trains from their sidings was introduced in July 2004 in order to improve the utilization of the rolling stock. Scheme was introduced in 42 sidings only (out of 293 selected for study) till 31-3-2014. EOL Scheme in these sidings has not actually helped in speedy clearance of rakes from the sidings defeating the very purpose of introducing the scheme.* ***(Para 2.1.7.2.4)***

(e) *Railway dues on account of siding charges, land license fee, maintenance charges, engine hire charges, land license fee, staff cost, damage & deficiency charges etc. were not recovered in time resulting in accumulation of outstanding (₹ 241.58 crore) as on 31-3-2014. Against the demurrage charges amounting to ₹ 2004.35 crore accrued against 293 selected sidings during the period April 2009 to March 2014, ₹ 1338.40 crore was realized and ₹ 603.38 crore (30 per cent) were waived off leaving ₹ 62.57 crore remaining to be recovered as on 31 March 201* ***(Para 2.1.7.2.5)***

(f) (i) *An amount of ₹ 59.70 crore was outstanding on account of land license fee and dismantling charges in respect of eight closed sidings over SER and NWR.*

(ii) *76 sidings, though not in operation for a period ranging up to 10 years, were yet to be notified for closure by Commercial Department. Further, an amount of ₹ 45.47 crore was outstanding against 19 such sidings* ***(Para 2.1.7.2.6)***

(g) *76 private sidings are yet to have a weighbridge in their premises despite Railway Board's instructions to this effect in 2004. In respect of 44 sidings, there was neither weighbridge at the siding premises nor at any en route station. In respect of 32 sidings en route weighing facilities was provided at the distance ranging between 3 to 390 kilometres from the siding premises enhancing the risk of overloading and damage to track.* **(Para 2.1.7.2.7)**

2.1.2 Introduction

Sidings are constructed to eliminate handling of goods at the stations and facilitate local haulage between the place of production/consumption and Railway station. As on 31-3-2014, Indian Railways have 1211 sidings which included 835 private sidings, 182 assisted sidings and the remaining include military and departmental sidings. There were 835 private sidings on Indian Railways as on 31 March 2009, with the addition of 125 new sidings as well as closure of 49 sidings and 76 sidings being not in operation (though not declared closed) during the period 2009 to 2014, there remained 835 private sidings in operation as on 31 March 2014 **(Annexure I)**.

As per changing market and customer requirements, new sidings are opened and old ones are closed and dismantled. The Railways charge the customers for various services provided to them in the sidings. The siding rules have been

liberalized[5] by the Railway Board in 2005 and 2012 for bringing improvement in management of sidings and maximizing revenue realization. Prior to September 2000, all the cost of construction & maintenance charges thereof in respect of private sidings were to be borne by the siding owners. However, after the implementation of Liberalized Siding Rules in March 2005, there have been significant changes in siding policy of Indian Railways giving effect to the changes in cost sharing arrangements in construction as well as maintenance of sidings.

The Railways deploy resources such as rolling stock (wagons, locomotives) and engage manpower etc. to run sidings. It is, therefore, imperative for the Railways that operations in sidings are effectively monitored at different levels. Freight loading and earning of Indian Railways from various sidings and Goods Sheds for the past five years was as follows:-

Table 2.1- Freight earnings and loading in Indian Railways

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	***2***	***3***	***4***	***5***	***6***
Total freight earnings (₹ in crore)	58,501.68	62,844.72	69,547.59	85,262.58	93905.69
Total Freight loading of IR (Million Tonnes)	887.79	921.73	969.05	1008.09	1051.64

Source: Indian Railways Year Book of respective years

Earnings from private sidings constitute the major share in the freight earnings of Indian Railways.

2.1.3 Audit Objectives

The objectives of this Performance Audit were to obtain reasonable assurance that:-

1. Whether new private sidings were constructed and commissioned following the laid down rules and procedures.
2. Whether an effective mechanism existed for overseeing:
   - Operations and maintenance of existing as well as new sidings and ensuring the recovery of the amounts due from the siding owners
   - Proper closure of the sidings not in operations

2.1.4 Audit scope, methodology and sample

The review was undertaken for the five year period from 2009-10 to 2013-14. The study included analysis of issues relating to construction and commissioning of new private sidings, management and operation of existing as

[5] ***Railways would not charge inspection charges where maintenance of new and existing siding is done by the party. OHE maintenance cost for existing as well as new sidings will be borne by the Railways. In case of new and existing sidings, cost of C & W examination will be borne by the Railways. In case of EOL sidings, the cost of all staff will be borne by the Railways. Capital cost of the traffic facilities like Y connection, additional lines at the serving stations, crossing stations etc. shall be fully borne by Railways.***

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well as new sidings, execution of agreements including fixation and realisation of various charges and monitoring of maintenance of records at various levels.

Records relating to guidelines and instructions towards management of private sidings issued by different Directorates[6] of Ministry of Railways, involved in policy formulation and issue of directives to zones for their implementation were examined. Implementation of these instructions at the Zonal and divisional level was also reviewed in respect of selected sidings.

Audit selected 293 private sidings (238 existing and 55 newly constructed) for detailed scrutiny **(Annexure II)** out of the 835 private sidings *in operation* in IR. Selection of sidings has been done on the basis of the quantum of traffic handled. All the 49 *closed* private sidings during 2009-14 were also reviewed in audit. Another 76 private sidings which are *not in operations* were also included for the review. Details of the sample selection are given in **Appendix I.**

Further, details of the roles and responsibilities of various authorities involved in construction, maintenance and operations of the private sidings are given in **Appendix II**.

2.1.5 Audit Criteria

The following sources of audit criteria were adopted for this Performance Audit:

(i) Provisions prescribed under Indian Railway Code for Engineering Department, Indian Railway Commercial Manual, Indian Railway Operating Manual and Indian Railway Code for the Mechanical Department,

(ii) Guidelines/instructions issued from Railway Board/Zonal Railways on construction, utilization, maintenance of private sidings and realisation of various charges from the siding owners and

(iii) Liberalized Siding Rules, 2005 and 2012.

2.1.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by all Zonal Railways and Railway Board. Entry Conference was held with the representatives of the Ministry of Railways in October 2014.

The draft review report on the subject was issued to Ministry of Railways in April 2015. The audit findings and recommendations were discussed with Additional Member (Finance) and officials of Commercial & Engineering Directorate during exit conference held on 8 July 2015 at Railway Board. Similar exit conferences were also held by the Principal Directors of Audit in the Zonal Railways with the concerned authorities in the zones. Reply of the Ministry of Railways is awaited (June 2015).

[6] ***Civil Engineering, Commercial, Electrical, Mechanical and Signaling & Telecommunication***

2.1.7 Audit Findings

The results of the Performance Audit of Management of Private Sidings in IR are given in the following sections:

- Construction of New Sidings,
- Siding operations and recovery of siding related charges and
- Conclusions and recommendations.

Audit Objective I

Whether new private sidings were constructed and commissioned following the laid down rules and procedures.

2.1.7.1 Construction of new private sidings

2.1.7.1.1 Procedures for construction of new private sidings

Ministry of Railways has laid down detailed guidelines for construction of new private sidings. A private party interested in opening a new private siding should approach the railways formally with a proposal to construct a private siding. As per Railway Board guidelines (December 2004), before submission of a proposal, the party must obtain Rail Transport Clearance (RTC). In case, only one Zonal Railway is involved, Chief Transport Planning Manager (CTPM) of Zonal Railway is empowered to issue RTC[7]. However, in case more than one Zonal Railways is involved, approval of Railway Board is necessary. For obtaining RTC, the party must submit details of the traffic projected - commodity-wise outward and/or inward rakes. On the basis of various parameters including the availability of line capacity and operational feasibility, the Zonal Railway initially assesses the viability of the Private sidings and the RTC is issued by the CTPM/Railway Board in consultation with Zonal Railway. The parties submitting the proposal for construction of private sidings are required to deposit 4 per cent of the cost of construction of siding towards approval of surveys/plans, Estimates and the final inspection as details below:-

- 1 per cent of the cost of the project at the stage of approval of the party's proposal for undertaking survey and granting RTC;
- 1 per cent of the cost of the project at the stage of conveying approval of the surveys/plan and estimates; and
- Balance 2 per cent at the time of inspection of the sidings to ensure that the work has been done as per railways approved plan and specifications.

A *flow chart* depicting the detailed process is given in **Appendix III.**

Before the siding is commissioned and opened for traffic, Zonal Railways is also required to mandatorily obtain sanction of the Commissioner for Railway

[7] ***Rail Transport Clearance means permission to set up a siding and carry goods on the Railway system***

Safety (CRS) as stipulated in Para 1302 of Chapter XIII of Indian Railways Permanent Way Manual.

During April 2009 to March 2014, 125 sidings had been constructed over various Zonal Railways. Audit selected 55[8] (44 *per cent*) newly constructed private sidings for detailed review. Of the 55 new sidings reviewed in audit, 12 sidings[9] (22 *per cent*) were constructed by seven Zonal Railways as Deposit Works and 43[10] (78 *per cent*) sidings in 13 Zonal Railways were constructed through consultants approved by the Railways.

2.1.7.1.2 Delay in approval process and construction of sidings

A review of the position on the 12 sidings constructed by Railways as the deposit works and construction of 43 sidings by the private parties through the Railways approved consultants revealed the following:-

A Delay in construction of sidings by Railways

A time frame of six months to 1 year from survey to completion of construction was prescribed by Railway Board in cases where the siding is constructed by the Railways as deposit work. Out of 12 sidings constructed by the Railways as deposit works, record relating to time taken in completing the construction was not made available in respect of 7 sidings[11]. In respect of two siding in NWR (J.K. Cement and Indira Gandhi Super Thermal Power Project Jharli), the time taken from survey to completion of construction of the siding ranged between 286 and 319 days and was in accordance with the time period prescribed. In one siding each in NWR, SR and WR, the construction was completed beyond the prescribed period of six months to one year. Of these one siding constructed by Southern Railway for Food Corporation of India (FCI), was delayed by more than 27 years[12]. Reasons for the delays were not found in the record made available by the Railway Administration.

B Delays in approval and construction of sidings by private parties

Railway Board has prescribed a time frame of two months from survey to approval of preliminary plan and final approval of detailed project report within four months. No timelines, were, however, prescribed for completing the construction of siding.

- Detailed project reports were approved within the time limit of 120 days prescribed by Railway Board in respect of 7 sidings (CR-3, ER-1, SWR-1 and SECR-2) only. Information on the time taken in approval of the detailed estimates by CTPM was not made available by the respective Railway administration in respect of 8 sidings (SWR-2, SCR-4 and ECoR-2).

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[8] ***51 constructed during review period and four constructed earlier, but opened during the review period***

[9] ***NWR(3), NER(1), SR(1), NFR (3), NR (1), SR (1) and WR (2)***

[10] ***NWR(3), SCR(4), SR(4), WR(3), CR(5), NR(1), SER(5), ER(5), SECR(3), WCR(2), ECoR (2) and SWR(5)***

[11] ***ECR-1, NFR-4, NR-1 and WR-1***

[12] ***Food Corporation of India Ltd Siding, MVKF***

- The time taken for approval of detailed estimates from the date of submission in respect of 25 sidings ranged between 45 and 1500 days over and above the prescribed time limit of 120 days (four months). In respect of three sidings (NR-1, SR-1 and WR-1) the delay was even more than 1500 days. As a result of such delays, the traffic potential that could not be tapped was lost for the Railways.

  In case of Hindustan Petroleum Corporation Limited (HPCL) siding in SR, detailed estimate was approved by the Railways after 710 days from the date of completion of the construction of siding. Reasons for taking up of the construction without approval of detailed estimate were not stated by the Railway administration.

- Railway Board did not prescribe definite time period for the construction of sidings by the parties, the delays in construction could not hence be assessed. While no record relating to the period of construction was made available in respect of 31 sidings in 10 Zonal Railways, the time taken for completion of construction of remaining 12 sidings (NWR-3, SER-5, WCR-1 and WR-3) ranged between 67 days to 2182 days. As a result of delays in construction, the earning potential could not be tapped by IR.

2.1.7.1.3 Rail Transport Clearance and clearance of Commissioner of Railway Safety

As per Railway Board's guidelines (December 2004), before submission of a proposal, the party must obtain Rail Transport Clearance (RTC). Scrutiny in audit revealed that:-

- In respect of three sidings (Indira Gandhi Super Thermal Power Project Jharli and Jhajjar Power limited in NWR and Food Corporation of India, Mavelikkara in SR), though Rail Transport clearance was not given by CTPM, these sidings were in operation since August 2011.

- As stipulated in Para 1302 of Chapter XIII of Indian Railways Permanent Way Manual any addition, extensions or alternations to running lines sanction of Commissioner of Railway Safety (CRS) is required. Review of position of selected 55 newly constructed private sidings revealed that in respect of 7[13] sidings, CRS clearance was not obtained before commissioning of these sidings. Since on commissioning, the siding gets connected to the main-line for operations, failure to obtain this mandatory clearance is a compromise with the safety of trains operations. Details in respect of 23 sidings[14] in 9 Zonal Railways regarding CRS clearance were not made available by the Railway Administration.

[13] ***NWR-3, NFR-1, SR-1 and CR-2***
[14] ***SER-5, SECR-3, ECR-2, WR-1, SWR-3, ER-5, NFR-2, NER-1 and NR-1***

2.1.7.1.4 Completed construction cost

As mentioned in Para 2.1.7.1.1, 12 out of the 55 newly constructed sidings selected for study were constructed by Railways as deposit works while the remaining 43 were constructed by private parties through the Railways approved consultants.

Study in Audit revealed that:-

(i) In respect of these 12 private sidings where the construction of the sidings was done by the Railways as deposit works, an amount of ₹ 2.67 crore remained unrealized from Indian Oil Corporation (IOC) siding in WR. In NFR, the actual expenditure exceeded by ₹ 0.34 crore against the estimated cost of ₹ 12.56 crore in respect of Pandu Port Siding which remained to be reassessed and recovered from the siding owner till 31-3-2014. While the cost of construction was not assessed in two sidings in NER, details of the cost of construction were not made available by the Engineering Department of ECR in respect of Barh Thermal Power siding.

(ii) In respect of remaining 43 private sidings constructed by the parties through the Railways approved consultants, details of the completed cost of construction were not available with the Engineering Department in respect of 25 private sidings in 10 Zonal Railways. The survey and inspection charges to be recovered were assessed by audit on the estimated cost as brought out in the Para 2.1.7.1.6.

2.1.7.1.5 Non-achievement of projected traffic and shortfall in realisation of earnings in newly constructed sidings

Para 1808 of the Indian Railway Code for Traffic (Commercial) Department stipulates that an annual examination should be made by each Railway Administration of the earnings of all sidings with a view to ensure that sidings which have been unprofitable for a long period and are not likely to bring enough traffic to the railway to justify their retention, are not retained. In making such an examination, besides the traffic in any particular year, causes like, general depression in a particular trade should be considered as the controlling factor in deciding whether the sidings should be retained or not.

Sidings constructed and put into operation are to be reviewed periodically and it is to be assessed whether the traffic projected at the time of obtaining Rail Transport Clearance (RTC) are actually achieved. The shortfall in traffic is to be analysed and necessary action has to be taken to overcome the deficiency so that the siding could achieve the projected traffic.

Scrutiny of records relating to freight loading achieved by the 45 sidings[15] out of the 55 selected new private sidings constructed over Indian Railways during the period from April 2009 to March 2014 vis-à-vis traffic projected at the

[15] ***Out of the 55 newly constructed siding selected for review, 45 sidings handled outward traffic viz loading done and the freight collected and the remaining 10 sidings were inward sidings handling unloading and no freight collection is involved.***

time of obtaining Rail Transport Clearance (RTC) from Railway Board revealed the following:-

- 34920 rakes (27.56 *per cent*) were loaded as against 126692 rakes projected in 32 newly constructed sidings dealing with outward traffic over 13 Zonal Railways[16]. Non- achievement of the projected traffic resulted in loss of potential earnings of ₹ 18661.05 crore. In 26 sidings, the shortfall in the traffic with reference to the projections was more than 50 *per cent* as indicated in the table 2 below. The reasons for shortfall in traffic handled with reference to the projected traffic were not made available by the Railway Administration of respective Zonal Railways.

Table 2.2 - Statement showing the range of shortfall in traffic with reference to projected traffic

Range of shortfall in traffic handled w.r.t. traffic projection	No. of sidings	Zonal Railway wise position	Loss of potential earnings (₹ In crore)
10 % to 50 %	6	ER-2, SR-1, SWR-1, SCR-1, NWR-1	1031.67
51 % to 75 %	12	ECoR-2, SCR-1, WR-1, CR-2, SER-3, SR-1, WCR-1, ER-1	11340.48
More than 75 %	14	NFR-1, CR-2, SR-2, SWR-4, SER-2, WR-1, SECR-1, ER-1	6288.90
TOTAL	**32**		**18661.05**

Source:-Record maintained in the CTPM office as well as at serving stations of the sidings in Zonal Railways

- Only six newly constructed siding (WR-1, NFR-1, NR-1, SCR-1, WCR-1, ER-1) could achieve outward traffic as projected at the time of obtaining Rail Transport Clearance.
- In respect of seven newly opened sidings (NFR-1, SCR-1, ECR-1, SR-1, NCR-1 and WR-2), information on the traffic projection was not made available by the Railway Administration.
- Railway Board in their Freight Marketing Policy Circular No. 1 of 2012 [Clause 9(vi)] instructed all Zonal Railways that all divisions should analyze the projected outward traffic volumes estimated to emanate annually from the siding after commissioning. This analysis should be based on the traffic volumes projected by the owner in their application for Rail Transport Clearance (RTC). In this regard, it was observed that while examining the proposals of private parties for issuing RTC, Zonal Railways considered only the operational feasibility of setting up of the siding and not the economic viability of the projected traffic.

[16] ***ER-4, SR-4, SWR-5, SCR-1 , NWR-1, ECoR-2, NER-1, WR-2, CR-4, SER-5, WCR-1, NFR-1 and SECR-1***

The issue of non-achievement of projected traffic was taken up with respective Zonal Railways. Replies/responses of Railway Administrations are indicated below:

Table 2.3-Statement showing the Remarks of Railway Administration in Zonal Headquarters

Zonal Railway	Remarks of Railway Administration
CR	Shortfall in projected traffic cannot be termed as loss of freight. The Railway charges for every activity / facilities provided for private sidings. The entire investment in private sidings is by the customer and Railway does not spend any money on creation and / or maintenance of these sidings.
ECoR	Traffic as projected by the siding owners is only a preliminary projection keeping in view the requirement of the plant in future. It is not binding upon the party to handle the traffic as projected in the Rail Transport Clearance.
SR	Cost of construction is borne by siding owners and the projected traffic is only the forecast.
SER	Railway has no investment in private sidings; no penalty is imposed for shortfall in projected traffic. However, actually there is no loss for shortfall in projected traffic.

Source:-Remarks offered by Railway Administration in Zonal Railways

In NWR, SWR, WR, SCR, NFR, no efforts were being made by the Railway Administration to ascertain the reasons for shortfall in the projected traffic by the siding owners. Reasons for short fall of traffic and action taken by Railways for achievement of projected traffic were not available by respective Railway Administration of ER, NR, ECR, WCR, NER and SECR.

The above indicate that as the investment is done by private sidings, it does not matter to railways whether they achieve projected traffic after commissioning of the newly constructed siding. Despite clear codal provisions for the periodical review of the traffic carried, Railway administration has not taken any action to address the issue of non-achievement of projected traffic by the private siding owners.

2.1.7.1.6 Short realization of codal charges connected with the approval stage

Before execution of the agreement with the Railways, the private party is required to pay 4 *per cent* of the cost of construction of the siding as codal charges[17] towards survey and approval charges. Out of the 55 newly constructed sidings, codal charges in respect of 12 sidings constructed by Railways as deposit works were recovered in advance along with the cost of the project. Scrutiny of record relating to realization of codal charges in

[17] ***Codal Charges are survey and inspection charges (4 per cent of the cost of construction)***

respect of 43 sidings constructed by the private parties (through Railway approved consultants) revealed the following:-

- In respect of 18 sidings in seven Zonal Railways (NWR-1, CR-2, SER-4, WCR-1, SECR-1, SR-4 & SWR-5) required codal charges were correctly levied and recovered.
- It has been mentioned in Para 2.1.7.1.4 that details of the completed cost of construction was not available with the Engineering department in respect of 25 private sidings in 10 Zonal Railways Thus, codal charges amounting to ₹ 60.76 crore were assessed (by Audit) to be recovered on the basis of 4 per cent of the estimated cost. Out of which an amount of ₹ 4.49 crore has been realized and the balance amount of ₹ 56.27 crore remained to be recovered from the private siding owners as on 31.3.2014

Audit Objective II

Whether an effective mechanism existed for overseeing:-

1. Operations and maintenance of existing as well as new sidings and ensuring the recovery of the amounts due from siding owners
2. Proper closure of the sidings not in operations

2.1.7.2 Siding operations

In terms of Para 1823 of the Indian Railway Engineering Code prior to according sanction to the construction of siding by the competent authority, the applicant is required to execute an agreement in the standard format with the Chief Operations Manager of the Zonal Railways. In July 2005, Railway Board circulated a modified standard format for agreement and directed the Zonal Railways to execute fresh agreements in the standard format for all sidings where old agreements existed. While enforcing/ executing the new siding agreement, following observations/stipulations were to be kept in mind:

- Only the appropriate authority as nominated by the Railway Board should sign the agreement entered between the siding owners and the Railways for each of the siding set up by private party.
- Divisional Railway Manager is required to provide a certified true copy of the agreement to the respective serving stations to ensure that the siding is managed in accordance with the provisions of the agreement in terms of Para 2503 of Commercial Manual, Volume-II.

2.1.7.2.1 Siding Agreements

Not only the terms and conditions for operation and maintenance of private sidings are laid down in the agreement, fixation and recovery of various charges and raising of bills are also spelt out therein. Hence, the Agreements are the main criteria against which smooth and proper operations of sidings can be judged.

Audit Scrutiny of records relating to execution of the agreements with 293 selected private sidings revealed the following:-

- Copies of agreements in respect of 31 private sidings[18] in six Zones were not made available to audit for scrutiny.
- Agreements were not executed with the private siding owners in respect of 16 sidings[19] till 31st March 2014 **(Annexure III)**. In ECR, the agreements with 12 siding owners (including 2 oil companies, one food grain siding of FCI and 9 coal companies) still remained to be finalised.
- The range of delays in executing the Agreements since the commissioning in respect of 31 existing sidings[20] in six Zones is tabulated below:-

Table 2.4-Delays in executing Agreement in respect of Private Sidings

Range of delay	Number of sidings	Zonal Railways
2 to 18 months	9	ECR-2, SER-1, SWR-5, WR-1
2 Years to 15 years	13	ECR-2, NWR-1, SER-2, SWR-5 and WCR-3
15 to 48 years	9	SER-5, SWR-1 and WCR-3

Source:-Record collected from Chief Commercial Manager's (CCM) office

- Fresh agreements were not executed in the revised format, as required under the Railway Board's letter No. 2002/CE-I/SP/1 dated 12.07.2005 in 53 sidings[21] in 13 Zones. Non- execution of the fresh agreements was attributed to that facts that (i) agreements not signed by the siding owners in the revised format (NR-4, ECR-7, SECR-7 and WR-3), (ii) execution of agreements being under process (CR-2, SCR-1), and (iii) dispute over change in certain clauses in the fresh agreement (NCR-1 and NR-2). Further, reasons were not found on record in respect of 26 sidings in eight[22] Zones.
- In case of twelve newly constructed private sidings[23] in five Zones during 2009-14, the agreements in the revised format were executed with delays. In three siding (CR-1 and SER-2), the delay in executing the agreement ranged between 28 to 45 months.
- In terms of Freight Marketing Circular No. 6 of 2007 issued by Railway Board in March 2007, Chief Commercial Manager/Freight Marketing (CCM/FM) was the designated authority for signing the Agreement with the private siding owners. Audit observed that only 33 agreements[24] in six Zones were signed by CCM/FM. The other agreements were signed by the Chief Traffic Planning Manager (CTPM) and other subordinate

[18] *ER-17, SER-8, SR-1, NER-1, NR-1, and NFR-3*
[19] *ECR-12, ECoR-2, NWR-1 and SWR-1*
[20] *ECR-4, NWR-1, SER-8, SWR-13, WCR-6, WR-1*
[21] *CR-2, ECR7, NER-5, NWR-2, NFR-2, NR-6, SCR-1, SER-6, SWR-1, WCR-10, WR-3, SECR-7, NCR-1*
[22] *NER-5, NWR-2, NFR-2, SER-6, SWR-1, WCR-10*
[23] *CR-1, NFR-3, SER-3, ECR-1, SWR-4*
[24] *ECoR-9, NER-5, NWR-2, NFR-8, SWR-6, WCR-3*

authorities, like, Deputy Chief Commercial Manager (Dy CCM), Officer on Special Duty (OSD), Divisional Railway Manager (DRM), Additional Divisional Railway Manager (ADRM) and Senior Divisional Commercial Manager (Sr. DCM) etc.

2.1.7.2.2 Proper maintenance of records and periodical review meetings

It is essential that the relevant records in respect of the private sidings are maintained at Zonal Headquarter as well as Divisional level for effective monitoring at various levels. As already pointed out in the paragraphs 2.8.2 the siding agreements for a large number of sidings were not executed in the newly prescribed format by the Railway Board. Detailed review of the status of maintenance and availability of records in selected siding revealed the following:-

- Copies of agreements were not available in 59 Accounts offices[25] and with 134 serving stations[26]. In addition, the information like effective date of agreement, preliminary survey expenditure, distance in kilometre, CE Plan Number, payment to be realised for land licence fee, maintenance and other charges from siding etc were not recorded in the siding agreement at appropriate places in respect of the 178 sidings[27] (out of 293) in 13 Zonal Railways**.** In SWR, these omissions had led to disputes (regarding maintenance charges and Railway land boundary) between Railway Administration and siding owners in respect of two sidings.
- Detailed information of sidings (e.g. categorization of siding, working of siding, outstanding dues against siding etc.) was not available in respect of 80 (27.49 *per cent*) private sidings at Zonal Headquarters levels and 51 (17.53 *per cent*) sidings at Divisional level. Two Zonal Railways[28] did not furnish data in respect of one siding each.
- Necessary additions/ deletions/ corrections/ modifications were not incorporated at the time of execution of the revised agreement with the owners of 81 sidings[29] in seven Zones leaving the agreements open ended and vulnerable to future disputes.
- The dates of commissioning of 32 sidings[30] were not available on record in 11 Zones.
- The date of signing of the agreement was not available in 14 agreements[31] executed with owners of private sidings in two Zones.

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[25] ***CR-1, ECR-12, ER-17, NER-9, NR-1, WCR-2, SR-9, NCR-8***
[26] ***CR-3, ECR-7, ECoR-12, ER-17, NWR-2, NFR-11, NR-12, SCR-5, SER-13, SWR-11, WCR-12, SECR-16, SR-4, NCR-9***
[27] ***CR-14, SECR-10, NFR-11, WR-14, NCR-11, SWR-12, NER-10, ECoR-12, NWR-11, SR-23, WCR-10, SCR-22, NR-18***
[28] ***Coal Siding for Chemplast in SR and Jayashree Chemicals in ECoR***
[29] ***ECoR-2, SWR-13, NWR-9, SCR-20, SECR-19, WR-17 and SER-1***
[30] ***CR-2, ECOR-1, ECR-11, ER-4, NER-3, NFR-3, NR-5, NWR-1, SR-1, SECR-1***
[31] ***SCR-13, WR-1***

- Documentation such as siding agreement, land license agreement, siding register etc. as required for review, were not available in respect of 113 (38.83 *per cent*) at Zonal Headquarters, 83 (28.52 *per cent*) at Divisional offices and 111 (39.82 *per cent*) at concerned sidings offices.
- Railway Accounts departments did not take any initiative for periodical review of the progress of billing and settlement of outstanding dues in respect of 13 sidings (4.78 *per cent*) out of 293 selected private sidings. Three zonal railways viz. SR, ECoR and NFR did not furnish data in respect of one siding each. In case of 18 sidings in ER, particulars of billing were not found on record. It was further noticed that the bills for ₹ 22.14 crore on account of land license fees, staff cost, repair & maintenance cost etc were not raised by the Accounts Department in respect of six[32] Zonal Railways.
- Meetings were not arranged by the concerned departments to sort out unresolved issues/disputes in case of 25 (9.53 *per cent*) out of 293 selected private sidings during the period of review.
- A case of deficiency in control mechanism was noticed at Bokaro Jaypee Cement Limited / Bokaro of SER. The siding was being served by the station Tupkadih where interchange of crew between ECR and SER took place. It was observed that the inward rakes were moved up to Tupkadih by the crew of ECR, but placement at the siding was not made by them. The rakes were detained till the arrival of the crew of SER and thereafter finally placed inside the siding by them. As a result all the rakes were detained for three hours almost every day.

2.1.7.2.3 Facilities in sidings

The facilities for loading/unloading in a siding should be provided by the siding owners and should be adequate for smooth operation of the sidings. Para 6.4 of Freight Marketing Circular No. 01/2012 stipulates that regular carriage and wagon examination facilities should be provided if the loading/ unloading was two or more rakes per day. Para 10 (a) of the standard siding agreement stipulates that tipplers or any other bulk handling system were to be provided and commissioned as per RDSO approved specifications for smooth and timely loading/unloading of the goods. It includes facilities for direct reception and despatch of rake, freight handling at the loading/unloading point etc.

Audit scrutiny of records in selected 293 sidings revealed that:-

- Though 155 selected sidings[33] handled two or more rakes per day, no sick lines / train examination lines were provided inside the siding by the private siding owners. In absence of train examination point, it was not

[32] ***CR - ₹4.76 crore, NWR - ₹2.90, ECoR - ₹ 0.35 crore, SER- ₹ 7.41 crore, NR - ₹ 4.08 crore and NFR - ₹ 2.65 crore***

[33] ***ECR-4, ER-2, NWR-6, NR-20, SER-19, WR-16, NCR-1, SR-21, SCR-17 SECR-18, ECoR-6, NER-9, WCR-3 and SWR-13***

possible for Railways to assess the quantum of damage and deficiency occurring, if any, to the wagons inside the siding premises and recovery of cost of damage thereof from the defaulting parties.

- Tipplers were not provided as per RDSO specification by the siding owners in 45 sidings[34] adversely affecting smooth loading/unloading operations in these sidings as rakes suffered detention during loading operations and the parties were liable to pay demurrage charges for such detentions.

- As per the directives (August 1989) of Railway Board, Liquid Petroleum Gas (LPG)/ Petroleum Oil Lubricants (POL) sidings, were required to incorporate certain provisions in the agreements in respect of boundary wall fencing at the applicant's cost to prevent any mischief or trespass by outsiders, joint examination of the tank wagons for checking the leakage, etc. It was observed that while agreements were not executed in respect of 8 POL sidings (CR-1, ECR-3, NFR-2, NWR-1, and SER-1), copy of agreement was not made available to audit in respect of 4 POL sidings in two Zonal Railways (ER-3, NFR-1). Scrutiny of agreements in respect of remaining 26 (out of 38 POL[35] sidings) revealed that:-

  - In 15 sidings[36] dealing with POL traffic, the above clauses were not incorporated in the agreement. Out of these, in 5 POL siding (CR-2, ECoR-1, NCR-2) even though above clause was not incorporated in the agreement, all facilities required for POL sidings were provided as observed by audit during a joint check of these sidings.

  - In respect of the remaining 11 sidings though the extant clause was provided in the agreement, required facility was provided only in one siding (SCR-1). In respect of remaining 10 POL sidings[37] in 8 Zonal Railways, the required facility was not provided.

- Railway Board's instructions of February 1998 stipulated that Railways would notify the revised working hours of the sidings only after receiving confirmation from the oil companies that all the facilities required for handling of rakes after sunset had been provided and requisite clearances from the Chief Controller of Explosives (CCOE) had been obtained. One POL siding in SWR applied for permission from the Petroleum and Explosives Safety Organisation for operation of the depot activities beyond sunset hours in October 2013. Railways, however, notified this siding as a round the clock working siding (February 2014) pending receipt of the confirmation from the (CCOE). This was a violation of the February 1998 instruction of Railway Board and compromise with the safety in operation of the siding.

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[34] ***ECR-12, NER-1, NWR-3, NFR-1, SECR-3, NR-6, SWR-8, SR-9, ER-1 and ECoR-1***

[35] ***POL-Petroleum Oil Lubricants-CR-3, ECR-3, ECoR-1, ER-3, NER-3, NFR-6, NR-2, NWR-2, SER-1, SCR-1, SR-4, SWR-1, NCR-3, WCR-1 and WR-4.***

[36] ***ECoR-1, NCR-2, CR-2, WR-2, SR-3, NFR-3, NWR-1 and SWR-1***

[37] **NWR-1, NCR-1, WR-2, SR-1, NER-1, NR-2, SCR-1 and WCR-1**

2.1.7.2.4Engine on Load (EOL) Scheme

In order to improve the utilization of the rolling stock and help the customers in prompt clearance of freight trains from their sidings, the 'Engine-on-Load' (EOL) Scheme was introduced in July 2004. The siding holders are required to opt for the EOL operations under an agreement with the Railway Administration. Under the 'EOL' operation, the train engine would remain available during loading or unloading operation in the siding and wait on Railway's account so as to work the train immediately after loading/unloading operation was completed. The party was to develop facilities for loading and unloading on 'Engine-on-Load' concept and design yard layouts to facilitate the same. 'Engine-on-Load' would mean loading or unloading in such manner and within such time as would permit clearance of the same rake by the same engine. The free time for loading and unloading operations permitted under the EOL scheme was as under:-

Table 2.5 -Free time allowed for loading/unloading under EOL

Type of operation	Free time for bulk commodities	Free time for bagged commodities
Loading- All types of wagons	4 hours	6 hours
Unloading – **1.** All types of wagons except BOBRN (Rapid Bottom Discharge (Pneumatic) Hopper **Wagon** **2.** BOBRN wagons	4 hours 2 hours	5 hours Not applicable

Source:-Railway Board's order regarding EOL Scheme

Out of the 293 sidings test checked in audit, EOL Scheme was introduced in 42 sidings[38] only (15 existing and 27 newly constructed sidings). Facilities required under EOL were not developed by 8 siding owners in 5 Zonal Railways[39]. Scrutiny of record pertaining to implementation of EOL scheme at these sidings revealed that:-

- As per the instructions from Railway Board[40], the party opting for EOL scheme through an agreement with the siding owner are required to develop facilities for loading and unloading and design yard layout to facilitate the same. It was seen that facilities as required under EOL scheme were not developed by the six parties[41] hampering the speedy clearance of rakes at these sidings. Demurrage charges[42] of ₹ 8.95 crore accrued during the review period in respect of the above six sidings. Of these, ₹ 1.49 crore was waived off and ₹ 7.46 crore was recovered.

[38] ***CR-2, ER-7, NER-2, NWR-5, SER-7, SWR-9, SECR-5, SR-1, WCR-2 and WR-2***
[39] ***NER-1, NWR-1, SECR-3SR-1 and WCR-2***
[40] ***Railway Board's letter No. 99/TC9FM)/26/1/Pt Ii dated 2005***
[41] ***NER-1, SECR-2, SR-1, WCR-2***
[42] ***Demurrage charges are recoverable @ ₹100 (up to March 2013) and ₹150 from 1-4-2013 per wagon per hour in respect of detention to wagons during loading/unloading operations***

- In ER, out of 18 private sidings test checked, 7 private sidings developed facilities under EOL Scheme for siding operations in their respective sidings. An analysis of the EOL facilities provided in three sidings[43] revealed that accrual of demurrage charges has been on increasing trend from ₹ 4.61 crore in 2009-10 to ₹ 8.69 crore in 2013-14. Increasing trend in the accrual of demurrage charges was attributed to detention of rakes due to shortage of labour, congestion in unloading wharf, manual unloading, old and worn out tipplers etc.
- Study revealed that two new sidings[44] constructed in 2011 in WCR have not developed necessary facilities for loading/unloading under EOL concept hampering the speedy clearance of the freight trains from sidings. Similarly in respect of three sidings where EOL was implemented during December 2009 to March 2013, rakes suffered detention in Lanco Amarkantak Power Pvt. Ltd/Urga sidings due to lack of direct receipt and despatch facility.
- The EOL scheme was implemented in nine sidings over SWR. Test check of detentions during the stage 'Release to Despatch' revealed that detentions beyond the permissible free time ranged from 7 to 16 hours for want of loco or crew as the Railway Administration of SWR was withdrawing the locos contrary to the provisions of the scheme.

From the cases pointed out above, it may be seen that despite introduction of EOL, the required facilities for speedy clearance of rakes were not developed in eight sidings. In respect of sidings where the required facilities under EOL were developed, detentions beyond permissible free time were noticed. Thus, it was clear that the EOL Scheme in these sidings has not actually helped in speedy clearance of rakes from the sidings defeating the very purpose of introducing the EOL scheme.

Further, in CR, Karnataka Empta Coal siding Ltd. had not adopted EOL scheme. The engines therefore were detained with rakes by the parties for whole time i.e. from receipt to despatch of rakes. During April 2010 to March 2012, engines were detained for minimum 3.35 hours to maximum 20.10 hours. Only in February 2013, CR enforced the siding authority to accept the EOL scheme and also raised debit of ₹ 0.39 crore for the period from 16.02.2013 to 11.05.2013 for excess time taken for loading than permissible limit under EOL scheme. Non-implementation of EOL scheme from the date of agreement executed with the siding authority resulted in loss of earning of ₹ 3.31 crore due to non receipt of loco hire charges for the period from 1.4.2010 to 15.02.2013.

[43] ***Mejia Thermal Power Station Siding/ Raniganj, M/s Jai Balaji Industries Limited Siding / Durgapur and M/s Lafarge India Pvt. Ltd. / Raniganj***
[44] ***Bhilai JP siding, Sakaria and Bina Refinery Plant Siding, Bina***

2.1.7.2.5Levy and recovery of various charges by the Railways

A. Siding charges

Siding charges are levied for haulage of wagons handled (both inward and outward) between the serving station and the siding. Siding charges are required to be levied and recovered from the siding owners where complete facilities for direct receipt and dispatch of rakes are not available in the siding. However, no siding charges are levied in case of sidings where freight is charged on through distance basis[45].

Siding charges are levied on the basis of cost per engine hour fixed by Railway Board and the average time for a round trip from serving station to the siding and back for placement and /or removal of wagons, whether loaded or empty. Siding charges are fixed after conducting trial run within six months from the date of opening of the siding. Scrutiny of records relating to receipt of siding charges recoverable from 79 sidings out of the 293 selected private sidings revealed the following facts:-

- In 38 sidings[46] in seven Zonal railways, the average time for a round trip from serving station to the siding and back for placement/ removal of wagons was not assessed. This resulted in non levy of siding charges during 2009-14.
- Facilities for direct receipt and dispatch of rakes were not available in 19 sidings (NWR-5, NFR-10, NR-3, SER-1) resulting in handling of rakes at the serving stations before being sent to the respective sidings. Bills for siding charges amounting to ₹ 30.25 crore were not raised on these 19 siding owners.
- Further, siding charges amounting to ₹ 12.13 crore remained outstanding from 22 sidings owners in seven Zonal Railways as on 31st March 2014, as indicated in Table 6. The reasons for outstanding against the remaining sidings were not on record.

Table 2.6-Statement showing outstanding siding charges

₹in crore

Railway	Number of sidings	Siding charges due to be recovered	Siding charges recovered	Siding charges outstanding as on 31 March 2014
CR	2	2.48	1.70	0.78
ECR	7	11.96	5.97	5.99
ECoR	1	7.59	3.27	4.32
NFR	1	0.04	0	0.04
SER	1	11.00	10.34	0.66
SR	7	20.75	20.44	0.31
NCR	3	3.53	3.50	0.03
Total	**22**	**57.35**	**45.22**	**12.13**

Source:-Details collected from the record maintained by Commercial Department in respective Zonal Railways

[45] ***Freight from the originating station to the end point in siding***
[46] ***NCR-1, NER-2, NWR-8, NR-13, SER-2, WCR-12***

B Shunting charges

Shunting charges should be recovered from the siding users for the shunting of wagons beyond the point of inter-change. However, it should be ensured by the Station Master that the railway engine does not go beyond the point of inter-change unless the Headquarters/Divisional office has specifically permitted it and the additional charges due on this account were paid by the siding user.

Examination of 234 agreements available in Accounts office in Zonal Railways revealed that the terms and conditions for use of Railway engine for shunting purpose at siding premises were not incorporated in agreements with 22 private sidings[47] in five Zones. Scrutiny of records relating to receipt of shunting charges from selected private sidings revealed the following:-

- As on 31st March 2014, an amount of ₹ 26.40 crore was outstanding towards shunting charges in respect of 25 sidings[48] as indicated below:

Table 2.7-Statement showing outstanding shunting charges

₹in crore

Railway	Number of sidings	Shunting charges recoverable including the outstanding as on 1-4-2009	Shunting charges recovered	Shunting charges outstanding as on 31 March 2014
ECR	7	32.70	9.25	23.45
ER	3	39.67	37.31	2.36
NWR	1	0.52	0.51	0.01
NFR	4	7.27	7.07	0.20
NR	1	0.37	0.35	0.02
SCR	1	1.02	1.01	0.01
SECR	4	3.07	2.79	0.28
SER	1	0.34	0.33	0.01
SR	1	0.18	0.12	0.06
WCR	1	0.59	0.58	0.01
WR	1	0.49	0.48	0.01
Total	**25**	**86.21**	**59.82**	**26.40**

Source:- Details collected from the record maintained by Commercial Department in respective Zonal Railways

- The above amount included ₹ 22.89 crore not claimed by the Railway administration in ECR for three sidings. Details are as under :
  - In PSBS Siding/Meralgram, shunting operations were performed by multi-engine. Against an amount of ₹ 2.38 crore accrued as shunting charges, shunting charges amounting to ₹ 1.57 crore only was realised and an amount of ₹ 0.81 crore was outstanding from the siding owner due to non- preferment of bills.
  - In two sidings (Chasnala and C.K. East), though rakes were placed in two spurs due to non-availability of facility for direct placement

[47] ***NCR-10, NR-1, WCR-1, SR-1 and SER-9***
[48] ***ECR-7, ER-3, NWR-1, NFR-4, NR-1, SCR-1, SECR-4, SER-1, SR-1, WCR-1, WR-1***

and withdrawal yet bills for shunting charges were not preferred and recovered by Railway Administration. This resulted in revenue loss of ₹ 22.07 crore.

C Recovery of land license fee

When Railway land is used for laying the siding, the Engineering Department is required to assess land rent on the basis of percentage of the land cost. After obtaining approval from Accounts Department, the party is required to be informed of the amount of license fee to be paid annually for the land leased for laying the siding. Bills are to be preferred annually by the Accounts Office after obtaining the required information from the Engineering Department. Railway Board issued detailed guidelines in February 2005 on licensing of railway land to outsiders for commercial purpose and recovery of the land license fee. The rate of annual license fee for the land leased to the private siding owner was fixed at 6 per of the land value with a provision of annual revision of the land value at the rate of 7 per cent in terms of Railway Board Guidelines of February 2005.

Scrutiny of records relating to outstanding land license fee from selected private sidings revealed that:-

- Out of 293 private sidings test checked, the land belonged to siding owners in case of 10 sidings[49] only, whereas in case of 169 sidings, the ownership of land belonged to Railways. Ownership of land could not be ascertained in respect of 52 sidings[50] due to non-availability of records with the Civil Engineering Department of respective Railway Administration. Further, in respect of 62 sidings[51]land ownership was not vested with Railways making it susceptible to dispute in future.
- An amount of ₹ 88.48 crore was outstanding towards land license fee from 77 sidings (out of 293 selected for review) as on 31st March 2014 as shown in the table 8 below:-

Table 2.8-Statement showing outstanding Land License Fee

₹in crore

Railway	Number of sidings	Outstanding license fee prior to April 2009	Land license fee accrued during April 2009 to March 2014	Outstanding land license fee as on 31 March 2014
CR	13	12.32	30.25	36.02
ECR	4	0.30	8.29	1.01
ECoR	4	6.08	3.04	3.94
ER	1	0.00	**0.26**	**0.005**
NER	3	0.21	1.39	0.38
NWR	4	0.03	0.64	0.60
NFR	1	0.00	0.009	0.002
NR	12	16.09	17.04	25.70
SCR	3	0.029	0.16	0.051
SECR	4	0.44	1.02	0.68

[49] *CR-2, ECoR-3, NWR-2, NR-3*
[50] *CR-10, ECR-13, ECoR-4, ER-17, NWR-1 SER-1, SR-6,*
[51] *ECR-4, ER-1, NWR-1, NFR-13, SCR-10, SECR-10, SER-1, SR-3, WR-19*

SER	6	1.11	6.94	8.05
SWR	15	2.85	6.62	8.73
SR	2	0.00	0.27	0.21
WCR	2	0.00	2.43	1.72
WR	3	0.00	2.18	1.38
Total	**77**	**39.46**	**80.54**	**88.48**

Source:- Details collected from the record maintained by Civil Engineering and Accounts Department in respective Zonal Railways

The above amount were outstanding for various reasons such as land dispute (₹ 6.37 crore), incorrect fixation of base rate (₹ 21.35 crore), under assessment of land value (₹ 5.40 crore), Court /Arbitration cases (₹ 10.87 crore) and non preference of bills (₹ 5.64 crore). The reasons for balance of ₹ 38.85 crore outstanding land license fees were not made available by the Railway administration in Zonal Railways.

- In CR, outstanding land license fee of ₹ 36.02 crore included bills of ₹ 4.76 crore not preferred by Railway Administration in respect of seven sidings.

D Repair and maintenance of the sidings and recovery of charges by Railways

As per the extant orders[52], the siding owner should first approach the Railway for siding maintenance at the cost of the party. In case the necessary manpower is not available with the Railways, siding owners may get the maintenance done by a private consultant/contractor, borne on the approved list of a Railway for siding works. In such cases, Railway Engineers are required to conduct inspections of the private sidings at regular intervals so as to ensure the quality of work done by the consultants. In cases where Railways are maintaining the sidings for the private parties, actual cost incurred by Railways in this regard is recoverable from the private siding owner.

Scrutiny of records in respect of 293 selected sidings revealed that:-

- In 39 sidings[53], maintenance of track of the inside portion[54] of the siding was done by Railways. Repair and maintenance charges of track of the inside portion of track[55] amounting to ₹ 14.09 crore were outstanding as on 31st March 2014 against 18 of these sidings as indicated in Table 9:-

Table 2.9-Statement showing outstanding repair and maintenance charges

₹ in crore

Railway	Number of sidings	Repair and maintenance charges accrued/raised	Repair and maintenance charges realised	Repair and maintenance charges outstanding
CR	3	10.46	6.76	3.70
ECR	2	3.82	0.86	2.96

[52] ***Railway Board's Letter No. 2012/CE-1/CT/SP/10 Dated 16-10-2012***
[53] ***CR-5,ECoR-1, ECR-2, ER-2, NCR-5, NFR-11, NR-3, SCR-7, WCR-1, SER-1 and NWR-1***
[54] ***With in the siding premises***
[55] ***With in the siding premises***

NFR	8	14.47	9.38	5.09
NR	2	2.09	0.28	1.81
SCR	2	0.81	0.75	0.06
NCR	1	6.66	6.19	0.47
Total	**18**	**38.31**	**24.22**	**14.09**

Source:- *Details collected from the record maintained by Civil Engineering and Accounts Department in respective Zonal Railways*

- In case of remaining 254 sidings, maintenance of inside portion of track was done by siding owners. Of these, maintenance work was not given to Railway approved consultant in respect of 156 sidings[56]. It was further observed that as many as 250 accidents took place in 42 sidings Details of the joint enquiry held in accident cases and the amount of loss assessed and recovered has been indicated in Para 2.1.7.2.5 E.

- Further, the repair and maintenance charges of track outside the siding premises[57] amounting to ₹ 18.80 crore were outstanding as on 31st March 2014 against 26 sidings[58] in seven Zones.

- As prescribed in Indian Railway Manual of Inspection schedules for official of Engineering Department, 19 inspections[59] were to be conducted annually by the Railway Officials at each siding. It was, however, observed in audit that:-

  - No inspections were conducted at 32 sidings[60] in eight Zonal Railways. In remaining 261 sidings, the inspection ranged between 2.6 to 30 per cent of the prescribed number of inspections.

  - In 18 sidings[61] in four Zones, inspection reports were not forwarded to the siding owners for taking remedial action.

  - Seven siding owners had not taken any remedial action on inspection reports (NR-2, NWR-2, SER-2, WCR-1).

E Recovery of Damage & Deficiency charges

Under standard terms of agreement, a siding owner is responsible for any damage to Railway property (e.g. rolling stock, engine) inside the siding and should make good any damage to such property caused due to any reason, except negligence on the part of Railway Administration or act of God. Siding owner is also liable to bear the cost of re-railing engines and rolling stock derailed and the cost of repairs to the siding necessitated by such derailment. For ascertaining the cost involved in the actual damage caused to Railway assets, joint inspection is mandatory of all wagons at inter change points with

[56] ***CR-7, ECR-18, NER-1, NR-17, NCR-5, NFR-3, NWR-6, SCR-16, SECR-25, SER-20, SR-14, WCR-3, WR-20, ECoR-1***
[57] ***Portion between the serving station to exchange point***
[58] ***CR-2 ₹6.49 crore, NER-4 ₹0.38 crore, NWR-2- ₹0.62 crore, NFR-3, ₹0.67 crore, SECR-10 ₹0.96 crore, SER-1 ₹1.68 crore, WR-3 ₹6.62 crore and SWR-₹1.32***
[59] ***DEN- once in a year, AEN - once in six months, SSE/P.Way - at least once in three months and JE – once in a month.***
[60] ***CR-3, ECR-6, ER-2, NR-3, ECoR-13, SER-2, SR-2, SWR-1***
[61] ***CR-5, ER-4, NWR-2, NR-7***

major users, comprising the representatives of Siding and Railways, to assess the damage and deficiency for the purpose of recovery.

Scrutiny of records relating to recovery of Damage & Deficiency Charges from selected private sidings revealed that:-

- Out of 293 private sidings test checked in audit, 39 and 254 sidings were maintained by the Railways and private siding owners respectively. During 2009-14, out of 254 sidings maintained by the siding owners, 201 sidings were inspected by Railway Officials. As many as 250 accidents occurred in 42 sidings.
- 264 joint enquires[62] conducted for 250 accidents, damages of ₹ 5.93 crore due to accidents were accepted by the siding owners as indicated in Table 10:

Table 2.10-Statement showing outstanding Damage and deficiency charges

Railway	Joint enquiries held after the accidents	Number of cases where party accepted the damages	Amount of damages assessed (` *in crore)*
ECR	1	1	0.06
ECoR	185	185	4.61
ER	24	24	0.06
WR	30	30	0.68
NCR	24	24	0.53
Total	**264**	**264**	**5.93**

Source:- Details collected from the record maintained by, Mechanical and Accounts Department in respective Zonal Railways

- Charges amounting to ₹ 10.16 crore recoverable for damage to mishandling of wagons during loading and unloading remained outstanding as on 31st March 2014 against a total of ₹ 24.91 crore recoverable from 39[63] siding owners.
- Apart from reiterating the instructions from time to time, Railway Board (September 2012) instructed implementation of measures like suitable modification in the siding agreement to include more effective clauses for imposition of penalties for damage to wagons, etc. Damages continue to occur even after penalties were imposed.

F Accident Relief Train charges

Accident Relief Trains (ARTs) comprises engine, crane, empty wagons, coach, re-railing equipment and other safety equipments depending on the requirement at the site. Mechanical Department is responsible for raising the bills for providing such Accident Relief Trains. ARTs should be made available to private sidings for attending to accidents inside sidings. Scrutiny of records relating to ART charges revealed the following:-

[62] ***In case of accidents there are one or more joint enquiries***
[63] ***ECR-5, ECoR-6, NR-1, SCR-3, SER-4, SWR-6, WCR-5, SECR-6, SR-2, NCR-1***

- Re-railment charges[64] amounting to ₹ 1.92 crore remained outstanding against 22 sidings in nine Zonal Railways as on 31st March 2014.
- Charges for Accident Relief Train (ART) amounting to ₹ 3.12 crore remained outstanding from 39 sidings in ten Zonal Railways as on 31st March 2014.

G Recovery of Signalling and Telecommunication (S&T) charges

Private parties are primarily responsible for maintenance of the private sidings. However, if at the request of the party, maintenance of S&T equipments are undertaken by the Railway Administration, the maintenance charges (cost of labour and material) are to be recovered from the concerned party. Audit scrutiny of related records revealed that maintenance of S&T equipments in respect of 23 sidings only were done by Railways. In remaining sidings, S&T equipments were maintained by the siding owners. As on 31st March 2014, an amount of ₹ 60.04 crore was outstanding towards maintenance charges against 20 sidings as given in Table 11 below:

Table 2.11-Statement showing outstanding S&T charges

₹in crore

Railway	Number of Sidings	S&T maintenance charges outstanding prior to April 2009	S&T maintenance charges accrued during April 2009 to March 2014	Outstanding S&T maintenance charges as on 31 March 2014
CR	2	0.21	1.13	0.51
ECR	2	0.95	6.53	7.48
SECR	14	33.56	10.10	43.45
SER	1	0.47	0.78	1.25
WR	1	3.49	3.86	7.35
Total	**20**	**38.68**	**22.40**	**60.04**

Source:- *Details collected from the record maintained by Signalling and Telecommunication and Accounts Department in respective Zonal Railways*

H Recovery of cost of Commercial staff posted in the siding

Railway Board directed (September 2000) that stipulated that the cost of staff of the existing siding not opting for EOL scheme will continue to be borne by the siding owners. In January 2012, Railway Board further stipulated that in all private sidings (other than under EOL scheme), barring the cost of one Commercial staff per shift, Railways should bear the cost of all other Railway staff. However, the cost of all staff at the sidings under EOL scheme should be borne by Railways.

Review of records in Accounts Office of respective Zonal Railways pertaining to outstanding staff cost in 251 sidings[65] out of 293 revealed that an amount of ₹ 30.28 crore was outstanding as on 31 March 2014 towards cost of

[64] ***Charges levied for setting right the alignment of rails damaged/affected due to derailments of rakes in the sidings***

[65] ***Total 293 selected sidings minus 42 siding operating under EOL scheme where staff cost is borne by Railways only=251 Sidings***

commercial staff against ₹ 81.88 crore recoverable in respect 110 sidings as indicated in Table 12.

Table 2.12-Statement showing outstanding staff cost

₹in crore

Railway	Number of Sidings	Cost of Commercial staff outstanding prior to April 2009	Cost of Commercial staff accrued during April 2009 to March 2014	Cost of Commercial staff outstanding as on 31 March 2014
CR	20	0.97	21.52	6.51
ECR	4	0.31	1.73	1.20
ECoR	7	0.31	7.11	2.86
NER	1	0.10	0.46	0.46
NWR	5	1.09	3.09	3.39
NFR	6	0.11	1.27	0.67
NR	7	0.44	4.95	0.88
SCR	15	0.56	8.89	2.03
SECR	17	0.90	5.90	2.33
SER	5	0.24	4.55	2.04
SWR	7	0	5.41	2.03
SR	8	0.12	6.02	4.81
WCR	3	0	1.62	0.29
WR	5	0.29	3.92	0.78
Total	**110**	**5.44**	**76.44**	**30.28**

Source:- *Details collected by the Field Audit Parties from the record maintained by Personnel and Accounts Department in respective Zonal Railways*

I Demurrage charges

Free time is allowed for completion of loading/unloading operations at loading/ unloading points. If the loading/unloading operation is not completed within the scheduled free time, demurrage charges are to be levied from the parties at the prescribed rate. As per Railway Board instructions, waiver of demurrage charges should normally be done for the reasons which are beyond the control of consignor/consignee and for act of god/war. Zonal Railways are required to make efforts through constant dialogue with Rail users to develop the infrastructure for efficient handling of wagons to reduce the terminal detention and hence improve wagon availability.

Rates of demurrage charges was last revised by Railway Board in 2008 and fixed at ₹100 per wagons per hour. The rate of demurrage charges was enhanced to ₹ 150 per wagons per hour from 1.4.2013. Scrutiny of records relating to demurrage charges in respect of 293 selected sidings revealed the following:-

- Demurrage charges amounting to ₹ 2004.35 crore accrued against 293 selected sidings during the period April 2009 to March 2014. Against which, ₹ 1338.40 crore were realized and ₹ 603.38 crore (30 per cent) were waived off leaving ₹ 62.57 crore remaining to be recovered from 88

sidings[66] as on 31 March 2014. Demurrage charges were waived for various reasons, like heavy rains, strike/bandh called by workers in the sidings, labour problem in case of manual unloading, supply of unfit wagons, bulged wagons, boulders, heavy shortage of labour and trucks, defective doors, electrical and mechanical failures in packing, plant, labour problem during night loading/ unloading, cargo received in wet condition, breakdown of crane and conveyor belt etc.

- In ER, waiver of demurage charges was attributed to labour unrest, shortage of labour, congestion in unloading wharf, non-provision of full rake facilites within the siding premises, unloading done manually, old and worned out tipplers etc. In NWR and WR, waival of demurrage charges was attibuted to heavy shortage of labour, frequent breakdown in coal handlling plant, electrical and mechanical failure in packing plant, late arrival of loco for weighment etc.
- In New Kasmunda colliery siding of SECR, an amount of ₹ 4.42 crore demurrage charges accrued on account of load adjustment of overloaded rakes during the period from February 2012 to March 2014. Out of this, an amount of ₹ 1.08 crore was waived by Railway Administration in clear violation of Railway Board's Master circular of 2014 which stipulated that demmurage charges on load adjustment of overloaded rakes were not waivable.

2.1.7.2.6 Closure of Sidings

A Sidings not in operations and declared closed

When there is a request for closure of siding from the siding owner or when there is no traffic on the siding, closure notice is issued to the siding owner, so that all the dues are cleared. Closure notification is issued after the issue of "No due certificate" by the Commercial Department and the siding is treated as closed for traffic. Thereafter dismantling of tracks laid down within the siding is to be done immediately for retrieval of the Railway assets. As per Railway Code for Commercial Department, Chief Commercial Manager of Zonal Railways is the competent Authority for closure of any siding.

As on 31-3-2014, 125 private sidings were not in operation. Out of these, 49 had been notified for closure during 2009-14. The remaining 76 private sidings though not in operations were not notified for closure by Commercial Department by issuing notification till 31-3-2014.

Audit scrutiny of the record pertaining to closure of 49 private sidings revealed the following:-

- 49 private siding were closed (out of the 835 sidings in operations as on 1-4-2009) through the notifications issued by Railway Administration during the period April 2009 to March 2014. Reasons for closure were mainly non-availability of traffic (27 siding), gauge conversion (16 sidings), financial constraint (1 siding), and safety measures (1 siding). In case of

[66] ***CR-2, ECR-15, ECoR-7, ER-6, NER-2, NWR-2, NFR-8, NR-5, NCR-4, SCR-4, SECR-4, SER-3, SWR-1, SR-22, WCR-2, WR-1***

the remaining 4 sidings, the reasons could not be ascertained due to non-availability of records (files related to the siding maintained by commercial department in respective zonal Railways).

- Out of 49 sidings[67] notified for closure during the period of review, the closure notifications were issued one to thirty years after the operations stopped in case of 31 sidings as indicated in the table 13:-

Table 2.13-Statement showing the time taken in issuing the closure notice

Time taken in notification (years)	*No. of sidings*
1-5	7
6-10	5
11-15	10
16-20	3
21-25	4
26-30	2
Total	**31**

Source:-Record collected by the Field Audit Parties from the Commercial Department of Zonal Railways

- In case of 19 sidings (NWR-8, SCR-3, NR-8), it took more than 10 years to issue notifications for closure of sidings, after operations were stopped in these sidings. The main reasons were siding station converted into Broad Gauge but not the siding, siding owner not agreeing for gauge conversion, want of traffic etc.
- As on 31 March 2014, an amount of ₹ 59.70 crore was outstanding since March 2012 on account of land license fee, dismantling charges in respect of 8 closed sidings [68] in two Zonal Railways (SER-3 and NWR-5).
- In case of 37[69] sidings in six Zonal Railways, no amount was outstanding against the siding owners, whereas in respect of 4 sidings in four Zonal Railways (NWR, NER, ECR & SR), the information regarding the outstanding charges was not made available to audit.

Scrutiny of records relating to the retrieval of engineering material after these 49 private siding having been notified for closure revealed that:

- Railway Engineering material (Track and other Permanent way materials like rail fastening elastic rail clips etc.) worth ₹ 2.79 crore could not be retrieved from 11[70] sidings by Railway Administration.
- In respect of 14 sidings in three Zonal Railways (NWR-12, CR-1 & NR-1) no railway materials were lying with the siding premises.

[67] ***CR-2,ECoR-1, ECR-1,NR-10, NWR-17, SCR-5, SER-4, SR-8 and NER-1***
[68] ***SER-3 (Joy Balaji Sponge Limited, Barjamda, Taurian Iron and Steel Company Pvt. Limited, Barjamda and Deepak Steel and Power Limited, Barjamda), NWR-5 (Man Industrial Corporation siding, Jaipur, Nalla Power House siding, Jaipur, Kamani Engineering Corporation siding, RCP/IJMP siding, Kolayat and Udaipur Cement Works Khemli)***
[69] ***NWR-11, SCR-5, ECoR-1, CR-2, NR-10, SR-7 and SER-1***
[70] ***NR-8- ₹2.05 crore, NWR-2-₹0.65 crore, CR-1,₹0.09 crore***

- In case of 3 sidings though the material was dismantled, it was not possible for audit to assess the value of the dismantled materials in absence of necessary details in the records made available to audit.
- In respect of remaining 21[71] closed sidings, it could not be ascertained whether track and track materials had been dismantled and value assessed by Engineering Department was not made available to audit.

B Sidings not in use during the period of review but not declared closed

A mention has been made in Para 2.1.7.2.6 A about 76 sidings[72], which though not in operation were yet to be notified for closure by Commercial Department by issuing notification. Scrutiny of related files maintained in the commercial department revealed that these sidings were not in operation for the period ranging between one and half years to 28 years. Details of the date of last rake handled in respect of 36 private sidings, made available to audit, are shown below:-

Table 2.14-Statement showing the duration of siding remaining in-operative

Duration of non-operation as on 01.01.2014	Number of sidings	Name of the Zonal Railway
1 to 5 years	11	NCR(1), SECR(1), NR(3),ER(1),SER(1), SWR(3), WR(1)
6 to 10 years	7	NFR(1), SCR(1), ER(1), NR(2), NCR(1), SECR(1)
11 to 15 years	9	NCR(2), SR(3), ER(1), CR(1), NWR(2)
16 to 20 years	7	SCR(2), CR(1), ER(1), NR(3)
21 to 25 years	1	ER(1)
25 to 30 years	1	NR(1)
Total	**36**	

Source:-Record collected by the Field Audit Parties from the commercial department of respective Zonal Railways

- It may be seen from the table above that 18[73] sidings were inoperative for more than 10 years as on 31 March 2014, but were yet to be declared closed by railways administration.
- Audit scrutiny further revealed that 28 sidings (out of 76 not in operations) in seven[74] Zonal Railways were not in operations for various reasons like non-payment of Railway outstanding dues (towards land license fee, demurrage charges, siding charges, staff cost etc) from the siding owners, siding owners not applied for closure, parties planning to set up new factory etc. Reasons for balance 48 private sidings remaining non operational were not found on record.

[71] ***(NWR-3, NER-1, SCR-5, ECR-1, SER-4, NR-1, SR-5 and ECoR-1)***
[72] ***CR-7, ECR-15, ER-10, , NCR-4, NFR-3, NR-13, NWR-2, SCR-3, SECR-2, SER-8, SR-5, SWR-3 and WR-1***
[73] ***ER-4,NR-4,SR-3,NWR-2,SCR-2,NCR-2***
[74] ***SCR(3), NFR(1), CR (7), NCR (1), WR (1), ER (2) and NR(13),***

- An amount of ₹ 45.47 crore was outstanding against 19[75] sidings (out of 76) from the siding owners. While no amount was outstanding in respect of 7 sidings[76], the record /information regarding dues was not made available to audit in respect of 50 sidings[77].
- Out of 76 sidings not in operations, value of Railway materials could not be assessed in respect of 62 sidings[78] as the records relating to statement of assets could not be made available to audit by the Engineering Department. In the remaining 14 sidings,[79] it was observed that Engineering materials worth ₹ 2.00 crore belonged to Railways.

2.1.7.2.7Monitoring weighing of freight handled in private sidings

A Provision of weighbridges at private sidings and overloading due to non availability of weighing facility

Railway Board instructed[80] (November 2004) Zonal Railways that where weighbridge do not exist, weighbridges should be commissioned at the earliest. However, for all the private sidings without weighbridges, Zonal Railways are required to notify alternative weighbridges for *en route* weighing.

Audit observed that of 293 selected private sidings including 55 newly constructed sidings, 195 sidings dealt with outward traffic. Out of these 195 sidings 172 sidings handled commodities other than Petroleum Oil Lubricant (POL) where weighing is required. Position on the provision of weighbridges in the siding premises and at *en route* stations is given in Table below:-

Table 2.15-Statement showing weighing arrangements in selected private sidings

Zonal Railways	No. of sidings selected	Siding with outward traffic other than POL	Sidings with weighbridge in the siding premises	Sidings with no weighbridge in the siding premises	Siding having only en route weigh bridge for weighment (out of col.5)	Siding with no weighing facility (neither at siding nor en route)	Distance of *en route* weigh bride from the siding (in kms)
1	*2*	*3*	*4*	*5 (3-4)*	*6*	*7(5-6)*	*8*
CR	25	15	7	8	1	7	3
ECR	23	11	7	4	1	3	35
ECoR	14	9	9	0	0	0	NAP
NCR	11	4	0	4	1	3	20
NER	10	3	0	3	0	3	NAP

[75] ER-1, ₹0.016 crore, NCR-3, ₹2.76 crore, NFR-1, ₹0.15 crore, NR-5, ₹ 36.11 crore, NWR-2, ₹ .0018 crore , SCR-2, ₹ 0.67 crore , SWR-3, ₹ 3.27 crore & CR-2, ₹2.50 crore
[76] ER-2, NCR-1, SCR-1, SR-2 and WR-1
[77] CR-5, ER-7, ECR-15, NR-8, NFR-2, SER-8, SECR-2 and SR-3
[78] CR-7, ER-10, ECR-14, NCR-4, NFR-3, NR-4, SER-6, SR-5, SECR-2, SCR-3 , SWR-3, WR-1
[79] ECR -1, ₹0.14 crore, NR-9, ₹0.89 crore, NWR-2, ₹0.79 crore, SER-2, ₹0.18 crore
[80] Letter No. TCI/2004/109/4 dated 04.11.2004 issued by Railway Board

NFR	14	4	1	3	0	3	NAP
NR	23	10	2	8	2	6	110 to 150
NWR	12	7	3	4	2	2	20 to 390
SCR	23	18	11	7	5	2	3 to 86
SECR	26	22	19	3	2	1	25 to 50
SER	21	19	12	7	5	2	5 to 237
SWR	16	12	3	9	0	9	NAP
WR	20	12	4	8	8	0	13 to 178
WCR	13	10	8	2	2	0	35 to 301
SR	24	8	5	3	3	0	18 to 132
ER	18	8	5	3	0	3	NAP
Total	**293**	**172**	**96**	**76**	**32**	**44**	**3 to 390**

Source: - Record collected by the Field Audit Parties from sidings as well as weighbridges (Operating)

It can be seen from above Table that:-

- 76 sidings[81] did not have any weighbridge even after lapse of 10 years from the issue of Railway Board's instructions. Of these, weighment in respect of 32 sidings was being done *en route*. Further, in these 32 sidings, weighbridges were located at a distance ranging between 3 to 390 kms from the siding premises entailing a risk of overloading and the resultant impact on the track as well as rolling stock. Examples of five such sidings are indicated in the table 2.16 below where weighment is done at a very long distance:-

Table 2.16-Statement showing the distance of the weighing facilities enroute from the siding

Zonal Railway	Name of the siding	Name of *en route* weighment point	Distance of the *en route* weighbridge from siding
SER	TISCO Work Site Siding / Tata	Bondamunda	159
NR	Gagal Cement Works Ltd./ Kiratpur	Tughlakabad	113
SR	Dalmia Cement Siding, KKPM	Villupuram	132
WCR	National fertilizer Siding Vijaipur	Jhansi	301
NWR	Adani Logistics Ltd. ALIK	PNU	390

Source: - Record maintained by the operating department in Zonal Railways

- In respect of 44 sidings there was neither weighbridge at the siding premises nor at any en route station thereby increasing the risk of overloading. Though the impact of such overloading on the track and rolling stock may not be visible in the short run but in long run would impact the Railways in the form of increased maintenance of track and rolling stock.

[81] ***(NWR-4, NER-3, NFR-3, SCR-7, WCR-2, WR-8, SWR-9, CR-8, SER-7, ER-3, NR-8, SR-3, SECR-3, ECR-4 & NCR-4)***

B Non-weighment of rakes of bagged consignments

In terms of Railway Board's Rate Circular 61 of 2007, rakes loaded with standard bags of uniform size carrying commodities like cement, food grain, fertilizers etc. were exempted from the mandatory weighing at the weighbridges.

In September 2011 Railway Board prescribed weighing of at least 5 *per cent* of rakes loaded in uniform, standard size bags. A monthly report was to be sent to the Rates Branch of Railway Board by Zonal Railways. In January 2013, Railway Board issued instructions to all Zonal Railways stating that 5*per cent* mandatory weighing of bagged consignments may be dispensed with. However, Zonal Railways were asked to conduct random checks in respect of bagged consignment in the month of January.

Scrutiny of records in respect of 72 sidings handling standard bagged consignments of uniform size revealed that:-

- During September 2011 to January 2013, only in 13 private sidings in seven Zonal Railways (SECR-1, NFR-1, ECoR-1, WCR-2, SER-1, SR-6 and SCR-1), 5 *per cent* weighment of rakes was being done after issue of instructions by Railway Board.
- In 24[82] sidings, the percentage of rakes checked was much lower and ranged from 0.16 *per cent* to 4.57 *per cent*.
- In 35 sidings in twelve[83] Zonal Railways no weighment was done at all.
- In 20 sidings[84] (out of 37 private sidings where test weighment of bagged consignment was done) over eight Zonal Railways, overloading was detected in respect of 6823.31 wagons and penalty of ₹ 2.02 crore was imposed.
- Details of random check of weighment of bagged consignment were not made available by any of the Zonal Railways. However, SR and WCR have been continuing with the September 2011 orders of Railway Board for 5 per cent test weighment of bagged consignment.

2.1.8 Conclusion

Freight traffic is the major source of revenue for the Indian Railways and plays a vital role in industrial progress and economic growth of the country. Sidings are constructed to eliminate handling of goods at the stations as well as local haulage between the place of production/ consumption and Railway station. This Report highlights the performance of Indian Railways during 2009-2014 on the aspects pertaining to siding operations that included setting up a new siding, operation of the new as well as existing sidings as per the extant provision and recovery of various charges from the private siding owners besides ensuring closure of siding not in operations.

[82] *NWR-3,SECR-1, NCR-1, WCR-5, SER-1, SWR-1, SCR-10, ECR-1& ER-1*
[83] *CR-4, ECoR-1, WR-3, SECR-1, NFR-2, NCR-3, SER-4, SWR-3,ECR-1 ER-3, NR-9 & SCR-1*
[84] *NFR-1, NCR-1, NWR-1, WCR-6, ECoR-1, SER-1, SCR-8 and ECR-1*

The proposals of the private parties for setting up sidings were approved with delays subsequently leading to delays in construction and commissioning of new sidings. In respect of 25 sidings (out of 55), the delays in approval ranged between 45 days and 1500 days over and above the prescribed time limit of 120 days. Further, no definite time period was prescribed for construction of sidings by the private parties.

Delays in approval led to delays in construction of private sidings resulting in loss of revenue to the Railways as the traffic projected by the parties intending to set up sidings could not be tapped by Railways. It was also observed that in respect of 7 new sidings constructed during the period 2009-14 clearance of the Commissioner of Railway Safety was not obtained before commencing operations.

Further, as many as 32 newly constructed sidings (out of 55) failed to achieve their traffic projection (shortfall ranging between 10 to 75 per cent) resulting in loss revenue to Railways. Despite clear codal provision, no action was taken by the Railway Administration to undertake the annual review the earnings of such sidings which have not been able to achieve the traffic projected at the time of submitting proposal for setting up a siding.

No siding agreements existed in respect of 16 sidings[85] owners till 31st March 2014. Despite a directive from Railway Board (July 2005), fresh agreements were not executed in the revised format in 53 sidings in 13 Zonal Railways. The fresh agreement in the revised format contained exhaustive terms and conditions for operations and maintenance as well as levy and recovery of various charges from the siding owners. Further, information like effective date of agreement, preliminary survey expenditure, payment to be realised for land licence fee, maintenance and other charges from siding etc were not recorded in the siding agreement at appropriate places in respect of the 178 sidings[86] (out of 293) in 13 Zonal Railways**.**

Railway dues amounting to ₹ 241.58 crores remained outstanding for recovery from the siding owners on account of Siding charges, land license fee, maintenance charges, shunting charges, damage & deficiency charges etc. Further, demurrage charges amounting to ₹ 2004.35 crore were accrued during the period April 2009 to March 2014 on account of detentions to rakes in the siding as a result of lack of facilities in the sidings for handling the rakes for loading/unloading. Out of this, ₹ 1338.40 crore were realized and ₹ 603.38 crore (30 per cent) were waived off leaving ₹ 62.57 crore remaining to be recovered from siding owners as on 31 March 2014.

Out of 49 sidings notified for closure during 2009-14, the closure notifications were issued after more than 10 years of stopping of operations in 19 private sidings. An amount of ₹ 59.70 crore was outstanding since March 2012 on

[85] ***ECR-12, ECoR-2, NWR-1 and SWR-1***
[86] ***CR-14, SECR-10, NFR-11, WR-14, NCR-11, SWR-12, NER-10, ECoR-12, NWR-11, SR-23, WCR-10, SCR-22, NR-18***

account of land license fee, dismantling charges in respect of eight closed sidings [87] in two Zonal Railways.

As many as 76 private sidings were not in operations for the period more than 10 years, no action has been taken by the Railway Administration for closure of these sidings. An amount of ₹ 45.47 crore was outstanding on account of all recoverable dues from the siding owners against 19 such sidings.

76 private sidings are yet to have a weighbridge in their premises despite Railway Board's instructions to this effect in 2004. In respect of 44 sidings, there was neither weighbridge at the siding premises nor at any en route station. In respect of 32 sidings *en route* weighing facilities was provided at the distance ranging between 3 to 390 kilometres from the siding premises enhancing the risk of overloading and damage to track.

Recommendations

- ***IR needs to strictly enforce the timelines for processing the proposals of setting up the sidings and ensure that construction of sidings is not delayed depriving the Railways of the potential freight earnings.***
- ***IR should consider undertaking periodical review of the earnings from the private sidings and initiate measures to enhance the earnings in case the traffic handled has fallen short of the projections at the time of submitting the proposal for setting up sidings.***
- ***IR needs to fix the time line for signing the agreements with the private siding owners and to ensure that the prescribed dues are recovered in timely manner as prescribed in the agreements.***
- ***IR needs to strengthen the internal control mechanism to ensure regular collection of various charges to be received from siding owners besides maintenance of proper record including the copies of the agreements at the sidings, serving stations and the Accounts Offices.***
- ***IR should ensure strict compliance to its own instructions for provision of weighbridges at or near the siding premises so as to restrict the overloading and avoid adverse impact on the safe train operations.***

[87] ***SER-3 (Joy Balaji Sponge Limited, Barjamda, Taurian Iron and Steel Company Pvt. Limited, Barjamda and Deepak Steel and Power Limited, Barjamda), NWR-5 (Man Industrial Corporation siding, Jaipur, Nalla Power House siding, Jaipur, Kamani Engineering Corporation siding, RCP/IJMP siding, Kolayat and Udaipur cement works Khemli)***

Appendix I (Para 2.1.4)

Sample Details

Type of siding	Criteria for sample selection	Total population	Sample selected
Existing sidings	25 *per cent* of the total number of private sidings in operation as on 31-03-2014 subject to the minimum of 10 and maximum of 25 sidings per Zonal Railway • Sidings were selected on the basis of quantum of traffic handled during last five years and covering at least two Divisions in the individual Zonal Railways. At least two sidings handling inward traffic were selected per Zonal Railway. • Sample selected included each of the six major commodities i.e. coal, iron and other ores, POL, cement, fertilizers, food grains and pig iron and steel, wherever existed.	835	238
New sidings	40 *per cent* of newly constructed sidings in each Zonal Railways during 2009-10 to 2013-14, subject to maximum of five.	125	55
Closed sidings	100 *per cent* of all closed sidings and private sidings not in operation but not taken for closure	125 (49 +76)	125 (49+76)

Appendix II (Para 2.1.4)

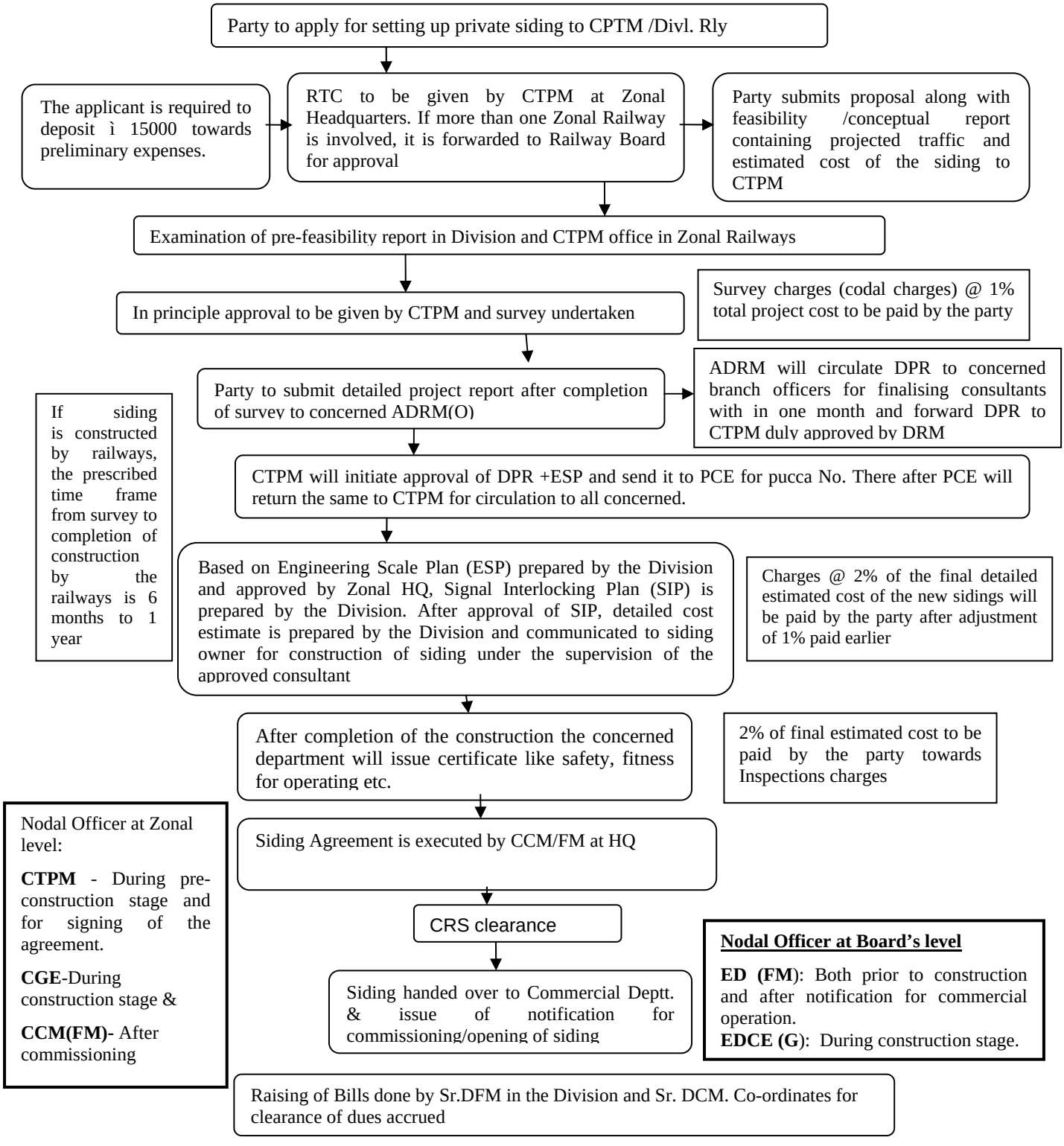
Organizational Structure

The role/responsibility of various Departments in managing different aspects of sidings at Railway Board, Zonal Railway and Divisional level has been indicated in the table below.

Unit	Department	Responsibility
Railway Board	Member (Traffic), Member (Engineering) supported by Executive Director Civil Engineering (General) and Executive Director/Freight Marketing	Policy Matters
Zonal Railway	Operating - Chief Transport Planning Manager and Chief Operations Manager)	Execution of agreements
	Engineering - (Chief Engineer)	Preparation of plans and estimates and for construction and maintenance of sidings
	Commercial -(Chief Commercial Manager/Freight Marketing)	Fixation of various siding related charges leviable in consultation with Railway Board
	Accounts (Financial adviser & Chief Accounts Officer)	Collecting the various siding related charges including land license fee
Divisions in Zonal Railways	Operating (Divisional Operations Manager)	Operations to and from sidings
	Electrical and Signalling-(Sr. Divisional Electrical Engineer)	Provision and maintenance of overhead equipment and Maintenance/Inspection of signalling assets
	Mechanical -(Divisional Mechanical Engineer	Examination of wagons and locos moving to and from the sidings
	Engineering –Sr. Divisional Engineer	Maintenance/Inspection of permanent way
	Accounts - Divisional Accounts Officer	Preferring and realizing bills for various charges based on the data supplied by the respective departments

Appendix III (Para 2.1.7.1.1)

Flow chart for construction of new sidings



2.2 Review on 'Liberalised Active Retirement Scheme for Guaranteed Employment for safety Staff (LARSGESS)'

Highlights

The 'Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS)' was notified by Ministry of Railways (Railway Board) on 2 January 2004. The scheme provided for employment of a ward of an employee belonging to a specified category, subject to condition laid down in lieu of the employee seeking voluntary retirement. The scheme was conceived following demands by the Trade Union representatives of Indian Railway employees.

Audit findings regarding the scheme are:

Initially, the Scheme covered only two safety categories of staff viz. Drivers (excluding shunters) and Gangmen. Subsequently, number of amendments have been made by Ministry of Railways (Railway Board) during the period 2005 to 2014 by relaxing the prescribed norms for recruitment and also including other categories of staff under this Scheme. These amendments had the effect of diluting the eligibility criteria for recruitment and reducing the qualifying service period of the existing employee.

- *Ministry of Railways had permitted recruitment of those candidates under LARSGESS who did not even possess the minimum educational qualification of 10th pass or equivalent as required for other categories of staff such as Trackman, Traffic Khalasi, Points man, Gate Man, Helper Khalasi, etc. Neither approval of Cabinet was taken nor DOPT was consulted before implementation of the Scheme.*

  [Para 2.2.2 (i)]

- *Irregular appointment of employees under -1S scale[88] was made through the LARSGESS Scheme. Out of 24,848 appointments made under LARSGESS between January 2011 to March 2014, 946 appointments (3.80 per cent) were made without having prescribed educational qualification under this scheme in -1S scale under "exceptional circumstances" without specifying them.*

  [Para 2.2.2 (iii)B & Statement B]

- *Recruitments under LARSGESS were made in violation of the conditions viz., (a) eligibility condition is to be the same as prescribed for direct recruitment, and (b) suitability of wards was to be assessed in the same manner as was being done in the case of direct recruitment, prescribed by Indian Railways itself. Out of the 10,086 test checked appointments, 7,860 (80 per cent) appointments were made by diluting one or more of the above conditions.*

[88] As per MOR (RB)'s letter dated 9 December 2011, the emoluments to trainees recruited under the LARSGESS, during the period of their training and before they are absorbed in the Government as employees, will be governed by the minimum of the – 1S pay band without any grade pay.

[Para 2.2.2 (iii)A & Statement A-1]

- *Out of the 10,086 test checked appointments, in 7,757 appointments cases, condition of passing Physical Efficiency Test (PET) was violated.*

[Para 2.2.2 (iii)A & Statement A-1]

- *While the Scheme of LARSGESS laid down the eligibility age group of 50-57 years for seeking retirement under the scheme in the case of safety categories with the Grade Pay of ₹1,800, 1,649 employees of safety categories retired after they had crossed 57 years of age in contradiction to the provisions of the scheme.*

[Para 2.2.2 (iii)]

- *Central Administrative Tribunals in their Judgments had declared the whole scheme (LARSGESS) as unconstitutional, backdoor entry for Government job, illegal, formed out of unreasonable confusion, ultra-vires, etc. Even after decisions of the Tribunals the RB added new features of the Scheme.*

[Para 2.2.2 (v)]

2.2.1 Introduction

The Safety Related Retirement Scheme (SRRS) was notified by the Railway Board on 2 January 2004. Later (11 September 2010) this scheme was named as 'Liberalized Active Retirement Scheme for Guaranteed Employment for Safety Staff (LARSGESS)'. The scheme is mainly framed to create employment for a suitable ward of the employee, whose application for voluntary retirement under the scheme is accepted. The scheme was conceived (March 2011, July 2011, July 2013, March 2014, etc.) following demands[89] by the Trade Union representatives of Indian Railway employees. Audit assessed whether the recruitment process under the said scheme was transparent and prescribed procedure was followed. Audit also assessed the quantum of recruitment under the scheme.

As per Ministry of Railways (Railway Board)'s letter of 2 January 2004, the Scheme was to be called Safety Related Retirement Scheme. The Scheme was initially to cover two safety categories viz., Drivers (excluding shunters) and Gangmen whose working was perceived to have a critical bearing on the safety of train operations and track maintenance. The letter brought out the following factors in support of covering these categories:

Drivers are directly responsible for the running of trains. Running duties demand continued attention and alertness. The element of stress combined with uncertain hours of work entailed in the performance of running duties over long periods of time tend to have adverse effect on their health. Gangmen are responsible for the proper maintenance of tracks. Their duties involve heavy manual labour[90] in the laying of tracks, repair of tracks, patrolling etc. Due to this reason spinal and back problems catch up quite

[89]To constitute lower level assessment committee, demanding dispensation of written examination, to include other categories of staff, etc.

[90] The Track Machines were introduced on Indian Railways during the early 1960s for mechanized laying and maintenance of track.

early in life. These categories, work in conditions, in which fatigue sets in earlier, than in the case of staff who work indoors or within station limits or in depots and workshops. Therefore no category other than Gangmen and Drivers was included in the Scheme

Further, as per above, the Scheme was framed on the considerations that with advancing age, the physical fitness and reflexes of staff of these categories deteriorate, thereby causing a safety hazard. Provisions made were:

- Drivers and Gangmen in the age group of 50 to 57 years could seek retirement.
- The employee should have completed 33 years of qualifying service in order to be eligible for seeking retirement under this scheme.
- The conditions of eligibility, in the case of wards, being considered for appointment are to be the same as prescribed for direct recruitment from the open market.
- Suitability of the wards was to be assessed in the same manner as was being done in the case of direct recruitment.

Subsequently, numbers of amendments have been made by Ministry of Railways (Railway Board) during the period 2005 to 2014 in the Scheme. The details of Amendments subsequently made in the Scheme by Ministry of Railways (Railway Board) are brought out in **Appendix**. These amendments had the effect of diluting the eligibility criteria for recruitment and reducing the qualifying service period of the existing. Some of the amendments are as follows:

- Candidates who failed to qualify the written examination were to be given one more chance to qualify the suitability test (July 2006).
- Extended the benefit of the Scheme to other safety (pointsman, shuntman, leverman, gateman, keyman, traffic porters, khalais, crame jamadar, etc.) categories of staff. (September 2010, January 2012 and March 2014)).
- In case the ward of the employee fails in the medical examination of a particular cycle after passing the written test; then the employee's request for consideration of other ward for recruitment under the Scheme may be considered in the next retirement/ recruitment cycle provided both the employee and ward continue to fulfill the prescribed eligibility conditions(February 2013).
- The qualifying service of 33 years is reduced to 20 years of qualifying service in order to be eligible for seeking retirement under this scheme (March 2013).
- Railway Board vide their letter of July 2013 decided to dispense with Written Examination for recruitment of wards of Gangmen, etc.
- Railway Board vide their letter of December 2014 decided to relax the quantum of minimum service required under the safety category post to 10 years from 20 years.

The initial introduction of the scheme and subsequent modifications made in the Scheme from 2004 to 2014 (upto December 2014) were critically examined by covering the Railway Board policy files. However for implementation and quantum of recruitment, audit covered the recruitment made in the years 2011, 2012, 2013 (Calendar year) and upto March 2014 in all recruiting units of the Indian Railways.

For sample selection, detailed check of the process of recruitment under LARSGESS was carried out in 10,086 appointments out of total appointments of 24,848 made during January 2011 to March 2014 in Zonal Headquarters/ Divisional Headquarters and Workshops of Indian Railways.

Audit also examined the records pertaining to LARSGESS at Railway Board, all Zonal Railways Headquarters, all divisional Headquarters.

2.2.2 Audit findings

Irregular/large scale recruitment made under LARSGESS

The scheme of LARSGESS did not have Cabinet approval

(i) Audit observed that the scheme of LARSGESS did not have Cabinet approval. During review of the recruitment of employees under LARSGESS, it was noticed that Chairman Railway Board in his noting dated 26 November 2011 had mentioned that "6th Pay Commission has permitted recruitment of candidates who do not possess minimum educational qualification of 10th pass or equivalent in cases of compassionate ground appointments etc. In addition to compassionate grounds, we have covered appointment in Sports Quota and accident victims. On the same lines, we can cover appointment to land losers, LARGESS and Substitutes. Further their pay will be regulated as per 6th Pay Commission in – 1S pay scale and they will be absorbed in regular post with regular Grade Pay only after they acquire the minimum educational qualification. **If the above course of action is approved, there is no need to approach Cabinet**".

Railway Safety Review Committee (RSRC) 1998 had rejected the argument that the age-profile/ physical fitness of the employees had any adverse impact on safety.

(ii) The Railway Safety Review Committee (RSRC) 1998 – Part II - Khanna Committee had also commented about the 'nexus' between the age-profile/ physical fitness of the employees and the impact on safety. It had been brought out in Paras 4.2.4 and 4.2.5 of this Report that although some of the General Managers were of the view that the retirement age of drivers should be lower this view was not supported by any matching scientific data in support thereof and therefore be viewed only as an opinion. It was further pointed out that even research studies on the linkage between the age factor and the performance of the drivers was inconclusive. In Para 4.2.5 of the Report the Committee further recommended that "a psycho-technical study of disregard of signals in relation to the age of drivers conducted by the RDSO some years ago concluded that disregard of signals by drivers is independent of the age factor. The slowing down of reflexes with the passage of time was compensated by positive improvement in the psyche such as a greater sense of responsibility among the older drivers. In view of this the Committee refrained from making any definite recommendation on the specific issue of the retirement age of drivers".

(iii) Initially (2 January 2004) the Scheme was to cover two safety categories viz., Drivers (excluding shunters) and Gangmen whose working was perceived to have a critical bearing on the safety of train operations and track maintenance. However, during review of records regarding recruitment of employees under the Scheme in 69 offices of Senior Divisional Personnel Officers (Sr.DPO's) in Indian Railways, it was noticed that during the period from January 2011 to March 2014, out of the total recruitment of 1,35,931 employees under various categories, 24,848 employees (18 *per cent*) were recruited under LARSGESS in the categories of Grade Pay ₹1,800 including employees recruited in -1S pay band classified as safety category for LARSGESS in Indian Railway vide Railway Board's letters of 2 January 2004, 11 September 2010, 3 January 2012 and 24 March 2014 respectively. The details of total recruitment of employees under various categories including recruitment under LARSGESS on Indian Railways during the period January 2011 to March 2014 have been shown in **Statement A**. Cases of irregular appointments made under LARSGESS in violation of the provisions prescribed under the scheme were noticed, which are discussed in the subsequent paragraphs:

(A) The provisions laid down under the scheme stipulated that the conditions of eligibility and suitability of the wards, being considered for appointment under LARSGESS, were to be same as for direct recruitment and were to be assessed in the same manner as was being done in the case of direct recruitment. Hence, wards would require to qualify the three conditions viz., (i) the prescribed educational qualification, (ii) physical efficiency test (PET) and (iii) written examination before recruitment under this scheme. Audit test checked cases of 10,086 candidates out of the total 24,848 candidates recruited during January 2011 to March 2014 under LARSGESS. Out of 10,086 selected appointments, 7860 (80 per cent) appointments were made by diluting the above conditions as per details given in **(Statement A-1)**. Audit further noticed that -

- 72 appointments were made in violation of all the above three conditions;
- In 1,775 appointments, two of the three conditions were violated;
- In 6,013 appointments, one of the three conditions for the recruitment scheme was violated. Of which, 5,910 appointments were made without passing of PET, which is a serious concern in view of safe train operations.

Thus, recruitments under LARSGESS by dilution of the conditions viz., (a) eligibility condition is to be the same as prescribed for direct recruitment, and (b) suitability of wards was to be assessed in the same manner as was being done in the case of direct recruitment were in violation of the provisions of the scheme and could impact the safety of train operations.

(B) Audit further noticed irregular appointments under -1S scale. As per Railway Board letter No.E(NG)II/2011/RR-I/11 dated 9 December 2011 (RBE

166/2011), in exceptional circumstances[91] wherever grant of appointment is considered to any of those persons in categories mentioned, not in possession of prescribed educational qualification for the post, such persons will be recruited/ engaged as trainees who will be given the regular pay bands and grade pay only on acquiring the minimum educational qualification prescribed under the recruitment rules. The emoluments of these trainees, till they acquire the prescribed minimum educational qualification for, being considered as regular incumbent to the post will be at the minimum of the -1S pay band without any grade pay. The period spent in the -1S pay band by the future recruits will not be counted as service for any purpose as their regular service will start only after they are placed in the pay band PB-1 of ₹5200-20200 along with grade pay of ₹ 1800.

Scrutiny revealed that out of 24,848 appointments made under LARSGESS between January 2011 to March 2014, 946 appointments (3.80 *per cent*) have been made under this scheme in -1S scale under LARSGESS. No reasons were found on record where exceptional nature of circumstances requiring recruitment of individuals without minimum prescribed qualification was reflected. An amount of ₹5.86 crore comprising of Pay + DA has already been paid for the period from December 2011 to March 2014 to these appointees. The details of appointment of employees under -1S scale under LARSGESS Scheme without any mention of "the exceptional circumstances" during the period from January 2011 to March 2014 are shown in **Statement B**. Audit is of the view that an employee who does not possess the minimum educational qualification cannot perform his duties in an efficient manner.

(C) Railway Board vide letter No. E(P&A)I-2010/RT-2 dated 11 September 2010 reduced qualifying service from 33 years to 20 years and the eligibility age group from 55-57 years to 50-57 years for seeking retirement under the scheme in the case of safety categories[92]with the Grade Pay of ₹1,800. It was seen from the records of 69 Senior Divisional Personnel Officers over Indian Railways that out of 24,848 appointments made under LARSGESS between January 2011 to March 2014, 1,649 employees of safety categories (6.64 *per cent*) retired after they had crossed 57 years of age in contradiction to the provisions of the scheme. This was facilitated through issue of Railway Board's letter of 29 March 2011 which prescribed a calendar for process where maximum age on date of operation of panel was permissible to be beyond 57 years i.e. beyond the prescribed age of retirement under the provision of the scheme. These 1,649 employees also included 286 employees (1.15 *per cent*) who crossed the maximum age of retirement permissible on the date of operation of panel as prescribed in Railway Board's letter of 29 March 2011[93].

[91] MOR (RB) in their letter No. E(NG)II/2011/RR-I/11 dated 9 December 2011 had not mentioned anything about the exceptional circumstances.

[92] Pointsmsan, Shuntman, Leverman, Gateman, Keyman, Khalasi, Khalasi Helper, Crane Jamadar and Crane Khalasis, etc.

[93] MOR (RB) vide their letter of 29.03.2011 had stated that the retirement/ recruitment process under the LARSGESS was to be done twice in a year as per prescribed time schedule i.e. first half – January – June & Second half July – December. This process was started from July

In addition to the above, it was also noticed that in respect of 45 cases (ER, NR, NWR, SER, SWR and WR), the maximum age for recruitment of ward applicable to cases of direct recruitment was breached in the half yearly period cycle. All these cases should have been excluded from operation of panel under LARSGESS in view of breach of conditions of scheme.

Moreover, in North Central Railway it was noticed that in respect of 22 employees, retirement of the employees under LARSGESS took place in the scheduled month of superannuation of the employee. The details of these employees over various Zonal Railways are shown in **Statement C.**

(iv) Inclusion of other categories of employees under safety category

Initially (2 January 2004) the LARSGESS Scheme was to cover only two safety categories viz., Drivers (excluding shunters) and Gangmen. Subsequently, Ministry of Railways vide their circulars of 11 September 2010, 3 January 2012, 24 March 2014,etc. also included other categories of employees such as Trolley man, Track man, Pointsman, shuntman, Leverman, Gateman, Traffic Porters, Keyman, Khalasi, Crane Jamadar, etc. In all these circulars no specific reasons for inclusion of the above mentioned categories under the LARSGESS Scheme were mentioned.

(v) Verdict of Central Administrative Tribunals

Central Administrative Tribunals in their Judgments in the benches of CAT/Jaipur, CAT/Delhi and CAT/Patna have severally held that the whole scheme (LARSGESS) now available was unconstitutional as it took away the competitive spirit to grant a Government job and is only the backdoor entry to get a Government job. All such back door entry schemes except the compassionate appointment scheme were declared to be arbitrary, illegal, formed out of unreasonable confusion, ultra-vires and unconstitutional and quashed enmasse. In fact, a judgement of CAT, Patna categorically directed that any further retirements/ recruitments under SRRS or LARSGESS shall be kept in abeyance. In spite of these judgments, Ministry of Railways (Railway Board) did not take any cognizance and made irregular appointments under the LARSGESS Scheme.

(vi) Other Audit Findings

Following other irregularities noticed by Audit are:

(a) During the review of records regarding LARSGESS maintained in the office of Senior Divisional Personnel Officer (Sr.DPO)/ Ajmer, North Western Railway, it was noticed that three candidates who were declared failed were declared successful[94] after taking the approval of the appointing authority. It was further noticed that the temporary service of

2011. These 286 employees have violated the condition of maximum age of retirement permissible on the date of operation of panel at that particular time.

[94] On the request of candidates the result was reviewed and it was found that answers of two questions were found wrong in the answer key prepared by the examiner. On the basis of answer deemed correct as claimed by the candidates they were declared successful.

a safaiwala was taken into account for calculating the qualifying service for LARSGESS.

(b) As per MOR (RB), letter of 11 March 2013, for availing the benefit under the LARSGESS scheme, at least 20 years qualifying service is required in the specified safety category. However, scrutiny of records of Senior Divisional Personnel Officer/Bangalore, South Western Railway, revealed that as many 17 employees out of 63 test checked were allowed to retire and their wards were appointed under LARSGESS even though they had not served in the respective safety category for 20 years.

(c) As per Para 4 of Railway Board's letter No E (P&A)1-2010/RT-2 dated 11 September 2010 (RBE No 131/2010), it was reiterated that the retirement of an employee be considered only if the ward is found suitable in all respects. Retirement of the employee and appointment of the ward should take place simultaneously. However, in South Eastern Railway, one employee was empanelled for fresh appointment in Grade Pay ₹1,800 under LARSGESS scheme for the year 2011. Voluntary retirement of his father was accepted on 31 October 2012 before appointment of his ward. However, his ward failed to pass the Medical Examination. Subsequently, the father applied for employment of his elder son under LARSGESS scheme and the appointment of his ward was in progress at the time of conducting this review.

(d) In West Central Railway, it was noticed that in respect of 334 cases, the retirement of employees and appointment of wards have not taken place simultaneously (difference of 1 to 381 days). Similarly, in North Western Railway, in respect of seven cases, the recruitment of employees and appointment of wards had also not taken place simultaneously (difference of 4 days to 25 days) in contradiction to the Railway Board letter dated 11 September 2010 which clearly stipulates that retirement of the employee and appointment of the ward should take place simultaneously.

(e) As per Annexure to Railway Board's letter No E (P&A)1-2010/RT-2 dated 11 September 2010 (RBE No 131/2010), Gateman, Trolleyman and Keyman of Civil Engineering Department were covered under the scheme (LARSGESS). In North Western Railway, however, during review of final settlement cases of employees voluntarily retired under the scheme, it was seen that the benefit of scheme was irregularly given to Mate (Supervisor of Gangman), a category which was not covered under the scheme at that particular time. Similarly, 12 Cleaners were also recruited under LARSGESS during the period 2011 to March 2014. These recruitments are also not covered under LARSGESS at that particular time.

(f) In North Western Railway (three employees) and West Central Railway (one employee) false certificates regarding qualification and police verification details were produced. Action has been initiated by the North Western Railway and appointments were not made, however, no action has been taken by West Central railway. In Ranchi Division of South Eastern Railway, one ward was appointed under LARSGESS on false declaration given by the retiring employee that he is the adopted son of the retiring

employee. The service of the adopted son was terminated. The services of his father who had given the false declaration were re-instated without taking any action.

(g) In respect of eight retiring employees of West Central railway, different wards other than the declared wards were appointed in their place.

(h) As per General Rule, medical examination of the appointed candidate is to be done before the appointment. However, it was noticed that in Metro Railway, Kolkata, an Ex. Helper Electric expressed his willingness for being covered under LARSGESS on 5 September 2012. However, Medical Examination of his ward was held on 30 August 2012, i.e. prior to submission of willingness. Similarly, another Ex. Helper Electric expressed his willingness for being covered under LARSGESS on 21 June 2013 but Medical Examination of his ward took place on 18 June 2013.

Thus it was noticed by audit that under the LARSGESS Scheme, the Ministry of Railways (Railway Board) not only flouted the prescribed rules and regulations for employment but also glossed over deviations from their own Scheme, and did not take required rectificatory action.

2.2.3 Conclusion

The original scheme, as well as all subsequent amendments to the scheme were at the instance of demands of the Trade Union and representatives of the employees of Indian Railways and not a well considered, appropriately approved scheme. The Ministry of Railways (Railway Board) had made large scale appointments under LARSGESS on the analogy that they were akin to compassionate appointments for which minimum qualifications were relaxed. The scheme blocks open competition and breeds an unhealthy culture. It obstructs recruitment through open competition and equality of opportunity in matters of public appointment for all citizens under the state.

LARSGESS was implemented without consultation with Department of Personnel & Training (DOPT), Ministry of Finance and is not authorized by the Cabinet of the Union of India. It has also been held irregular by the Central Administrative Tribunals in their Judgments in the bench of CAT/Jaipur, CAT/Delhi and CAT/Patna.

In spite of these orders, Ministry of Railways (Railway Board) had made two more amendments on 24 March 2014 and 1 December 2014 by including additional five categories under the Scheme and relaxing the quantum of minimum service required under the safety category post.

The LARSGESS Scheme was initially introduced to cover only two safety categories viz., Drivers (excluding shunters) and Gangmen in view of their working to have a critical bearing on the safety of train operations and track maintenance, even though the Railway Safety Review Committee (RSRC) 1998 had rejected the argument that the age-profile/ physical fitness of the employees had any adverse impact on safety. Subsequently, Ministry of Railways included other categories of employees such as Trolley man, Track man, Pointsman, shuntman, Leverman, Gateman, Traffic Porters, Keyman, Khalasi, Crane Jamadar, etc from time to time without mentioning any

specific reasons for their inclusion under the LARSGESS Scheme. The recruitment through this scheme is a compromise with the regular provisions and eligibility criteria of the concerned categories of staff.

The matter was brought to the notice of Railway Board in March 2015; their reply has not been received (May 2015).

Appendix
(Para 2.2.1)
Amendments subsequently made in the LARSGESS Scheme by Ministry of Railways (Railway Board)

Sl. No.	Date of amendment	Details of Amendments
1.	15 April 2005	The suitability for recruitment of wards of employees opting for retirement under the scheme was to be assessed through a committee of three Senior Administrative Grade (SAG) Officers at the level of Zonal Headquarters instead of Railway Recruitment Board (RRB).
2	25 July 2006	The candidates who failed to qualify the written examination were to be given one more chance to qualify the suitability test. Wherever such requests were to be received it was to be ensured that both Railway servant and his/her ward availing the benefit available under the Scheme continued to fulfill the eligibility conditions as on the date of the exam or 30th of June of the respective year, whichever is earlier
3	11 September 2010	Extending the benefit of Scheme to other safety categories of staff (Pointsman, Shuntman, Leverman, Gateman, Traffic Porters of Operating Department, Gateman, Trolleyman, Keyman of Civil Engineering Department, Khalasi/ Khalasi helper of S&T and, Mechanial and Electrical Department) with a grade pay of ₹1800 per month. The qualifying service has also been reduced from 33 years to 20 years and the eligibility age group extended from 55-57 years to 50-57 years for seeking retirement under the Scheme in the case of Safety categories with Grade Pay of ₹1800. The condition of qualifying service (i.e. 33 years) and age group (i.e. 55-57 years) for Drivers was to remain unchanged. However, the employment under the Scheme was guaranteed only to those found eligible/ suitable and finally selected as per procedure.It was also reiterated that the retirement of the employee was to be considered only if the ward is found suitable in all respects. Retirement of the employee and appointment of the ward should take place simultaneously. The other terms and condition of the Scheme will remain unchanged as they existed in Safety Related Retirement Scheme (SRRS – 2004)
4	24 September 2010	It was clarified that LARSGESS will also be applicable to Gangman/ Trackman who were already covered under the SRRS – 2004.
5	29 March 2011	The retirement/ recruitment process under the LARSGESS was to be done twice in a year as per prescribed time schedule i.e. first half – January – June & Second half July – December. This process was started from July 2011. Assessment Committee of three Junior Administrative Grade (JAG) Officers at Divisional level was prescribed to adjudge the suitability of wards for recruitment against safety category post in Grade Pay ₹1800 per month.
6	3 January 2012	Certain relaxations were granted under the LARSGESS Scheme. Trolleyman of Departments other than Civil Engineering was

		also to be included in the list of Safety categories. Dispensed with the requirement of Physical Efficiency Test for recruitment in the relevant categories under LARSGESS. Relaxation was granted in respect of the prescribed minimum educational qualifications for recruitment under the Scheme in line with recommendations of VI CP**.**
7	18 February 2013	In case the ward of the employee fails in the medical examination of a particular cycle after passing the written test; then the employee's request for consideration of other ward for recruitment under the Scheme may be considered in the next retirement/recruitment cycle provided both the employee and ward continue to fulfill the prescribed eligibility conditions.
8	11 March 2013	20 years' of qualifying service should be in the specified safety category posts.
9	23 July 2013	It was decided to dispense with Written Examination for recruitment of wards of Gangmen and the specified Safety categories in GP ₹1800/- as notified in Board's letters of 11 September 2010 and 3 January 2012 under LARSGESS. These instructions were to be applicable from July – December 2013 retirement/recruitment cycle onwards only.
10	30 August 2013	It was decided to extend second chance for Aptitude test for recruitment as Assistant Loco Pilots to those wards, who have passed the written test but could not clear the Aptitude Test under LARSGESS, after a gap of three months, in exceptional cases based on merits of each case. These instructions were to be applicable from July – December 2013 retirement/recruitment cycle onwards only. The past cycles were to be governed by the earlier instructions
11	24 March 2014	Additional five categories who are working on track in GP ₹1800/- under the scheme- (i) Electrical Power Staff, (ii) Track Machine Staff, (iii) Bridge Staff, (iv) Traction Distribution (TRD) Staff, and (v) Permanent Way Inspector (PWI) Khalasis were also included under this Scheme.
12	1 December 2014	It was decided to relax the quantum of minimum service required under the safety category post to 10 years from 20 years.

Statement A
[Para 2.2.2 (iii)]
Statement showing total recruitment of employees under various categories, including recruitment under LARSGESS on Indian Railway during the period January 2011 to March 2014

Sl. No.	Source of Recruitment	No. of employees recruited
1	***2***	***3***
1	RRC Ex-Servicemen	10,955
2	RRC Regular	82,123
3	Sports quota	380
4	Compassionate Ground	13,534
5	Scout and Guide	198
6	**LARSGESS**	**24,848**
7	Substitutes	1,358
8	Others/ cultural	498
9	Transfer From Bungalow Peon/Bungalow peon	374
10	Accident victim	95
11	Land lossers	1575
	Total	**1,35,931**

Source: **Data collected from each Zonal Railway**

Statement A-1
[Para 2.2.2 (iii)]
Violation of prescribed recruitment provisions under LARSGESS

Condition I: To qualify prescribed educational qualifications
Condition II: To pass Physical Efficiency Test (PET)
Condition III: To qualify written examination

Rly	Total No. of appoint-tments under LARSGESS during January 2011 to March 2014	No. of appoint-ments selected for review	Appointments made by violation of							
			Only Condition I	Only Condition II	Only Condition III	Only Conditions I & II	Only Conditions I & III	Only Conditions II & III	Conditions I, II & III	Total Violation
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
CR	2606	418	18	0	0	0	0	0	0	18
ER	476	170	0	70	0	11	0	5	0	86
ECR	1018	428	0	0	0	0	0	0	0	0
ECoR	318	134	0	83	13	0	0	38	0	134
NCR	1407	288	0	205	0	52	0	0	0	257
NER	832	166	0	149	0	17	0	0	0	166
NEFR	1773	360	0	297	0	20	0	0	0	317
NR	2896	517	0	349	0	77	0	0	0	426
NWR	2031	2031	0	1644	0	387	0	0	0	2031
SCR	2819	566	18	417	54	0	0	0	0	489
SER	157	157	0	119	0	20	0	7	0	146
SECR	750	750	0	433	0	205	0	0	0	638
SR	2365	2365	0	740	0	324	0	327	62	1453
SWR	741	741	0	626	0	42	0	42	10	720
WCR	1996	410	0	368	0	42	0	0	0	410
WR	2603	525	0	368	0	157	0	0	0	525
RPU & Metro	60	60	0	42	0	2	0	0	0	44
Total	**24848**	**10086**	**36**	**5910**	**67**	**1356**	**0**	**419**	**72**	**7860**

Total No. of cases, who violate condition I i.e. recruited without prescribed education qualification - (36 + 1356 + 0 + 72) = 1464
Total No. of cases, who violate condition II i.e. recruited wihout passing PET - (5910 + 1356 + 419 + 72) = 7757
Total No. of cases, who violate condition III i.e. recruited wihout qualifying written examination - (67 + 0 + 419 + 72) = 558

Statement B
[Para 2.2.2 (iii) (a)]
Irregular appointment of employees under -1S scale under LARSGESS Scheme during the period January 2011 to March 2014

Sl. No.	Railway	Total No. of employee	Total payments made (DA + total Basic Pay) amount in ₹
1	*2*	*3*	*4*
1	Eastern	11	915769
2	North Western	387	17394411
3	South Central	18	1224730
4	Southern	79	11253711
5	South Eastern	5	291264
6	West Central	42	1827202
7	South East Central	36	3306642
8	RPU & Metro	2	223776
9	Northeast Frontier	20	1515753
10	Western	157	6357192
11	North Central	48	2880676
12	Central	18	969352
13	Northern	106	9406584
14	North Eastern	17	1063025
Total		**946**	**58630087**

Source: Data collected from each Zonal Railway

Note: No appointments were made under 1S scale in South Western and East Coast Railways.

Note: Calculation in respect of col.4 has been done in the following manner:
Period = DA for the period = Pay (+) DA admissible from time to time = emoluments (x) month of service since appointment

Statement C
[Para 2.2.2 (iii) (b)]

Statement showing details of employees retired, who has crossed 57 years of age at the time of retirement under LARSGESS Scheme during the period January 2011 to March 2014

Sl. No.	Railway	No. of employees retired after 57 years of age	No. of employees retired after 57 years of age (As per RB's letter dated 29.03.2011)	Ward age crossed the maximum age of recruitment
1	*2*	*3*	*4*	*5*
1	Central	116	0	0
2	Eastern	43	0	5
3	East Central	251	0	0
4	East Coast	48	0	0
5	North Central	157	0	0
6	North Eastern	60	6	0
7	Northeast Frontier	56	6	0
8	Northern	217	0	12
9	North Western	222	171	5
10	South Central	114	0	0
11	South Eastern	14	0	3
12	South East Central	22	0	0
13	Southern	118	0	0
14	South Western	41	41	6
15	West Central	75	62	0
16	Western	85	0	14
17	RPU & Metro	10	0	0
Total		**1649**	**286**	**45**

Source: **Data collected from each Zonal Railway**

2.3 Review on 'Fake Indian Currency Notes received through station earnings on Indian Railways'

Highlights

In Indian Railways, there are 8666 booking locations, where cash transactions take place through ticket bookings/ refunds, parcel booking etc. Cash received through these locations are either deposited directly into banks or remitted to Cash Offices nominated by the Railway. The issues of receipt of Fake Indian Currency Notes (FICNs) through these locations and procedure adopted by Railway authorities for dealing with these FICNs were reviewed by Audit. Some of the key findings are as under:

- *Audit of records of 85 stations over 17 Zonal Railways, remitting station earnings directly to banks, revealed that debits of ₹35.99 lakh were raised on 13 stations of five zones by the concerned bank for remitting of FICNs.* ***(Para 2.3.2.1)***
- *Across IR, 4589 stations are remitting cash to 40 Cash Offices nominated by Railways. Scrutiny of five such stations of each cash office revealed that debits of ₹56.34 lakh were raised by 26 cash offices on 12 Zonal Railways for remitting FICNs.* ***(Para 2.3.2.2)***
- *Out of the total debits (₹92.33 lakh) raised on these selected stations, major portion (78.60 per cent) was made good by the concerned booking staff as on July 2014. Audit, however, revealed that FICNs detected by banks/ cash offices were being returned to the concerned booking staff, which was in violation of provisions laid down in Cash and Pay Manuals of Zonal Railways. This also led to possibility of recirculation of FICNs in open market. In case of CR, Audit revealed that FICNs of ₹18.64 lakh detected by IDBI bank were returned to the station authorities and that too without any impounding advice.* ***(Paras 2.3.2.1 & 2.3.2.2)***
- *Audit revealed that procedure adopted by station authorities for dealing with the FICNs was not as per the prescribed rules/ instructions. In case of three Railways (CR, ER, WR), concerned station authorities intimated to Audit that the FICNs were destroyed by the station staff.* ***(Para 2.3.2.2)***
- *Test check of 196 booking locations over 14 Zonal Railways revealed that Currency Authenticator Machines were installed only in 58 locations. Despite installation of the machines, FICNs of ₹9.26 lakh were received at these locations.* ***[Para 2.3.2.3(b)]***

2.3.1 Introduction

The issue of circulation and use of Fake Indian Currency Notes (FICNs) in the context of Indian Railways (IR) is relevant in view of the following:

On Indian Railways, cash transaction by passengers, travel agents and contractors for tickets and other payments take place at 8666 ticketing locations [1859 Passenger Reservation System (PRS), 5222 Unreserved Ticketing System (UTS) and 1585 UTS cum PRS]. Cash received through

these locations are either deposited directly into banks dealing with Railway business, or remitted to nominated Cash Offices at Divisional/ Zonal Headquarters through cash bags. Cash Offices then deposit such cash with their respective banks. At present, in IR, 2226 Stations remit cash directly into Banks while 4589 Stations remit cash to their nominated Cash Offices.

Reserve Bank of India (RBI) has issued comprehensive guidelines to be followed by Scheduled Banks from time to time for dealing with the menace of FICNs. RBI directed (July 2012) that Counterfeit Notes shall be impounded and reported to it by all Nationalized/ Private Banks, all Treasuries and Sub Treasuries and Issue Offices of Reserve Bank of India. RBI further clarified (July 2013) that in no case should the Counterfeit Notes be returned to the tenderer or be destroyed by the Banks /Treasuries.

At Railway Board level, Commercial Directorate (Member Traffic) and Finance Directorate (Financial Commissioner) are responsible for monitoring and controlling of Cash and Pay Offices and smooth working thereof. At Zonal level, Chief Commercial Manager (CCM) is required to supervise/monitor the receipt of revenue at Stations. Working of Cash and Pay Offices of the Zonal Railway is under supervision of the FA & CAO of the Zone, whereas Commercial and Security Departments of the Division ensure deposit and transportation of Cash-In-Transit services. The procedure of dealing with the FICNs, instructions/ provisions have been prescribed in Indian Railway Commercial Manual (Para 2406 and 2408), Indian Railway Accounts Code (Para 1941) and relevant paras of Cash and Pay Manuals of respective Zonal Railways[95].

Audit reviewed the compliance of prescribed rules/ instructions within Railways and adequacy of infrastructure made available to Railway staff for detecting of FICNs

Audit examined the records for the period of five years from 2010-11 to 2014-15 (up to July 2014) of selected Railway stations (five stations[96] in one division of each Zone, that remit cash directly to the Bank, and five stations under each cash office[97]). Audit also examined the records of Traffic Cash and Pay office, Traffic Accounts office of all 17 Zonal Railways.

Detailed audit findings are discussed in subsequent paragraphs.

[95] Four Railways (SER, WCR, SECR, SCR) have no Cash and Pay Manual.
[96] In IR, altotal earnings of 2226 stations are directly remitting cash to banks. Five such stations in on division of each Zones were selected for scrutiny.
[97] Over IR, 4589 stations are remitting station earnings to 40 nominated cash offices situated over IR. Five per cent such stations in each Zones were selected for detailed study.

2.3.2 Audit findings

2.3.2.1 Station earnings remitted directly to Banks

Review of records of 85 stations over 17 Zonal Railways revealed that arrangements were made by banks[98] for collection of cash from Stations/ cash office and deposit in to respective Railway Accounts opened with the banks.

As per Para 2406 and Para 2408 of Indian Railway Commercial Manual (IRCM), FICNs should not be accepted and all Currency Notes tendered in payment of fare, freight, etc., should be examined carefully by booking staff before accepting them. Further, Cash and Pay Manuals of Railways stipulate that in case of detection of FICNs, the debits should be raised against the concerned stations to get the amount made good by the booking staff concerned

Review of records of five selected stations in one division each of the 17 Zonal Railways revealed that a total amount of ₹35.99 lakh was detected as FICNs by banks pertaining to the earnings received from 13 stations of five Zonal Railways (CR, NR, SR, SWR and WR). On account of detection of FICNs the banks raised debits of the same amount against these stations. Records of concerned stations further revealed that the major portion of outstanding debits (58.46 per cent) was made good by the concerned booking staff of the stations as per the prescribed provisions in the Cash and Pay Manuals of Zonal Railways. The details are given in the following table:

Table No.2.17

Sl. No.	Name of Railway	No. of stations, where FICNs detected out of the selected 5 stations	Debits raised on account of FICNs (₹) by the banks	Debits cleared (₹) by the concerned booking stations	Debits outstanding (₹)
1.	CR	3	1864100	1864100	0
2.	NR	3	188850	188850	0
3.	SR	1	10700	10700	0
4.	SWR	1	500	0	500
5.	WR	5	1535250	40600	1494650
	Total	13	3599400	2104250	1495150
			₹35.99 Lakh	**₹21.04 Lakh**	**₹14.95 Lakh**

From the above, it is evident that while Railway Administrations had made recoveries for a major portion of the FICNs detected by banks, an amount of ₹14.95 lakh still remained to be recovered by Railways in these selected stations.

Separately, a detailed scrutiny of cash deposits with the banks pertaining to stations earnings of the entire suburban section[99] (29 stations) of Mumbai Division (WR) revealed that FICNs of ₹35.79 lakh were detected and

[98] Nationalized and Private banks. In three Railways (CR, WR and SR) arrangements were made by private banks (HDFC & IDBI) in some locations of suburban section on these three Railways.

[99] The suburban sections of a Zone are notified by Zonal Railway/ Railway Board where local trains are run on short duration

impounded by the bank. Audit noticed that as of July 2014, total accumulated outstanding debits on account of FICNs, detected and impounded, was ₹35.38 lakh, in respect of which recovery had not been made. Debits of only ₹0.41 lakh were made good by the booking staff of only two stations of the Mumbai Division. Further, as this is an ongoing process in Railways, outstanding debits on account of FICNs would accumulate further. This is indicative of the fact that a comprehensive exercise by IR over the entire population in all Divisions might yield a substantial amount detected and yet to be recovered.

(a) Detection of FICNs by Banks

In case of detection of FICNs, banks are required to impound such FICNs and to deposit them with RBI. Banks are also required to send impounding advice to concerned Railway authority. Audit reviewed the records of Divisional Commercial Manager/ Chief Commercial Manager and Cash Office of the one division in each Zone to examine the procedure of detection of FICNs and communication of same to the concerned Railways by the banks over 17 Zonal Railways. Audit noticed that–

- On six Zonal Railways (CR, NR, NFR, SR, SWR and WR), FICNs of ₹61.97 lakh were detected and debits were raised by the banks during the review period.
- In case of CR, FICNs of ₹18.64 lakh were detected and debit raised by IDBI bank on the concerned stations. Moreover, the concerned station authorities of CR were given back these FICNs without any impounding advice from the bank which was in violation of the rules. Receipt of the FICNs by the station authorities/ booking staff leaves open the possibilities of re-circulation of these FICNs in open market.
- In case of NFR, Railway Administration stated that though FICN of ₹0.005 lakh was detected by SBI, no debit was raised by the bank. The bank simply returned the FICN to the station concerned.
- In other 11 Railway Zones[100], where nationalized banks were engaged in Railway business for collection and deposit of stations earnings, no cases of detection of FICNs were found on record during the audit of the selected stations.

2.3.2.2 Stations' Earnings remitted to nominated Cash Office

On Indian Railways, 4589 Stations were remitting cash to 40 nominated Cash Offices. Cash and Pay Manual of Railways stipulates that, FICNs debited to the station, will be sent by the Head Cash Witness[101] to Divisional Commercial Superintendents concerned in a sealed cloth containing all FICNs to fix responsibility and to arrange to get the amount made good by the station staff concerned. However, no further procedure was mentioned in the Cash and Pay Manuals for dealing with the detected FICNs handed over to the Divisional Commercial Superintendents by the Cash Office.

[100] ER, WCR, NER, SECR, SCR, NCR, ECoR, NWR, ECR, SER and Metro Railways
[101] One of the staff of Cash Office

Audit observed that FICNs, received through Cash Bags from various Stations identified by the officials of nominated Cash Office were returned to the concerned Stations as a debit alongwith Short Remittance advice and detected FICNs. Audit further noticed that-

- Scrutiny of records of cash offices over 17 Zonal Railways revealed that during April 2010 to July 2014, debits of ₹56.34 lakh were raised by 26 Cash Offices on 12 Zonal Railways[102] on account of FICNs. Out of these debits, ₹51.55 lakh had been subsequently made good by the concerned staff and ₹4.79 lakh was outstanding as on July 2014.
- Audit further revealed that the procedure adopted by different Railway authorities for dealing with FICNs detected was not as per the prescribed provisions. The details are shown below:-

(Table No.-2.18) **(Amount in ₹)**

Railways	Debit raised (FICNs) by Cash office and made good by booking staff	Procedure adopted by station authorities for dealing with FICNs (as intimated by the concerned station autorities to Audit)	Remarks
CR	112600	All the fake notes are destroyed by the station staff	This was in violation of provisions of Cash and Pay Manuals of Railways wherein it was stated that FICNs detected should be impounded and reported to concerned Divisional Commercial Superindendent.
ER	1123300	Destroyed by the station staff	
WR	858120	Disposed off, torn and burnt.	
NWR	860560	FICNs were handed over to the concerned booking staff. However, no records available which indicate that the same has been reported to commercial department of the Railway in this regard. As such, possibility of recirculation of these FICNs in the market cannot be ruled out.	
SER	542470	The defective currency notes were destroyed by the Chief Booking Supervisor (CBS).	
ECoR	96900	No information in this regard are available with Railway Administration	No records found by Audit with the Station authorities in regard to disposal of FICNs detected
WCR	446200		
NR	675800		
NCR	79800		
SR	104900	FICNs sent to RBI for further action and not to concerned Stations	Procedure followed
SCR	233650	FICNs sent to GRP and copies of the same are sent to DCM of concerned Divion for further necessary action	
SWR	21100	FICNs is deposited with RBI, who impounded the same under advise to Railway Administration.	
	5155400		

From the above table, it is evident that only three Railways (SR, SWR and SCR) followed the prescribed procedure while dealing with the FICNs. However, in respect of five Railways (CR, ER, WR, NWR, SER), the procedure for dealing with FICNs, adopted by Railway authorities is not as per

[102] CR, ER, WR, NWR, SER, ECoR, NR, NCR, SR, SCR, SWR and WCR

the provisions laid down in Cash and Pay Manuals and Commercial Manuals of Railways.

The procedure indicated above as returning the FICNs to the concerned stations was in violation of the Cash and Pay Manuals wherein it was stipulated that FICNs were required to be sent in a sealed cover to Divisional Commercial Superintendents of concerned Division of Railway. In view of the above practice, possibility of recirculation of FICNs in open market cannot be ruled out.

Detection of FICNs clearly indicate that due diligence on the part of booking staff at the time of accepting currencies was required to be enforced. Lack of seriousness on part of the Zonal Railways to deal with this problem as well as tendency to avoid the action required to be taken in case of detection of FICNs, is also evident from the fact that FICNs detected were returned to the station staff and same was destroyed, torn, burnt as pointed out in the above table.

Indian Railways need to keep a close watch on detection of FICNs by Banks, dealing with Railway business and Cash Offices where stations earnings are remitted, to avoid re-circulation of these FICNs in open market.

2.3.2.3 Non-provision of Indian Currency Note Authenticator Machines at all cash handling locations

(a) Non installation of Indian Currency Note Authenticator Machines

Review of records on 17 Zonal Railways revealed that Railway Administration had arranged for installation of 2377 Indian Currency Notes Authenticators at only 1562 locations as against 8642 booking locations and 40 Cash Offices as of July 2014.

(b) FICNs received despite installation of Currency Authenticators Machines.

Audit test checked 196 locations of 14 Zonal Railways where Currency Authenticators Machines were installed. In 58 locations of Eight Zonal Railways[103] Audit revealed that despite installation of 187 Indian Currency Authenticators, FICNs amounting to ₹9.26 lakh were received through Station earnings, as detected by Banks/ nominated cash offices upto July 2014.

This indicated that the Currency Authenticator Machines installed were either defective or the staff were negligent in using the Machines resulting in failure to detect the FICNs.

Commercial department of the Zonal Railways failed to ensure the installation of adequate number of Indian Currency Note Authenticator machines at all booking locations and cash offices. Even where the machines were installed, the concerned department failed to ensure the upkeep and maintenance of these machines. Consequently, in spite of machines being provided the acceptance of FICNs through booking stations could not be prevented.

[103] CR, ER, ECoR, NWR, SR, SER, SWR & WR

2.3.2.4 Failure of the Railway Administration to impart training to Ticket Booking Staff for detection of Forged Indian Currency Notes (FICNs)

It is very essential for Ticket Booking staff to ensure that Currency Notes accepted from the Passengers are genuine. For this purpose, it is necessary to ensure that the cash handling staff is fully conversant with the security features of a Bank Note.

Scrutiny of records of Zonal Railways revealed that only 1720 booking staff (5.18 per cent) of six Zonal Railways (CR-223, ECR-259, NWR-1, SER-37, SWR-621 and WR-579) out of total 33188 staff over IR had been imparted training programmes, conducted by RBI and Nationalized/Private banks. Moreover, none of the booking staff of remaining 11 Zonal Railways were imparted training in this regard as on July 2014. Audit further revealed that neither any structured training programmes were conducted nor any data about staff trained and to be trained was maintained by Zonal Railways.

Railway Administration should have organized training/awareness programmes regularly for the staff dealing with cash, sensitizing them about the security features of Bank Notes to enable them to detect FICNs at the point of receipt itself.

2.3.3 Conclusion

Despite provisions about the manner in which FICNs should be dealt with Indian Railways failed to check the receipt of forged notes at booking counters. The manner in which FICNs were dealt with in various Zonal Railways by destroying, handing over to the concerned booking staff was in violation of the rules prescribed in codes and manuals. Handing over the FICNs to the booking staff was likely to contribute to the re-ciculation of these FICNs in open market. Indian Railways also failed to make clearance of outstanding debits on this account leading to revenue loss. Further, absence of adequate control mechanism, especially the limited number of Currency authentication Machines made available across Zonal Railways increased the risks of acceptance of fake currency and even those available were not being used optimally. Since Indian Railways regularly collect substantial amount of money on account of passenger/ freight transportation, any lapse on its part in detecting and controlling the cases of FICNs is likely to aggravate the already existing problem of fake currency in the Indian economy.

The matter was brought to the notice of Railway Board in March 2015; their reply has not been received (May 2015).

Paragraphs related to Traffic department of Indian Railways

2.4 Western Railway (WR): Loss of revenue due to faulty agreement between Western Railway and Project Railway

Disproportionate revenue sharing formula adopted between Railways and KRCL in respect of revenues generated on Gandhidham-Samkhiyali section resulted in loss of ₹ 300.21 crore so far

The Gauge Conversion (GC) of the existing Metre Gauge track between Gandhidham-Samkhiyali-Palanpur (measuring 300.81 Kms.) into Broad Gauge (BG) was carried out by Kutch Railway Company Limited (KRCL) and this line was opened for traffic in July 2006. Prior to GC, the section from Gandhidham to Samkhiyali (53.08 kms) had a BG line alongside the MG line. Therefore, on completion of the GC work of Gandhidham-Samkhiyali-Palanpur stretch, this section (Gandhidham-Samkhiyali) got a double line.

A review of the Operation and Maintenance Agreement signed by the Railways with KRCL in July 2006 revealed that clause 6.2.3 provides for revenue sharing between Railways and KRCL as under:

1. KRCL shall get full apportionment of revenue for the to and fro movement of freight trains on Palanpur-Samkhiyali-Gandhidham BG line.
2. Western Railway shall get revenue from traffic moving on the old BG line between Gandhidham and Samkhiyali.

Accordingly, test check of the actual working of revenue apportionment for a period of 3 months from January 2012 to March 2012 was done and it was revealed that KRCL's share of freight revenues was ₹ 21.66 crore whereas Railways share of freight was only ₹ 2.29 crore.

A further scrutiny showed that the two lines between Gandhidham and Samkhiyali, were treated as separate section for purpose of apportionment. Due to operational reasons the newly converted line between Gandhidham-Samkhiyali, was treated as up line and outward loaded traffic from Gandhidham was being hauled on this line and the revenue generated thereon went to KRCL. Empty movement towards Gandhidham was being hauled on the existing BG line (from Samkhiyali to Gandhidham) resulting in meagre revenue share to Railways.

Since Gandhidham-Samkhiyali section has two lines that are connected to every station, and since during congestion on the route, traffic is moved on either of the lines, both the lines should be treated as a single section for revenue sharing purpose. As such treating the two lines as separate section is principally not in order as brought out by the Transportation Department of the Western Railways to the Railway Board in July 2012. The revenue sharing therefore should have been on a reasonable formula in the ratio of 50:50 in respect of freight earnings calculated for Gandhidham-Samkhiyali section as

normally done in case of port line like Pipava Railway Corporation Limited (PRCL) and Bharuch Dahaj Railway Company Limited (BDRCL).

Thus, agreeing to share revenue, line wise, has resulted in undue revenue benefit to KRCL to the extent of ₹ 32280121/- per month for which records were audited. This has resulted in significant loss of ₹ 300.21[104] crore to Railways during the period from July 2006 to March 2014. This being of a recurrent nature, the loss will continue to mount unless steps to correct the anomaly in the revenue sharing formula are taken at the earliest.

The issue was taken up with Railway Administration in (September 2014). Railway Administration in their reply (December 2014) stated that action was to be taken strictly on the basis of O&M/Concession agreement. It may be noted that it is the Railway's responsibility to provide empties to originating point to enable the loading and movement of traffic on the line has to be based on maximum operational and structural convenience. It may further be noted the policy for SPVs is complex and based on consideration of various factors which is dealt with at Board.

The reply is not tenable because audit has highlighted the faulty revenue sharing clauses of the existing operation and maintenance agreement which is causing loss to Railways. Revenue was shared on the basis of traffic carried on each line treating them as separate sections, which is not in order. This aspect was brought out by Railway Administration to the Railway Board in July 2012. Due to operational reasons, carrying of only empties is done on the line belonging to Western Railway thus resulting in meager revenue to Western Railway. Therefore, treating the two lines over 53 kms stretch between Gandhidham and Samkhiyali as two sections is an anomaly causing recurring loss of revenue to Railways.

The matter was brought to the notice of Railway Board in March 2015; their reply has not been received (May 2015).

2.5 West Central: Railway (WCR) Rationalization scheme containing contradictory conditions resulted in loss of revenue of ₹ 98.68 crore

Contradictory conditions contained in Rationalization Scheme resulted in loss of revenue of ₹ 88.22 crore due to charging of freight via shortest route instead of actual carried longer route and ₹10.46 crore due to less loading of wagons

In terms of Rule 125 (1) of Indian Railway Conference Association (IRCA) Goods Tariff, unless specified by the sender, goods will be dispatched by the route operationally feasible and freight charges recovered by the shortest route. Rule 125 (3) of IRCA states that "Notwithstanding anything contained in Rule 125 (I) above, when the Central Government issues an order under Section 71 (1) (b) of the Railway Act, 1989, that the goods specified in the order can be carried by a route specified therein, the goods will be chargeable

[104] Total loss w.e.f. July 2006 to March, 2014 i.e. for 93 months @ ₹ 32280121 per month (i.e. 32280121 * 93 = 3002051253, say ₹ 300.21 crore)

by the specified route even if it is not the shortest route". Accordingly, Railway Board had been issuing General Orders to enable the Zonal Railways to charge freight by the actual route of carriage. Railway Board had been asking Zonal Railways to review the General Orders (Rationalization Schemes) critically and suggest additions/deletions bringing out reasons.

Operating Department of North Central Railway (NCR) on the basis of Freight Operation Information System (FOIS) message No. 2011/TT-III/27/1 dated 02 September 2011 informed (September 2011) Railway Board that goods traffic originating from Jabalpur division of WCR meant for destinations on Allahabad (ALD) – Faizabad (FD) route was being booked and charged via Manikpur (MKP) – ALD. However due to operational constraints at ALD, this traffic was actually being carried by NCR through Ohan (a bypassing station of Manikpur)-Banda- GMC[105], which was a longer route. In view of this, the NCR Administration requested to rationalize the carried route via Ohan-Banda-GMC. A similar request was submitted (September 2011) by the Chief Operations Manager/WCR stating that this rationalization would also help in extra loading of 2 Tonnes/wagon, as the chargeable capacity via Ohan was CC+6, while it was only CC+4 via the charged route. Railway Board, on the basis of the proposal received from NCR and WCR rationalized the route vide Rationalization Scheme (RS) No. 01/2012[106] incorporating the condition that "All traffic originating from Jabalpur division- To destination on Allahabad- Faizabad route for which shortest distance is via Allahabad-Rai Barelley-Pratapgarh-Sulatnpur would be charged via Ohan-Banda-GMC.

A test check of traffic booked from seven cement sidings[107] on Jabalpur Division revealed that the RS No. 01/2012 was not followed and the freight was being charged via shortest route (MKP-ALD) instead of via Rationalized route (Ohan-Banda-GMC). The matter was referred to Railway Administration in August, 2013. The Railway Administration then referred back the matter to Railway Board (September, 2013) and requested to amend the RS No. 1/2012 as the same could not be implemented in respect of any of the destinations to which traffic was booked from Jabalpur Division due to the following conditions of RS being contradictory in nature.

1. Destinations which lie on ALD-FD route (thus fulfilling condition. 1) do not have their shortest distance via Allahabad-Rai Barelley-Pratapgarh-Sultanpur (thus violating condition no. ii).
2. Destination which do have shortest distance via Allahabad – Rai Barelley-Pratapgarh-Sultanpur (thus fulfilling condition no. ii) do not lie on ALD-FD route (thus violating condition no. i)

[105] Kanpur Goods Marshalling Yard
[106] Effective from 20 August 2012 to March, 2013; subsequently extended up to 31 March 2014
[107] Maihar cement siding, Birla cement siding Satna, Prism cement siding hinauta Ramban, J.P. Rewa cement siding Turki Road, J.P. Bele cement siding Turki Road, Diamond cement siding Damoh, Associated Cement Ltd. Kymore siding Jukehi

The matter was again taken up with the Railway Administration (WCR) in July 2014. The Railway Administration (WCR) in their reply (November 2014) stated that the conditions mentioned in the RS No.1/2012, were not applicable on any of the destinations to which traffic was booked from Jabalpur Division and hence charging of traffic in respect of seven sidings was done via shortest route as per provisions of IRCM and IRCA Goods Traffic. It was further intimated that Railway Board had amended the RS No.01/2012 vide their letter No. 2011/TT-III/27/1 dated 11 February 2014 applicable from 13 February 2014. Now traffic to these destinations was being charged via Rationalized Route with extra loading on account of more carrying capacity on the Rationalized Route.

The reply confirms that while issuing the RS order No. 1/2012 Railway Board did not exercise due diligence on the proposals received from WCR and NCR. Also WCR failed to point out the contradiction in the RS No.1/2012 to the Railway Board, which was done only when audit pointed out in August, 2013. Thus lack of due diligence and promptness resulted in loss of revenue of ₹88.22 crore due to charging of freight via shortest route instead of actual carried longer route and ₹10.46 crore due to less loading of wagons for the period from 20 August 2012 to 12 February 2014.

The matter was brought to the notice of Railway Board in March 2015; their reply has not been received (May 2015).

2.6 Southern Railway (SR): Non-revision of agreement and consequent non-realization of revised wagon hire and haulage charges

Failure to incorporate clause providing for automatic revision of hire charges periodically notified by Railway Board in the agreement between SR Administration and Chennai Port Trust (CPT) resulted in non-recovery of wagon hire charges of ₹4.08 crore. Besides, delay on part of SR Administration in claiming/ recovering haulage charges led to loss of ₹7.91 crore

In the Audit Para No.2.4.3 of Report No.8 of 2003 of C&AG (Union Government), Audit commented that SR Administration failed to amend the provisions of the agreement executed with Chennai Port Trust (CPT) for automatic revision of wagon hire charges (for wagons detained by CPT beyond free time), when the same were revised by Railway Board. This resulted in recovery of wagon hire charges with lower rates.

In the Action Taken Note, Railway stated (March 2005) that vigorous action would be taken to amend the agreement with suitable clause for automatic revision of wagon hire charges whenever Railway Board notified revision in wagon hire charges.

A. During further review of the records of SR Administration, Audit noticed that the amendment to the existing agreement was yet to be made (July 2014). The agreement entered into between SR Administration and CPT provided for periodical review and revision after mutual consultations and not

automatic revision. It is pertinent to mention that in Railway Board's instructions (April 2000), it was clarified that wagon hire charges payable by CPT are governed by Indian Railway Conference Association (IRCA)[108] Rule as amended from time to time and CPT is liable to pay appropriate hire charges applicable to non-railway users.

Audit analyzed the loss on account of short recovery of wagon hire charges due to non-revision of agreements. The detailed findings are mentioned below:

1. The latest revision of wagon hire charges and free time allowed were made by Railway Board in October 2004, but the same was not agreed to by the CPT who stated that the revision was done without mutual consultations.
2. Due to non-revision of wagon hire charges and free time, SR Administration could not recover the hire charges at revised rates.
3. Audit assessed the revenue loss to Railways on account of non-recovery of revised wagon hire charges to the extent of ₹4.08 crore for the period from February 2008 to March 2014. This would be much higher if the same was calculated from the date of revision (October 2004). Loss of revenue would further accumulate till the revision is given effect.

Thus, non-revision of agreements for incorporating suitable clause for automatic revision of wagon hire charges despite the assurance given by Railway Board to Audit vide Action Taken Notes on earlier Audit Para resulted in loss of revenue to the extent ₹4.08 crore. This loss may increase till revision of the agreement.

B. Audit also observed that in the agreement with the CPT, it was stipulated that for terminal services of CPT, terminal charges were payable to CPT. Railways were required to make payment of terminal charges after deduction of haulage charges[109] due from CPT. Railway Board later decided (August 2007) that the terminal charges should be collected by CPT directly from consignors/ consignees. Accordingly, terminal charges were being collected by CPT from March 2008 and SR Administration was required to recover haulage charges separately from CPT.

Audit, however, noticed that SR Administration failed to claim the haulage charges due from CPT regularly after March 2008. It was belatedly claimed (₹5.25 crore) in March 2011 for the period March 2008 to February 2011. However, the same still remains to be recovered from CPT. As seen in Audit, this was because the CPT's demand to refix the interchange point[110] for the purpose of calculation of haulage charges could not be resolved by SR

[108] IRCA, an association under Ministry of Railways, is responsible for prescribing standards/ tariffs for goods and passenger trains with approval of Railway Board.
[109] Haulage charges are payable by CPT for extra haulage and shunting involved between interchange points to inner harbor and outer harbor of CPT.
[110] Interchange point is the point where traffic is handed over to other party (CPT) and from there, haulage charges for using shunting is liable.

Administration so far (June 2014). Consequently, haulage charges due from CPT had accumulated to ₹7.91 crore during March 2008 to July 2014.

When the matter was brought to the notice of SR Administration in August 2014, they stated (January 2015) that SR Administration has already proposed the suitable clause in the agreement for automatic revision in the wagon hire charges whenever the rates were revised by Railway Board. However, CPT is yet to execute the agreement. Despite repeated correspondence and meeting with the CPT, they did not agree to pay the revised charges and continue to pay as per the mutual consultation at the rate existing prior to November 2004 leading to accumulation of dues. They also stated that the issue has already been brought to the notice of Railway Board duly requesting for inter-Ministerial assistance from Ministry of Shipping.

The reply indicates that there was no development in case of execution of revised agreement despite the assurance given (March 2005) by Railway Board in their Action Taken Note on earlier Audit Report. Despite the matter being brought to the notice of Railway Board, the wagon hire charges have not been recovered at revised rates. This will further lead to accumulation of dues till the execution of revised agreement.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

2.7 South East Central: Railway (SECR) — Loss due to irregular waiver of Demurrage charges

Irregular waiver of demurrage charges resulted in loss of railway revenue amounting to ₹ 5.84 crore

Railway recovers demurrage charges[111] from their customers for detention of wagons on account of delay in loading/ unloading of consignments in the sidings on expiry of specified free time for this purpose. Vide Rates Circular No.39 of 2004[112] (October 2004), Ministry of Railways (Railway Board) instructed that the circumstances leading to accrual of Demurrage Charges (DC) can broadly be grouped into following three categories:

(i) Reasons within the control of consignor/ consignee.

(ii) Reasons beyond the control of consignor/ consignee like labour strike, transportation strike, general bandh, agitation, riots, curfew, fire, explosion, heavy rains, etc.

(iii) Act of God, act of war and act of public enemies.

[111] As per Para 101 of the Indian Railway Code for the Traffic Department (Commercial), Demurrage means the charge levied for the detention of any rolling stock after the expiry of free time, if any allowed for such detention.

[112] Prior to October 2004 waiver of demurrage/ wharfage charges (wharfage is applicable in parcel traffic) were governed as per RB's Rate circular No.TC-1/201/72/27, dated 23.4.86. The Rates circular No.39 of 2004 (October 2004) was issued in supersession of the RC of 1986.

In respect of category (i) waiver should normally not be done. As regards (ii) and (iii), waiver can be considered on merits of individual case. Powers of waiver should be exercised judiciously keeping in view the merits of each case and waiver should not be granted in a routine manner.

In September 2011, Ministry of Railways (Railway Board) instructed to levy a penalty of ₹ 5,000 per overloaded wagon in case load adjustment took place at the originating station. Thereafter, in July 2014, Ministry of Railways (Railway Board) vide their Master circular on "Weighment of wagons/ rake, exemption from weighment, procedure to deal with overloaded wagons and levy of Detention charges, etc" instructed that penalty for overloaded wagons and detention charge levied for detention of wagons for adjustment of overload is not waivable.

Test check by Audit (May 2014) on accrual and waiver of demurrage in respect of four coal loading sidings owned by South Eastern Coalfields Limited (SECL) for the period September 2011 to January 2014 revealed the following irregularities:

(i) Demurrage Charges (DCs) were not grouped in three categories as per Ministry of Railways (Railway Board) Rates Circular No.39 of 2004**.**

(ii) DCs towards detention of rakes for overloading by the party should not have been waived as brought out below, as these were within the control of consignee/ consignor.

Out of the total DC (₹7.38 crore) waived by the SEC Railway Administration, as per Rates Circular No.39 of 2004 (October 2004), of Ministry of Railways (Railway Board), only ₹1.54 crore qualified to be waived. Thus SEC Railway Administration had wrongly waived ₹5.84 crore[113] which includes DCs for load adjustment and DC for penalty.

When the matter was taken up with the SEC Railway Administration in May 2014, they accepted (August 2014) that the DC component on penalty of ₹5,000 per overloaded wagons should not have been waived and in October/ November 2013 advised the division that showing penalty of ₹ 5,000 as detention charges per overloaded wagons in the DC bills is a wrong practice and this charge should have been collected in the Railway Receipt (RR). In respect of DC levied for extra detention on account of load adjustment, they stated that it should be treated at par with normal DC for the purpose of waiver.

The above reply is not acceptable. Master circular No.TC-I/2014/108/4, dated 11 July 2014 which was a Rate Master Circular containing master guidelines derived from the earlier rate circulars only, wherein it was clearly mentioned that detention charge of ₹5,000 per overloaded wagon is not waivable.

[113] As per Annexure A-1, A-2, A-3 & A-4 (data collected from records of Sr. DOM, SECR, Bilaspur), total DC (Normal + Penalty + Load Adjustment) waived by SEC Rly Admn was ₹ 7.38 crore (Junadih siding-₹ 5 crore + Dipka--II Siding-₹ 0.95 crore + Surakachar siding-₹ 0.25 crore + Old Kusmunda siding-₹ 1.18 crore). However as per Rule only **₹ 1.54 crore** [Normal DC (x) % age of waiver on total DC accrued] should have been waived. Hence irregular waiver of DC = ₹ 7.38 crore *(-) **₹ 1.54 crore** = **₹ 5.84 crore**

Moreover, in this circular nothing regarding waiver of Demurrage Charges and penalty in cases of overloading had been mentioned.

DC is a charge levied for detention of any rolling stock after expiry of free time for loading/ unloading and this happens independent of overloading, if any. Only a portion of Normal DC could be waived. But in all the above mentioned cases, along with the Normal DC, SEC Railway Administration also waived DC for penalty and DC for load adjustment. Moreover, DC should be waived on the merits of the case and the waiver should not be granted in a routine manner as laid down in Rates Circular No.39 of 2004 cited in para one. However, in none of the cases, were any valid reasons found on record and it was also noticed that the waivers were granted in a routine manner.

Thus, South East Central Railway Administration waived DC amounting to ₹5.84 crore (₹3.32 crore as detention charges for overloading in wagons in the DC bills and ₹2.52 crore as DC for penalty) during the period September 2011 to January 2014 in contradiction of rules. It not only resulted in loss of Railway revenue but also ignored the unscrupulous practice of overloading by the siding owners.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

2.8 Eastern Railway (ER): Incorrect charging of freight on 'through distance basis'

Railway Administration charged freight for traffic dealt at Durgapur Steel Exchange Yard Siding on 'through distance' basis without following the codal provisions and prescribed criteria leading to a loss of ₹5.22 crore, a recurring loss till rectification.

Charging of freight on 'through distance' basis is cheaper than charging freight up to Serving Station and levy of Siding charges for haulage of empty / loaded Wagons.

As per Codal provisions[114], if a Siding has been provided with complete facilities for direct reception and despatch of trains and such trains do not require to be dealt with at the station from which the Siding takes off/Serving Station but runs through to or from the Siding with Railway locomotive or originates from or terminates in the exchange/peripheral Yard provided by the Siding holder, the Railway Administration shall have the powers of levying freight charges on 'through distance' basis up to the buffer end of the siding or the farthest point of the exchange Yard, instead of levying freight charges up to the Serving Station and Siding charges for haulage of Wagons over the Siding.

Scrutiny in Audit of the records of Durgapur Steel Exchange Yard (DSEY) revealed that prior to January 1977 DSEY was being treated as a Siding. In respect of loads related to DSEY freight was charged up to the serving station and Siding charges for the haulage of loads to Siding. However, in an apex

[114] Paragraph No.1805 of the Indian Railway Code for the Traffic (Commercial) Department

level meeting between the Railway Board and Ministry of Steel (January 1977), a decision was taken to treat DSEY as an 'independent booking point' on 'through freight' basis. The decision taken by Railway Board to charge freight on 'continuous distance' basis was implemented (February 1978)[115] for goods traffic from and to DSEY Siding and withdrew the levy of Siding charges.

After the implementation of the decision, while deciding the 'chargeable distance' applying 'through distance basis' concept, Zonal Railway Accounts Authorities took the view (October 1978)[116] that since the proposed new goods booking point was meant for serving exclusively the Durgapur Steel Plant (DSP), under normal practice it could be presumed that the cost of various staff posted at the point[117] and additional cost, if any, would be the liability of the beneficiary (DYES).

Railway Board further ordered (October 1993)[118] that the system of charging freight on 'through distance' basis may be allowed for trainload traffic which goes into the Siding with the engine pulling/ pushing provided there is no detention to engines except for change of ends and no separate shunting staff required exclusively for the purpose. Again in June 2010[119], Railway Board clarified that the system of charging of freight on 'through distance' basis would be applicable in respect of only those Sidings which are so notified on the criteria already fixed (1993).

Though the terms 'through freight'' basis, 'continuous distance' basis' and 'through distance' basis are different terms, they convey the same meaning. While charging freight on the basis of any of these terms, serving station is to be notified as an independent booking point and 'chargeable distance' is worked out in an identical manner

Audit observed that while circulating the list of notified full rake / half rake terminals for covered wagons, the Chief Freight Traffic Manager, Eastern Railway, Kolkata had declared (November 2006) the DSEY as a Siding with full rake capacity[120]. This is indicative of the fact that Exchange Yard is also a Siding.

Scrutiny of records of DSEY for the period January 2008 to May 2014 revealed that although freight for traffic dealt at DSEY was being charged on 'through distance' basis and no Siding charges recovered as per orders of 1978, Railway Board's orders of October 1993 and July 2010 had not been implemented as-

- There had been detention to Railway locomotives on regular basis for other than change of ends.

[115] Wire (XXR) issued in February 1978 by Chief Commercial Superintendent
[116] No. FB/T/Rates/374-Pt. VI dated 06.10.1978
[117] These may be commercial staff for freight related works and shunting staff for shunting of wagons etc
[118] No.TC-I/87/214/14 dated 21.10.1993
[119] No. 2007/TC-I/302/1/Pt E dated 23.06.2010
[120] Paragraph No. No. 3.2 of Circular letter No. TS 550/2/10/Vol XXII dated 14.11.2006

- Railway Staff had been posted at DSEY for performing shunting activities exclusively for DSEY and any cost of deployment was not being recovered.
- Zonal Railway Administration had not notified this Exchange Yard (Siding) as an independent booking point for charging freight on 'through distance' basis as per Railway Board instructions of July 2010.

The charging of freight on 'through distance' in respect of traffic dealt at DSEY was, thus, in contravention of Railway Board orders of October 1993 and June 2010 as the criteria fixed by Railway Board was not being followed and Siding not notified for the purpose.

In the prevailing circumstances when the DSEY (Siding) has not been notified for charging freight on 'through distance' basis and there are detention to locomotives for shunting activities (for detachment/ attachment of wagons and attaching brake van etc) at DSEY by Railway's shunting staff, cost of which is not recovered from Siding owner, charging of freight on 'through distance' basis was irregular. An assessment for the period of review has revealed a loss of ₹5.22 crore to the Railway. The amount of loss is the difference between freight up to serving station plus siding charges (under the normal practice) and freight collected on 'through distance' basis. This is a recurring loss till the rectification.

When the issue was taken up with the Railway Board (March 2015) they stated (May 2015) that DSEY is an Exchange Yard and has been treated as a Goods Booking Point since 1978 as per Railway Board's orders. The question of issuance of a Notification does not arise as DSEY is not an 'independent booking point'. Their contention is not valid as codal provisions and Railway Board orders are equally applicable for Exchange yards also. Railway Administration has also recognized DSEY as a siding. Further, charging of freight on 'through distance' basis establishes that DSEY is an 'independent booking point'. It is important to mention that besides, the Railway Boards contention flies in the face of their own instructions of October, 1993laying down conditions applicable for charging of freight on 'through distance' basis and necessity of getting the sidings notified as per these criteria and their orders of July, 2010.

2.9 South Western Railway (SWR): Laying of additional lines in violation of special instructions and without condonation by Railway Board

Decision to lay additional lines with steeper gradient than permissible limit without obtaining the condonation from Railway Board resulted in delays in completion and their opening for traffic for periods more than 64 months in one case and 34 months in another one so far and unproductive expenditure of ₹ 5.09 crore**.**

Special instruction contained in Chapter-II of Schedule of Dimensions 1676 mm Gauge provides for a maximum permissible gradient in station yards of 1

in 400 for existing works and 1 in 1200 for new works, unless special safety devices are adopted and /or special rules enforced to prevent accidents such as catch/slip sidings[121], additional distant signal, speed restriction etc siding. If it is not possible to provide yard gradient of 1 in 1200 while executing works in connection with Gauge Conversion, Doubling and New Crossing Stations etc., Railways should, however, make effort to provide grades as flat as possible in the station yards but not steeper than 1 in 400. In case, steeper gradients are required to be provided in exceptional cases, timely condonation for the same should be obtained from Railway Board (RB). RB in April 2003[122] instructed that such condonation/ relaxation should be obtained well in time and should not be a case of fait accompli. Any request for post facto approval would be viewed seriously and should be only after fixing responsibility. Before commencement of any works involving any alteration or extension as well as for opening of any additional lines and yard facilities for passenger services, sanction from Commissioner of Railway Safety CRS) is mandatory.

However, it was observed that while executing two works of laying additional lines in two station yards of South Western Railway with Gradient more than the permissible limit, the above instructions were not complied with as per details given below:

(a) Adidhali Station

Adihalli (ADHL) was a 'C' Class station on Tumkur – Arsikere BG section of Mysore Division of South Western Railway(SWR) and the station yard was with gradient 1 in 100. The work of converting this station into a 'Á' class station [123]by laying an additional loop line was sanctioned by Railway Board in the year 2005-06[124] to increase the line capacity of the section. While the work was in progress, Chief Transport Passenger Manager advised to upgrade the station to function as a regular crossing station[125] (February 2008). The work of upgrading the station as a regular crossing station by providing additional loop line was carried out retaining the existing gradient of 1 in 100 as against the requirement of 1 in 400.

b) Chikodi Road Station

The Chikodi Road (CKR) is a crossing station of Londa – Meraj Section of Hubli Division of SWR. The station yard at Miraj end consist of falling gradient of 1 in 275. To increase the line capacity, Railway Board sanctioned the work of laying additional loop line in this yard in 2008-09. [126] As per the justification furnished by Railway Administration in January 2012, since adoption of a gradient of 1 in 400 in this yard involved grading of proposed

[121] 'Catch sidings" are provided at Stations with steeper gradient to divert runaway train off the main line on approach to station whereas Slip sidings are provided in the direction away from a station
[122] Railway Board's letter No.92/CEDO/SR/4 dated 03/04/2003
[123] The classification stations into "A" and "C" depending on the signalling arrangement. In class 'A" line clearance to an incoming train will be given only if the line intended to receive a train is clear for at least 400 meters beyond the home signal
[124] This work was included in the Pink Book of 2005-06 vide item No. 33 with allotment of Budget Grant for the year.
[125] Crossing station refers to Station where track and signalling arrangements have been arranged in such a way to both receive and despatch trains on a single line section by providing one or two loop lines to accommodate berthing of trains.
[126] This work was included in the Pink Book of 2008-09 vide item No.26 with allotment of Budget Grant for the year.

new line and main line as well as series of Points and Crossings, the same would have been very expensive. Further, taking into account the difficulty in carrying out these works in the running condition it was decided by Railway Administration to carry out this work keeping the gradient of yard as 1 in 275.

As per the instruction of Railway Board quoted above, in both the above cases i.e to carry out an additional loop line work having Gradient steeper than 1 in 400, the condonation of Railway Board and sanction of CRS should have been obtained before incurring any expenditure.

However, in both the above cases, these instructions were totally ignored and works were commenced (ADHL October 2006 with DOC-March 2007) & (CKR –June 2009 with DOC-October 2010), without the sanction of CRS as well as without the condonation from Railway Board.

While the work was in progress, SWR authorities approached CRS for sanction in July 2009 in respect of ADHL Station Yard and in August 2011 in respect of CKR Road Station Yard. However, in both cases, among other things, CRS insisted on obtaining the condonation from Railway Board for executing the works and did not accord sanctions. It was only thereafter that Zonal Administration approached for ex post facto condonation from Railway Board (in May 2012 for ADHL and January 2012 for CKR), that too without fixing any responsibility for executing these works without obtaining condonation from Railway Board.

Audit observed that the works of ADHL station were completed in all respects except insertion of points and crossings (which is the final work for connecting the new line with the existing running lines, which required CRS sanction) by July 2009 and expenditure of ₹ 2.73 crore had been incurred by that time while in CKR station, 90 per cent of the works were completed by May 2011 incurring an expenditure of ₹2.36 crore. The Works remained stalled thereafter as the condonation from Railway Board was not obtained so far (December 2014). As such the total expenditure incurred i.e. ₹5.09 crore remained unproductive, for 64 months in respect of ADHL yard (₹2.73crore) and 34 months in respect of CKR yard (₹2.36 crore). Besides, the very purpose of enhancing the line capacity to meet the increased traffic in the section had not been achieved in both the above cases.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

2.10 South East Central: Railway (SECR) — *Loss due to non-levy of siding charges*

Non-adherence to the existing provision regarding levy of siding charges led to loss of ₹ 5.05 crore

Para 2517 and Para 2522 of the Indian Railway Commercial Manual, Volume-II stipulates that in addition to freight charges to and from the station serving the siding, siding charges at the rates laid down in the agreement or notified separately by the Railway Administration for dealing with the traffic at the siding should be recovered from the siding users. It was further mentioned

that where special facilities[127] have been given to individual concerns for unloading of tank wagons, siding charge should be levied at the rate fixed by the Zonal Railway Administrations from time to time.

Review by Audit (April/ May 2013) of two Petroleum Oil Lubricant (POL) public sidings served by Bilaspur (BSP) and Bhilai (BIA) stations of South East Central Railway revealed that at both these stations, Railway Administration had permitted Oil companies[128] to lay separate pipelines on railway tracks earmarked for unloading of POL products. Oil Tank wagons are placed on these lines from where the POL products are directly unloaded into the storage tank of the oil companies. As per codal provision, siding charges were recoverable from these parties. However, Railway Administration had not levied any siding charges on these oil companies which resulted in non-levy of siding charges to the tune of ₹ 4.15 crore[129] for the period October 2004 to March 2014 (₹ 1.13 crore in respect of Bilaspur station for the period January 2008 to March 2014 and ₹ 3.02 crore for Bhilai station for the period October 2004 to March 2014).

Audit check of another private siding of IOCL served by Bishrampur station in April/ May 2013 revealed that neither was this siding notified as a private siding, nor a time and motion study [130]conducted for fixation of siding charges in respect of this private siding. This resulted in non-levy of siding charges to the tune of ₹0.90 crore[131] during the period December 2008 to May 2014.

When the matter was brought to the notice of the SEC Railway Administration in May 2013, they stated (April 2014 and December 2014) that no special facilities were provided to the oil companies at Bilaspur and Bhilai by providing separate lines. Rather these were provided as per Red Tariff. Due to safety reasons direct decanting through pipelines was done without involving trucks. This is not a special facility, but a condition for safe

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[127] The term Special Facilities has not been defined in any Rules of the Railway. However, Para 2522 of Indian Railway Commercial Manual stipulates that where special facilities have been given to individual concerns for unloading of tank wagons siding charges should be levied. Therefore, laying of separate pipeline in the railway land for unloading of tank wagons directly into the oil company's storage tank is definitely a special facility provided by the Railway as the oil companies are deriving the benefit of direct decanting of POL products into their storage tanks without involving trucks which they would otherwise have to deploy if these pipe lines had not been laid and products had to be carried by road.

[128] Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL) at Bilaspur and at Bhilai IOCL and Bharat Petroleum corporation Limited (BPCL).

[129] Average time required for placement and removal of a rake (as per available records) (x) All India rate of engine hour cost (AIEHC) as fixed by Railway Board and revised from time to time (x) No. of rakes dealt with

[130] Time and motion study, a term used by railway, under which average time taken in placement and removal of wagons (in a round trip) in a siding is assessed. The siding charges is calculated based on this average time as – Siding charge=Average trip time in minutes (x) Engine Hour Cost/60

[131] As no time and motion study conducted, Audit had calculated the same. Average time required for placement and removal of a rake (as per available records) (x) All India rate of engine hour cost (AIEHC) as fixed by Railway Board and revised from time to time / 60 (x) No. of rakes dealt with

handling of petroleum products. The oil companies laid the pipelines for direct unloading of POL product at their own cost.

The reply is not acceptable as permission for laying of separate pipelines in the Railway land for unloading of tank wagons directly into the oil company's storage tank is a special facility extended by the Railways as the oil companies are deriving the benefit of direct decanting of POL products into their storage tanks without involving trucks and thus the parties are saving **costs** which they would otherwise have to incur if these pipe lines had not been laid and the products had to be carried by road. As far as provisions of Red Tariff is concerned, it is stated that Red Tariff only mentions about transportation, handling and loading of Petroleum and other Inflammable liquids, etc. The Red Tariff does not anywhere lay down provisions for free separate Railway tracks with pipelines for direct decanting of POL products. In respect of Bishrampur station, the SEC Railway Administration accepted (April 2014/ December 2014) the audit contention and agreed to conduct time and motion study and levy siding charges accordingly. However, as on January 2015, no action was taken.

Thus, due to non adherence to the codal provisions in respect of levying of siding charges, Railways sustained a loss of ₹5.05 crore during the period October 2004 to May 2014 (₹4.15 crore for the period October 2004 to March 2014 and ₹0.90 crore for the period December 2008 to May 2014).

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

Chapter 3 – Electrical – Signalling and Telecommunication units

The Electrical department is responsible for safe train operations and maximizing the utilization of fixed and moving assets such as train rakes, locos and tracks etc. At Railway Board level, the Electrical Department is headed by Member (Electrical) who is assisted by three Additional Members for Electrical, Telecommunication and Signalling.

At Zonal level, the Electrical Department is headed by Chief Electrical Engineer who is responsible for operation and maintenance of Electric Locos, EMU, MEMU, Overhead Electrical Equipment (OHE), its maintenance and operation, planning, electrical coaching stock, operation and maintenance and electrical general power supply, air conditioning, diesel generating set operation and maintenance and water supply. The Signalling and Telecommunication department is headed by Chief Signal & Telecommunication Engineer (CSTE) who is responsible for maintenance of signaling assets.

The total expenditure of the Electrical Department during the year 2013-14 was ₹60,003.81 crore. During the year, apart from regular audit of vouchers and tenders, 605 offices of Electrical and Signalling & Telecommunication department of Railways were inspected by Audit.

This chapter includes three individual paragraphs regarding purchase of electricity at higher rate by ECR Administration; under-utilization of electric traction by SR Administration leading to non-achievement of projected saving; and defective planning of CR Administration in replacing traction system.

Paragraphs related to Electric department of Indian Railways

3.1 East Central Railway (ECR): Purchase of electricity at higher rate

Avoidable expenditure of ₹27.13 crore on account of purchase of electricity at higher rate from Jharkhand State Electricity Board (JSEB) instead of purchase from Damodar Valley Corporation which provided a more reliable power supply at lower rates

Dhanbad Division of East Central Railway (ECR) was purchasing electricity for Dhanbad and Gomoh Railway Complexes from the Jharkhand State Electricity Board (JSEB) since April 2001 (earlier from Bihar Electricity Board) for non-traction[132] purposes.

During review of records of Dhanbad Division, Audit noticed that ECR Administration approached (1999 to 2001) Damodar Valley Corporation (DVC) for procuring power supply directly through their source at Dhanbad and Gomoh Railway complexes for non-traction purposes. The decision was taken on account of erratic electric supply[133] position of JSEB at these complexes and on the basis of cost-benefit analysis (March 2000) that showed annual saving of ₹1.20 crore (based on tariff rate between April 1998 and March 1999) in case of taking power supply directly from DVC.

Audit reviewed the records of power supply of Dhanbad and Gomoh Railway complexes for the period from September 2004 to December 2014. Audit noticed that though proposal for direct power supply from DVC, based on cost benefit analysis and reliable source of power supply, was made for both Dhanbad and Gomoh Railway complexes, it was implemented (August 2004) only for Gomoh Railway complex. The Dhanbad Railway complex is still receiving power supply from JSEB.

Thus, Dhanbad Railway Complex continued to procure power from JSEB despite the availability of electricity at cheaper rate from DVC and erratic supply of electricity by JSEB (Average supply failure during 2010-13 increased to 116 hours per month in comparison to the 103 hours per month during 2000-04). This resulted in avoidable extra payment of ₹27.13 crore[134] on account of electricity charges during September 2004 to December 2014.

When the matter was taken up with ECR Administration in April 2014, they stated (August 2014) that

(i) Non-implementation of any proposal due to financial constraints should not be treated as failure. Proposal for supply of power from DVC was initiated for both stations (Dhanbad and Gomoh) but

[132] Running auxiliary and support services such as electricity towards station, offices, residential quarters and colonies, yards, workshops, water supply air conditioning etc.
[133] Average supply failure during 2002 was 103 hours per month at Dhanbad and 167 hour per month at Gomoh
[134] The loss was calculated on basis of difference of rate of power supply from DVC at Gomoh Railway Complex and from JSEB at Dhanbad Railway Complex.

approved and implemented only for Gomoh Railway station based on the lower initial investment (₹9 lakh in comparison to ₹35.45 lakh for Dhanbad) required by DVC for survey/ supervision charges for taking direct power supply and more erratic power supply (power failure of 167 hours per month in comparison to 103 hours per month at Dhanbad during the period 2000-04). Audit has not taken into consideration the above initial investment

(ii) Dhanbad Railway complex is being supplied electricity from three separated sources of JSEB which enable more reliable power supply even if one source is not available. If DVC supply is taken at one point and JSEB connection is surrendered, the reliability of the power supply will be compromised. Moreover, integration of existing network to enable power supply from single source to all locations will incur extra investment which was also not taken into consideration by Audit.

The above replies are not acceptable to Audit in view of the facts that-

(i) DVC demanded (February 2002) ₹35.45 lakh from ECR Administration as estimated service charge for direct supply at Dhanbad Railway complex. However, Divisional authorities did not approach higher authority for fund provision in this regard. The reason for the same was not on record of ECR Administration. Moreover, initial investment (₹35.45 lakh) required by DVC as survey/ supervision charges and expenses to be incurred for laying of transmission line (integration of network) are one-time expenses and the pay-back period would be very small considering the huge monetary saving as energy charges are lower than that of JSEB. Further, ECR Administration did not have data on record in respect of expenditure to be incurred in laying of transmission line, as such, the same has not been taken into consideration while analyzing avoidable expenditure.

(ii) ECR Administration approached (2000) DVC for direct power supply to overcome the erratic and unstable power supply of JSEB. They also proposed for obtaining power supply through a separate dedicated feeder line of DVC keeping in view the quality of power as well as reliability. As such, Railways' contention that surrendering JSEB connection will compromise the reliability of power supply is not sustainable.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

3.2 Southern Railway (SR): Under-utilization of electric traction and consequent non-realization of projected savings

Under-utilization of electric traction even four years after commissioning in the Tiruchchirappali – Dindigula (TPJ-DJ) section deprived SR Administration of projected savings of ₹9.23 crore. Further, under-utilization of electric energy supplied in the Section led to payment of maximum demand charges and low power factor charges to State Electricity Board (TNEB) amounting to ₹4.49 crore.

The electrification of Tiruchchirappali – Madurai (TPJ-MDU) section was sanctioned (2007-08) by Railway Board at a cost of ₹96.85 crore.

Review of records of detailed sanctioned estimates of electrification project revealed that SR Administration estimated an annual savings of ₹12.88 crore per annum after commissioning of the electric traction in the section between Tiruchchirappali- Dindigul (TPJ-DG). This saving would be on account of savings in operating cost of running trains in electric traction instead of existing diesel traction. Besides, SR Administration projected that 3 goods trains, 20 mail/express trains and 3 passenger trains would run on electric traction after the commissioning.

To feed energy to TPJ-DG section, two traction substations (TSS) at Vaiyampatti (VPJ) and at Dindigul (DG) were energized during December 2010 and March 2011 respectively. Electrification of the TPG-DJ section was completed and commissioned (March 2011).

A. Records of train operation on the above section after commissioning (March 2011) revealed the following:

(i) Goods train services with electric locomotives were introduced from March 2011. However, due to shortage of trained crew staff (Loco pilots) for electric traction, running of goods trains was not regular on this section. The number of running of goods trains was reduced from 10 to 4 during September 2011 to January 2012;

(ii) Regular Mail/express train services with electric locomotives were introduced from September 2011. Three pairs of mail/express trains and one pair of passenger train were operated (September 2011) with electric locomotives which was reduced to two pairs of mail/express trains (October 2011) and further reduced to one pair of mail/express train from February 2013.

(iii) Traction distribution (TrD) branch of Madurai Division requested its Traffic Branch from time to time (April 2011 and January 2012) to operate more trains with electric locomotives to avoid idling of assets created and to achieve the projected savings.

Madurai Division (SR) attributed (April 2011 and January 2012) the reason for less operation of Goods and Mail/ Express trains to shortage of trained crew staff.

Further review of records of trained crew staff during the period from May 2011 to March 2014 revealed that even after four years of commissioning of electric traction in the section, only 36 per cent of crew staff could be trained for electric traction. Audit also observed that the availability of crew and loco link suitable for AC traction route[135] was not analyzed by Railway Administration at the time of electrification of the project. Moreover, despite improvement in the position of trained crew (27 per cent in May 2011 to 36 per cent in March 2014), operating department of the Division could not plan for operation of more trains on electric traction.

From the above findings, it is evident that despite the electrification of TPG-DJ section, SR Administration could not fully operate mail/ express trains with electric locos instead of diesel locos as planned in the detailed estimates. This deprived SR Administration of the projected savings. Audit assessed the non-saving due to under-utilization of electric traction in the section at ₹9.23 crore.

B. Audit further noticed that in terms of TNEB rules, in case of high tension consumers, maximum demand charges would be levied on demand actually recorded or 90 per cent of sanctioned demand whichever was higher and in case average power factor was less than the stipulated limit of 90 per cent, low power factor charges would be levied. In case of this section (TPJ-DG), maximum demand charges (₹2.03 crore) had to be paid as no power was drawn from December 2011 to June 2013 (except during August 2012) after commissioning of traction sub-station (September 2011). Also, as power factor could not be maintained on the section due to non-drawal of power, low power factor charges (₹2.46 crore) had to be paid.

As such, SR Administration had to make payment of ₹4.49 crore (₹2.03 crore + ₹2.46 crore) on account of Maximum demand and low power factor charges to State Electricity Board due to under utilization of electric energy supplied in the Section.

The matter was brought to the notice of SR Railway Administration in August 2014. In reply they stated (December 2014) the savings and running of Goods/ Mail/ Express trains were projected for entire electrification of TPJ-MDU section and not only for TPJ-DJ section. It was also stated that availability of trained loco pilot is not the only criterion for running more trains with electric loco and crew, but operational feasibility/ flexibility are more important to ensure efficient and smooth operation of trains. Reduction in train services on electric traction was due to the combined reason of sub-optimal utilization of crew occasioned by the partial extension of electric traction only upto Dindigul, exacerbated by severe crew shortage which came in the way of the administration being able to send diesel crews for conversion training.

The above replies confirm that, before investments in the electrification project, SR Administration had not taken into consideration issues regarding operational feasibility such as adequate trained crew manpower for smooth operation of trains over electric traction. Audit noticed that as per detailed

[135] The route where trains are running with electricity and electric loco used for the purpose instead of diesel loco

sanctioned estimate, separate projections were made for projected savings (₹12.88 crore for TPG-DJ section and ₹10.41 crore for DJ-MDU section) and running of trains for TPJ-DG and DH-MDU sections. Moreover, shortage of trained staff to operate electric locomotives could not be accepted as reason for allowing the investment to remain idle resulting in non-achievement of the stated objectives. Further, additional expenditure was also incurred due to payment of maximum demand charges and low power factor charges to State Electricity Board.

The matter was brought to the notice of Railway Board in March 2015; their reply has not been received (May 2015).

3.3 Central Railway (CR): Avoidable expenditure of ₹5.89 crore due to defective planning of works

Inadequate planning for replacing 22KV/2.2 KV DC traction system in Mumbai suburban sections of Central Railway for providing power supply to stations and the belated decision to retain it three years after works were commenced resulted in avoidable expenditure of ₹ 5.89 crore

The traction system in Mumbai suburban section was on Direct Current (DC). The work of converting this into Alternate Current (AC) system has been ongoing since 1998-99 in Central Railway and is still in progress. In DC traction system, the power supply to signalling equipments, stations and service buildings is provided by traction supply feeders by stepping down from 22 KV to 2.2 KV. However, in AC traction system (25KV/230V) being provided in Mumbai Suburban section, the power supply to signalling system etc. is supposed to be provided by 2 Auto Transformers(AT) provided at each station along with local supply. In addition 1 AT is to be installed at each station to work as main supply to feed supply to indicators, announcing system, UTS, clocks, CCTV and also platform power supply(30 per cent) and local supply was to act as standby, for above and 70 per cent of lighting load in normal course.

As a part of DC- AC conversion**,** based on the proposals of Central Railway, Railway Board sanctioned two works for off loading 2.2 KV traction feeders used for general services by providing State Electricity Board (SEB) supply in the normal course and Diesel Generator (DG) sets as standby source of supply for important stations, cabins and other service buildings of Mumbai division in 2006-07 and 2007-08 at a total cost of ₹ 2.88 crore and ₹ 4.55 crore respectively.

Against the above two sanctioned works, Dy. Chief Electrical Engineer (Construction), Central Railway, Dadar awarded contracts for the work "provision of Diesel Generator (DG) sets of various capacities, construction of DG set rooms with provision of power supply arrangement" to M/s. New Adarsh Electrical Works, Thane for 19 suburban stations, and to M/s. R D Electricals, Mumbai for 30 stations on suburban sections of Mumbai division in November 2007 and April 2008 at a total cost of ₹2.58 crore and ₹4.45 crore respectively. The completion period of the work was 12 months from the

date of issue of letter of acceptance. Against the sanctioned work of 2006-07, another contract for 'augmentation of power supply arrangement from MSEDCL for the stations on suburban section of Mumbai division' was awarded to M/s. Laxmi Electrical works in October 2008 at a total cost of ₹0.87 crore with completion period of six months.

While the above works were nearing completion, in December 2010, Chief Electrical Engineer (CEE), Central Railway submitted a detailed note to General Manager (GM), Central Railway for retention of 2.2 KV system for feeding general services power supply specifying various reasons such as unreliability of DG sets, high cost of its operation, demand for land by the power supply authorities for setting up sub-stations at many stations, passengers safety, security and maintaining law and order in the event of power supply interruption at suburban stations. Further it was stated in the note that the 22 KV/2.2 KV system was also being retained on Western Railway as it is an old proven system with feasibility of capacity augmentation. GM, Central Railway accorded his administrative approval to retain 2.2 KV DC power supply system for suburban area in December 2010.

It was observed in Audit that by December 2010, 45 DG sets were supplied by the contractors and 43 cabins were constructed to house the DG sets. The total expenditure incurred on the above works during 2006-07 to 2014 -15 was ₹ 8.83 crore.

Out of the above, only 13 DG Sets were retained for use in stations of sections beyond the Chhatrapati Shivaji Terminal, Mumbai (CSTM) – Kalyan section and the remaining 32 DG sets and related works together costing ₹ 5.89 crore became redundant.

The failure in planning and extra ordinary delay in setting it right leading to financial loss was taken up with Central Railway Administration in July 2014. In reply (December 2014) they justified the decision on following grounds:

i) Central Railways decision to feed power supply to indicators, announcing systems etc .and also platform power supply of 30 per cent by providing AT was not technically feasible.

ii) 2.2 KV system of power supply in Mumbai has been an independent system with proven record of high reliability.

iii) Providing land to State Electricity Board for making necessary infrastructure to provide additional load etc. would be difficult at many stations.

iv) Feeding 70 per cent General Services load from local supply was not advisable due to unreliability of uninterrupted supply and taking into account passenger safety, security, maintaining law and order in Mumbai suburban services with heavy traffic.

v) Railway Board's stipulation (December 2010) that exclusive supply for general services load such as indicators, announcing system, CCTV and platform supply is not permissible as per existing guidelines of Railway

Board and therefore, Railway should plan for independent power supply arrangement for general service application as was existing earlier in the past.

vi) There was an approximate saving of ₹ 12 crore by retaining 22KV/2.2 KV system.

Central Railway Administration further stated that all DG sets procured are in good condition and are being handed over to other units as per their requirement 22 DG sets have already handed over and ₹ 1.22 crore was realized and another 10 sets were planned to be used in running rooms at various stations etc.

The reply furnished is not acceptable since:

i. The factors now brought out by Railway Administration such as the lack of technical feasibility of the works sanctioned and the annual saving of ₹12 crore anticipated by retaining the 22KV/2.2 KV system should have been considered before sanctioning and commencing the works. But this was not done. Thus the sanction and commencement of work was without due process of consideration as prescribed in Indian Railways Financial Code and Indian Railways Engineering Code[136] for planning and sanctioning works/ investment decision.

ii. Further, it was three years after the contract was awarded and an expenditure of ₹ ₹8.83 crore incurred on the work, that Chief Electrical Engineer, Central Railway in December 2010 had proposed for dropping the works and opting for 22KV/2.2 KV system. This points to inordinate delay in setting right the mistakes in planning.

iii. The transfer of DG sets and realization of credit for it from other Railway units would not wipe out all losses involved as 50 per cent of the codal life of DG Sets (10 years) has already expired. Audit observed that out of 43 cabins created for housing the DG Sets, 14 were being used for other purposes such as CCTV control room by RPF etc. and 29 still remained to be allotted and used

Thus inadequate planning for replacing 22KV/2.2 KV DC traction system in Mumbai suburban sections of Central Railway for providing power supply to stations and the belated decision to retain it three years after works were commenced and an expenditure of ₹ 8.83 crore had been incurred, resulted in avoidable expenditure of ₹ 5.89 crore after taking into account the savings on transfer of surplus DG sets elsewhere.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

[136] Chapter II of Indian Railway Finance Code and Chapter of II of Engineering Cod

Chapter 4 – Mechanical – Zonal Hqrs/Workshops/ Production units

The Mechanical Department is mainly responsible for management of –

- Train operations by ensuring Motive Power availability, Crew Management, Rolling Stock Management and Traffic restoration in case of accidents
- Workshops set up for repair, maintenance and manufacturing of rolling stock and related components
- Production Units engaged in production of Locomotives, Coaches, Wheel sets, etc

The Mechanical Department is headed by Member Mechanical at Railway Board who is assisted by Additional Members/ Advisor for Mechanical Engineering, Production Units and Rolling Stock/ Stores.

At Zonal level, the Department is headed by a Chief Mechanical Engineer (CME) who reports to the General Manager of the concerned Railway. The office of the Member Mechanical of the Railway Board guides the CME on technical matters and policy. At the divisional level, Sr. Divisional Mechanical Engineers are responsible for implementation of the policies framed by Railway Board and Zonal Railways. The Workshops are headed by Chief Works Managers and report to the CME of the concern Zone. Production Units are managed independently by General Managers reporting to the Railway Board.

The total expenditure of the Mechanical Department during the year 2013-14 was ₹ 26388.62 crore. During the year, apart from regular audit of vouchers and tenders, 588 offices of Mechanical Department were inspected.

The chapter includes two long paragraphs viz., 'Functioning of Research, Designs, Standard Organization (RDSO)' and 'Functioning of Rail Coach Factory (RCF), Kapurthala'. RDSO functions as a centre for acquisition, absorption and development of new technology and upgradation of existing technology for the Indian Railways. On the other hand, RCF is one of the coach production units of IR. These two units were monitored by Mechanical department at Railway Board.

In addition, this chapter includes two individual paragraphs related to non-availing of the benefit of CENVAT while paying Excise Duty on Rolling Stock by the Production Units (DLW, RCF, ICF) of IR and wasteful expenditure incurred by SR Administration on account of reworking of cylinder liners (a part of cylinder block used in diesel locomotive) due to defective honing of liners using obsolete honing machines.

4.1 Functioning of Research Designs and Standards Organization (RDSO) Lucknow

Highlights

Research Designs and Standards Organisation (RDSO) is an organization under Ministry of Railways, responsible for development of new technology and upgradation of existing technology for Indian Railways. The functioning of RDSO was earlier commented upon in Comptroller and Auditor General's Report No.9 of 2004, wherein issues regarding inadequate execution and monitoring of Research and Development (R&D) projects were highlighted. Some of the key findings discussed in this para are mentioned below:

- *Scrutiny of 15 selected R&D projects revealed that 11 projects were completed with delay ranging between 10 and 82 months. Out of these, five projects which related to development of new technology for safe train operations, could not be implemented as at the end of March 2014. Two projects related to construction of dedicated test track for RDSO and development of capsule type absorbers could not be completed even after expiry of six years of target completion date.* ***[Para 4.1.3.1 (a) & (b)]***

- *RDSO did not have required in-house expertise to undertake R&D projects and had to remain dependent on outside experts to carry out its primary functions of R&D activities.* ***[Para 4.1.3.2(a)]***

- *RDSO failed to implement recommendations of Restructuring Committee (May 2003) for giving focus to its primary function of R&D activities and to decentralize the works pertaining to vendor development and inspections. Instead, as revealed in Audit RDSO has been focusing less on R&D activities and more on its subsidiary functions like vendor development, inspections, and design activities.* ***[Para 4.1.3.2(b)]***

- *An important function of RDSO related to development of new vendors for procurement of safety and safety related items. For this, guidelines are laid down by the Indian Standards Organization (ISO) which include procedure for registration of vendors and their up-gradation and down gradation. Audit revealed that despite having single vendors for 51 items related to electrical, mechanical and signaling items since 2008, RDSO had not taken action to develop new vendors for these items leaving the field open for the limited existing vendors and giving them monopoly.*
  (Para 4.1.3.4)

4.1.1 Introduction

Research Designs and Standards Organization, Lucknow (RDSO) functions as a centre for acquisition, absorption and development of new technology and upgradation of existing technology for the Indian Railways. Its major functions involve development, adoption & absorption of new technologies, development of new & improved designs, development of standards for materials & products, providing technical guidance to zonal railways and providing consultancies and vendor approval and inspection related to critical & safety items used in Indian Railways.

The Director General[137] is the head of RDSO and reports to the Chairman Railway Board. Director General is assisted by an Additional Director General and 32 Directorates headed by Senior Executive Directors/Executive Directors. The Research and Development (R&D) works related to new and ongoing projects are managed by 27 different Directorates, responsible for developing new design/ specifications, upgrading the existing design/specifications etc.

At field level, RDSO has a total of nine units[138] spread across Indian Railways, headed by an Executive Director/Director. These units assist RDSO in vendor development activities in addition to inspection of materials of safety and safety related items, received from approved vendors against Zonal Railways contracts.

In addition, Railway Board constituted two apex bodies viz., Governing Council (GC) and Central Board of Railway Research (CBRR) for monitoring and regulating the R&D activities at RDSO.

The functioning of RDSO was earlier commented upon in Comptroller and Auditor General's Report No.9 of 2004. Audit reported that over the years RDSO has been focusing less on R&D activities and more on functions like vendor development and inspections. Audit commented on inadequate execution and monitoring of R&D projects resulting in considerable delays in completion/implementation of the projects. In its Action Taken Note (January 2011), RDSO had assured that an internal reorganization had been done with the primary objective of segregating the R&D activities from the routine activities such as inspection, quality assurance, vendor development etc. so that more thrust could be given to R&D activities.

Audit again reviewed the functioning of RDSO with a view to assess whether the R&D projects undertaken at RDSO were successfully completed/implemented in a reasonable time frame and whether the objectives and deliverables of the projects were achieved. It was also examined whether RDSO was equipped with the appropriate manpower to undertake the R&D activities and Railway Board's guidelines were scrupulously followed in the initial development of vendors, upgradations, renewals, delisting, inspections

[137] Director General in Indian Railways is equivalent to the rank of General Manager.
[138] Field units of RDSO are located at Bangalore, Bhopal, Mumbai, Burnpur, Kolkota, New Delhi, Jaipur, Hyderabad and Gwalior.

etc. Audit focused on the R&D projects handled by RDSO and its activities related to vendor development during the period 2008-09 to 2013-14.

Over last five years, Audit identified 58 R&D projects, undertaken at RDSO for review based on the basis of Integrated Railway Modernization Plan, Technology Mission for Railway Safety (TMRS), Corporate Safety Plan. Out of these 58 projects, for detailed study Audit selected 15 projects (TMRS – 5, Safety related projects – 6, other than safety related projects – 4). Audit also selected a sample of vendors (50 each of vendors registered and renewed and 20 each of vendor delisted and upgraded) for scrutiny of vendor development activities at RDSO. Guidelines issued by the Railway Board with regard to R&D projects and vendor development and Report of the Restructuring Committee on RDSO were used as criteria by Audit.

4.1.2Audit findings

4.1.2.1 Completion and Implementation of R&D Projects

For monitoring the research programme and ongoing projects of RDSO, Railway Board constituted two apex bodies viz., Governing Council (GC) and Central Board of Railway Research (CBRR) in December 1987 and February 2002 respectively. These apex bodies are responsible for monitoring and evaluation of R&D projects for timely completion/implementation, so that the stated objectives could be achieved.

Meeting of GC and CBRR are required to be held regularly, at least once in six months, for monitoring and evaluation of ongoing R&D projects. Records of the meetings held during the period 2008-09 to 2013-14 were reviewed and it was noticed that-

(i) As against the requirement of 14 GC meetings, only three meetings (March 2008, March 2011 and May 20120) were held during the period 2008 to 2014.

(ii) During the above period only eight meetings of CBRR were held as against the requirement of 14 meetings as per Railway Board's instructions (September 2006).

Due to absence of regular meetings of GC and CBRR, proper monitoring of development and execution of R&D projects was compromised. This in turn, affected the timely completion/ implementation of R&D projects. Besides, ongoing projects could not be properly evaluated resulting in failure of projects, which resulted in non-achievement of desired objectives. Delay in completion/ implementation and failure of R&D projects are discussed in following sub-paras.

(a) Delay in completion of R&D projects

Audit reviewed the records of 58 R&D identified projects, undertaken at RDSO during the last five years. Out of these 58 projects, 17 projects, targeted to be completed between September 2004 and October 2010 have been

completed with delay ranging between three and 82 months. Four projects which were to be completed during March 2007 to December 2014, are yet to be completed by April 2015.The main reasons attributed by RDSO for delay were delay in finalization of contract, delay in development of technology by outsourced agency (IIT/ Kanpur), delay in conducting of trials etc. Audit also noticed that out of the 58 R&D projects undertaken at RDSO, 12 projects were completed on time.

In the Action Taken Note to the earlier Audit Report (No.9 of 2004), Railway Board assured that monitoring of individual projects and mission would be strengthened. However, in course of detailed examination of records of 15 R&D projects, Audit noticed that out of 13 projects due for completion between May 2005 and October 2010, 11 were completed with delay ranging between 10 and 82 months. The other two projects[139] were still in progress as of March 2014 even after expiry of six/seven years of their targeted completion date (March 2008/ March 2007). The remaining two projects[140] are to be completed by June 2016/ June 2017.

Audit analyzed the reasons for delay in completion of these projects. Some of the common reasons observed for delay in completion of these projects were delay in development of technology by the R&D partners, delay in trial runs, delay in discharge of tenders, preparation of impractical specifications, delay in finalization of specifications, non-finalization of sites in time etc. It is evident that many of these reasons were within the control of the management which could have been avoided through more scrupulous supervision.

(b) Delay in implementation of completed projects

Out of the 11 completed projects, three[141] were implemented successfully whereas three projects[142] failed. The reasons for failure of these three projects have been discussed separately in sub-para (c). Though the remaining five projects were completed between September 2009 and December 2010, they were yet to be implemented as on 31st March 2014. Audit analyzed the reasons for delay in implementation of these five projects, which are given below:

[139] Construction of dedicated test track for RDSO and Development of capsule type absorbers.
[140] Train Collision Avoidance System and Design and Development of axle load wagons for DFC
[141] Development of WILD System, Provision of State of the Art Track Recording System and Bogie Mounted Brake System.
[142] High Speed Ultrasonic Rail Testing Car (SPURT), Design & Development of Train Actuated Warning Device (TAWD) and Improved Rail Fastening.

Table 4.1 – Delayed implementation of projects

Sl. No.	Brief of the project	Audit findings
1	**Track Side Bogie Monitoring System (TBMS)** To arrest derailment of goods train due to defects in bogie of wagons, RDSO undertook a project with IIT/Kanpur in 2005.	➢ The field trial was conducted (April, May & July 2008) at NR/NER. The project was completed in September 2009 at a cost of ₹1.21 crore. ➢ Ignoring this development, RDSO also undertook another project (2006) with similar objectives and procured one TBMS from Australian firm at a cost of ₹ 5.34 crore despite RDSO Finance observations regarding duplicity of efforts. ➢ The system was installed/ commissioned in January 2010 at Lucknow-Sultanpur section. ➢ Although, both the projects are completed, yet their adoption on a large scale over IR is still pending.
2.	**Corrosion Prevention of Rails** Development of corrosion resistant rails (made of copper molybdenum - Cu-Mo; or Nickle, Chromium and Copper - NCC) for improving the service life of rail track in the corrosion prone sections of Indian Railways	➢ RDSO undertook (2003 and 2005) joint project with SAIL and IIT/ Kanpur for development of Cu-Mo and NCC made corrosion resistant rails respectively. ➢ The Cu-Mo rails were tested during 2003 to 2006) and NCC rails were tested in March 2009) on coastal region of SCR and ECoR. ➢ RDSO recommended (March 2009) RB that NCC rails showed better corrosion resistance than Cu-Mo rails during laboratory evaluation and could be considered for future renewals for corrosion prone areas. ➢ As per RB's instructions (April 2009) Bhilai Steel Plant (BSP) of SAIL supplied two types of rails to five Zonal Railways (WR, SER, SCR, SR and SWR) at ₹53.68 crore for comparative study. ➢ However, laying of rails in these Railways was not completed (September 2014).
3.	**Wheel and Axles of Improved Metallurgy** Development of "Wheel and axles of improved metallurgy" to reduce/ avoid the wheel failures and breakage of axles	➢ RDSO undertook (August 2005) the project in collaboration with IIT/Kanpur and technology of improved metallurgy was developed in April 2007. ➢ These wheel sets were fitted on 16 coaches by RCF and dispatched to various Zonal Railways during May 2010 to June 2010 for field trial. No adverse performance report from any railway has so far been received from any Railway. ➢ The technologies developed were to be assimilated in IR by April 2012 after completion of trials. The same has not yet been assimilated.
4.	**Environment friendly coach toilet discharge system** To achieve zero discharge of solid/liquid residue, use of minimum quantity of water and elimination of foul condition on board.	➢ The project, namely zero toilet discharge system (ZTDS) was started in August 2005 with targeted date of completion in August 2008. ➢ The prototype of ZTDS was manufactured in August 2008 and completed its field trials 2009 in five trains. However, RB decided to develop Waste Management System at depots for extended trials.

		➢ The contract awarded (Dec. 2010) for the work was terminated (May 2012) as the design details submitted by the firm was not as per requirement. ➢ The proposal submitted (July 2012) by IIT/ Kanpur for extended trails of ZTDS with waste management system is still under process.
5.	**State of the Art Alumino Thermit Welding Technology** Indian Railway has a high failure rate of AT welds which poses a serious challenge in ensuring train safety. Railway Board (2000) decided to improve the rail-weld technology.	➢ Railway Board instructed (May 2001) RDSO to frame specifications for advanced technology in thermit welding. ➢ RDSO submitted final specification in October 2006. RB directed (December 2006) SER to float a global tender for evaluating the technology, which was to be discharged (July 2008) as the offering technology was not as per RDSO's specifications. ➢ Subsequently, RDSO invited (March 2009) EOI for upgraded welding technology with revised specifications. Though the project was closed in September 2010, the vendor development for the welding technology is still under process.

(c) Non-achievement of objectives due to failure of R&D projects

Out of the 15 selected R&D projects, three projects (one related to TMRS and other two were safety related projects) failed. The details of these projects are mentioned as under:

Table 4.2 – Failed projects

Sl. No.	Brief of the project	Audit findings
1	**Improved Rail Fastenings** Fastenings have elastic properties and are used to attach the rails to the sleepers. Loss of toe load takes place due to problems in the fastenings such as fatigue of Elastic Rails Clips (ERCS), crushing/ damage/ shifting of grooved rubber pads and corrosion/ breakage of liners. These fittings did not have anti theft, anti sabotage features.	RDSO undertook the project (August 2005) for development of improved rail fastenings with anti theft and anti sabotage features. Although prototype of ERC was developed (December 2008) as per theoretical designs, the same failed to meet the requisite test results as the test results could not meet the required value of toe load. Another prototype was developed with modified theoretical design but again the results did not meet the required specifications. As such, the technology had not been delivered rendering the entire expenditure of ₹ 1.24 crore infructuous.
2.	**High Speed Ultrasonic Rail Testing Car (SPURT)** SPURT car is used for ultrasonic testing of rail in a speedy manner.	RDSO decided to procure high speed ultrasonic rail testing car for testing in speedy manner. Two works were sanctioned (1998-99 and 1999-2000) for procurement of SPURT. It was observed that SPURT car supplied (April 2005) against the contract awarded (December 2003) failed to comply with the specification and the system was rejected (September 2006). The Governing Council attributed (November 2006) the failure of SPURT car to the impractical specifications prepared by RDSO. Subsequently another work for procurement of three SPURT was not processed as Railway Board decided to continue the testing of rails on service contract basis instead of

		procurement of SPURT cars. Finally the project was closed in March 2012.
3.	**Design and Development of Train Actuated Waning Device (TAWD)** Designed to prevent accidents at level crossings by giving an audio visual warning to road users of approaching trains.	The development of TAWD was undertaken (September 1998) by RDSO. The prototypes supplied by two firms[143] were put (March 2001) on field trials on WR and ER, which were discontinued (July 2003) as per RB's instructions due to failure, poor reliability and inherent field problems reported by them. Subsequently, RB decided (December 2004) to develop TAWD with different specifications and directed RDSO to go ahead with field trials with different specifications at 90 unmanned and manned level crossings. Accordingly, the systems were installed for extensive trials in nine Zones (SCR, SWR, SR, ECoR, NR, NWR, NCR and SER) by RDSO-approved firms[144]. Consequent upon failures reported by Zonal Railways in the trials of the second TAWD System, RB directed (September 2005) that no further trial runs may be taken up beyond the works already in progress with contractual commitments. However, by then, the firms had already supplied 89 equipment to the above nine Zones. The project was finally closed by the Railway Board in September 2008. Thus, the decision of Railway Board to procure a large number (90) of TAWD equipments without prototype testing deprived the IR of the intended benefits of the technology besides an infructuous expenditure of ₹ 7 crore incurred in procurement of these equipment.

(d) Non-achievement of desired objectives after implementation of projects

A flattening of wheel is termed as "Wheel Flat" which occurs due to unintentional sliding of the wheels on rails. Continued usage of flat wheels causes rail fractures/failures in rolling stock. For detection of Wheel Flat, a project Wheel Impact Load Detection (WILD) System was undertaken (2001-2006) by RDSO in collaboration with IIT, Kanpur. The prototype was developed and trials were conducted in August/September 2006. The project was completed in October 2006. The Railway Board nominated (February 2006) COFMOW for procurement and installation of systems as per specifications framed by the RDSO. As per specifications, the system would be able to (i) detect defective wheels in the range of 770 mm to 1100 mm diameter; (ii) work effectively in the speed range of 30 to 160 Kmph; and (iii) detect 95 per cent or more defective wheels on first pass.

[143] M/s Marble, Mumbai and M/s BEL, New Mumbai.
[144] M/s CEL, Sahibabad and M/s GG Tronics, Bangalore.

As per Railway Board's instructions, COFMOW awarded two contracts (April 2007 and April 2010) for supply of fifteen WILD systems at a cost of ₹ 11.43 crore. The WILD systems supplied by the selected firm were installed over ten Zonal Railways (SER, SWR, SR, SCR, SECR, ECR, ER, ECoR, CR &WCR) during August 2007 to May 2011.

A review of records revealed that after installation/commissioning of the system, Zonal Railways reported failures such as poor reliability due to false alarms causing undue detention, no correlation between WILD results and actual defects, non-raising of alarm on passing of skidded wheel over the system etc. RDSO accepted (March 2011) the limitations that the System was able to give optimum results only for 1000 mm wheel diameter at speeds between 55 and 65 Kmph.

The issue was also discussed in GM conference (January 2012) wherein it was commented that the performance of the WILD is abysmal and 93 per cent of the alerts are meaningless.

Thus, the WILD System could not be implemented as on 31st March 2014 due to limited utility of the System which also resulted in unproductive expenditure of ₹11.43 crore.

Above findings (4.1.3.1-a to d) clearly indicate lack of adequate monitoring mechanism in development of new projects and their execution for timely completion and implementation. Delay in completion/ implementation of R&D projects may cause obsolescence of the technology in addition to depriving Railways of the intended benefit of the new technology.

4.1.2.2 Manpower Management

(a) Non-availability of required Research Experts

In response to an Audit query issued in August 2007, RDSO stated (May 2008) that RDSO personnel are utilized for Design/R&D activities and consultancy to the extent possible. RDSO also stated that its staff consisted primarily of Diploma Holders/Engineering Graduates and were not having adequate qualifications to undertake high level research.

Further, RDSO in its Status Paper submitted to the Railway Board stated (April 2010) that R&D is a multidisciplinary activity which requires services of experts and scientists presently procured from outside sources through specific MoUs with different IITs etc. RDSO further accepted that in-house availability of scientists and experts would certainly help to expedite such projects. This could be achieved by:

- A separate parallel cadre of scientists (doctorates) recruited through UPSC with promotional avenues up to HAG level. This will help in improving knowledge level in research and development teams.
- Deputation of technology specific experts from other scientific organizations.

- Hiring of experts as required for working on complex R&D projects.

Records further revealed that the Central Board of Railway Research (CBRR) suggested (June 2010) for a dedicated permanent research cadre with persons possessing higher qualification for RDSO. In the Action Taken Note to the earlier Audit Report (No.9 of 2004), Railway Board itself stated (January 2011) that for achieving the objective of focusing on the primary function of R& D activities, a separate Research group will be created which will handle key projects requiring multi-disciplinary teams. Audit also observed that RDSO proposed from time to time (May 2011, September 2011, March 2013 and August 2013) for revamping of research cadre by direct recruitment of persons with higher qualification. However, the matter was pending with the Railway Board. As such, after expiry of four years of assurance given by Railway Board and despite repeated proposals of RDSO, matter of creation of separated research cadre is still pending with Railway Board (March 2015).

Audit observed that during the review period, RDSO availed the consultancy services from various IITs and overseas firms in 48 R&D activities involving an estimated cost of ₹ 70.19 crore. The required expertise to undertake R&D Projects were not available within RDSO and the RDSO had to remain dependent on outside experts to carry out its primary responsibilities of Research and Development, thus compromising the quantum and quality of R&D activities.

(b) Non-implementation of recommendations of Restructuring Committee

The Ministry of Railway constituted (August 2002) a Committee to effect the changeover of RDSO as a Zonal Railways in a smooth manner and to work out the modalities of restructuring of RDSO. The idea was to relieve RDSO from routine functions of vendor development/inspection and design activities so that it could fully concentrate on research work. The Restructuring Committee in its report (May 2003) inter-alia stated that:

- RDSO should concentrate on its primary job of Research, being a premier Research Organization.
- Work pertaining to Design and Vendor Development should be decentralized in a phased manner so that RDSO would be relieved from this activity and concentrate on research work.
- Design and vendor development staff should be transferred to other Production Units (PUs).

Based on the above report, the Railway Board directed (September 2003) the concerned Railway Board's Directorates to implement the recommendations.

Audit assessed the implementation of recommendations of the Committee and noticed that:

- As against the total sanctioned strength of 481 design staff, 408 were still working in 13 Directorates of RDSO, as on 31st Match 2014. In response to an audit query, RDSO stated (March 2013) that in the absence of clear

directions from the Railway Board, the action to transfer the design staff was not taken.

- Instead of taking action to transfer the design staff, RDSO made new appointments of 133 Design staff during January 2004 to October 2014 involving an expenditure of ₹ 14.05 crore approximately towards their pay and allowances, as on 31st October 2014.
- In regard to vendor development staff, 110 staff were still working in RDSO as on August 2014 as against the sanctioned strength of 134.

From the above, it is clear that even after a lapse of more than ten years of the recommendations of the Restructuring Committee, the decentralization of Vendor Development and Design staff was not carried out by RDSO, due to which RDSO was not able to focus on its primary responsibility of Research & Development.

4.1.2.3 Capital Outlay not commensurate with Research & Development activities

The expenditure on R&D activities is charged to capital head of Accounts. To improve functioning of research activities at RDSO, capital budget of RDSO should be adequate. Audit noticed that Chairman Railway Board in GC Meeting of December 2005 stated that RDSO's expenditure in proportion to gross expenditure of Indian Railways is only 0.2 per cent, which is quite low and unsuitable for the works/projects to improve productivity, safety and throughput of IR. RDSO in its Status Paper further stated (April 2010) that the capital budget of RDSO was about 0.25 per cent of the Indian Railways' Capital Budget which was not commensurate with the research and development requirements of a technology driven industry like Railways. RDSO also stated that its capital budget was highly inadequate when compared to the similar industry average of about 2-3 per cent world over. Accordingly, RDSO suggested to increase the capital budget to about 2-3 per cent of the capital budget of Indian Railways.

Audit, however, noticed that on one hand RDSO stated that its capital budget was very less, on the other hand RDSO demanded less in the form of revised budget allotment (RBA) in comparison to the original budget allotment (OBA) and even final budget allotment (FBA) was less than that of RBA, which is depicted in the following table:

Table 4.3 (Fig. in crore)

Year	OBA	RBA	FBA
2010-11	78.00	41.91	40.60
2011-12	50.00	38.63	38.42
2012-13	51.11	51.19	51.19
2013-14	40.00	28.06	24.00
2014-15	25.00	25.00	19.25
Total	**244.11**	**184.79**	**173.46**
Average	**48.82**	**36.96**	**34.69**

Source: records of Finance department of RDSO

From the above table, it may be seen that budget demanded by RDSO in form of RBA was less (ranged between ₹11.37 crore and ₹36.09 crore) than that of OBA in three years out of the five years. It was also seen that even the FBA was less (ranged between ₹0.21crore and ₹5.75crore) than that of RBA in four years. During the above five years, on an average, RBA is 32 per cent less than OBA and further FBA is 42 per cent lower than OBA. From this fact, it is evident that less demand by and allotment of capital budget to RDSO may hamper the R & D activities due to financial constraints.

Audit further noticed that during the period 2009-10 to 2013-14, expenditure incurred by RDSO on R&D activities was only 9 to 18 per cent of the total expenditure (under Revenue and Capital Heads) as detailed below:

Table 4.4 (₹ in crore)

Year	Expen-diture under Revenue Head	Expen-diture under Capital Head	Total Expen-diture	Expen-diture under R&D	Percentage of expenditure incurred on R&D to the total expenditure
2009-10	145.99	43.56	189.55	23.0	12
2010-11	122.23	43.91	166.14	29.53	18
2011-12	134.59	38.91	173.50	31.24	18
2012-13	149.36	52.44	201.80	33.63	17
2013-14	162.01	24.50	186.51	18.64	9

Source: records of Finance department of RDSO

It is evident from the above that proportion of total expenditure incurred by RDSO on R&D activities was quite meager and not commensurate with increasing requirements. As a result, the R&D effort of RDSO was deficient.

4.1.2.4 Vendor Development activities

Functions of RDSO also include registration of fresh vendors for procurement of safety and safety related items. Production Units of Zonal Railways are also responsible for registration of vendors for safety and safety related items. Zonal Railway and Production Units are required to procure safety and safety related items from vendors registered by RDSO/Production Units.

For fresh registration of vendors, guidelines are prescribed by the Indian Standards Organization (ISO) which include procedure for registration of vendors and their upgradation and down gradation. The procedure as mentioned in the ISO guidelines for vendor development in RDSO is given below:

- Expression of interest (EOI) is published in newspapers (preferably on three months basis) for all approved safety and safety related items having less than three vendors. The details of EOI are also posted on RDSO website.

- In response to the EOIs, vendors apply for registration as approved suppliers for the concerned items.
- Fresh registration is given as Part-II vendor for maximum period of two years after meeting the eligibility criteria prescribed in ISO guidelines. Renewed registration (2nd and subsequent) is valid for a period of three years.
- Vendors are upgraded as Part-I vendor on the basis of their experience (minimum period of one year or 15 months from date of issue of last inspection certificate after completing the minimum specified quality). However, adverse performance attributable to unsatisfactory quality/workmanship of the vendor is to be considered at the time of up-gradation.
- The vendor can be downgraded or temporarily/permanently delisted based on poor performance, non-conformity, non-compliance to approved QAP etc.

Audit examined the records of vendor development maintained at directorates of RDSO. The detailed findings in this regard are discussed below:

(a) Non-issue of expression of interest (EOI)

Records of RDSO revealed that during the review period (2008-09 to 2013-14), 118 EOIs were published by RDSO on its website. However, in respect of electrical, mechanical and signaling items, 51 single vendors are continuing from 2008. Despite having single vendors for these items for over six years, no EOIs have been published either in newspapers or on RDSO website.

It is evident that RDSO was not complying with the guidelines prescribed by ISO for issuing EOIs entailing a risk of development of monopolistic tendencies among single vendors.

(b) Discrepancies in initial development, up-gradation, renewals, delisting etc.

Audit reviewed the process of vendor management of RDSO during period from 2008-09 to 2013-14 as per the following sample:

Table 4.5

Category of vendors	Total No. of vendors	Sample selected by Audit
Total number of vendors registered	515	50
Total number of vendors delisted/down graded	386	20
Total number of renewal cases	2392	50
Total number of vendors upgraded	257	20

The review revealed the following:

In RDSO, though the prescribed guidelines (as mentioned in Para 7.4) for initial registration, down-gradation and delisting of vendors were followed,

procedural lapses in upgradation of two vendors were noticed. These are detailed below:

(i) A firm[145] was registered (June 2007) by RDSO as Part-II vendor for supply of high capacity Hyterel upper and lower washers for a period of two years. The firm applied (September 2009) for upgradation to Part-I despite the fact that registration to Part-II had lapsed in June 2009 and required renewal. However RDSO upgraded (December 2009) the firm as Part-I vendor on the basis of performance reports of six Zonal Railways collected by the firm itself. This was contrary to the prescribed guidelines according to which the performance of vendors should be collected by RDSO from the consignees (Zonal Railways) while considering for upgradation.

The above facts indicate that RDSO upgraded the firm without obtaining a single direct feedback from any Zonal Railway as required and disregarding the fact that approved tenure of the firm as Part-II vendor had already lapsed. This amounts to according undue favour to the firm.

(ii) In another case, a firm[146] registered as Part-I vendor for supply of Axle box bearings was downgraded (October 2008) to Part-II for a period of one year on the basis of failure reports of Zonal Railways. Despite the fact that failure of the firm continued during 2008 to 2010, RDSO upgraded (2009) the firm to Part-I on the ground that there was only one firm in Part-I and there had been a remarkable drop in failures in bearings during 2109-10 as compared to earlier periods. This action of RDSO was contrary to the prescribed guidelines for upgradation of vendors, wherein at the time of up-gradation, no adverse performance of the vendor should have been noticed. This also amounts to according undue favour to the firm.

4.1.2.5 Over-emphasis on Vendor development activities in place of R&D

Research & Development (R&D) is envisaged as the primary function of RDSO being a premier research organization of Indian Railways. Audit, however, observed that during the period of 2008-2014, RDSO was found primarily engaged in vendor development activities and not on R&D. This is exemplified from the fact that there were 3468 vendors registered with RDSO for 999 items as on 31-12-2014. Further, during the review period, RDSO registered 515 new Part-II vendors, delisted/downgraded 386 vendors, upgraded 257 vendors from Part-II to Part-I and renewed 2392 vendors. For these vendor development activities, 14 out of 32 Directorates of RDSO were actively involved. Moreover, the decentralization of Vendor Development and

[145] M/s Calstar Steel Ltd., Kolkata.
[146] M/s NEI, Jaipur.

Design activities was not carried out by RDSO as per the recommendations of the Restructuring Committee as also brought out earlier in Para 4.1.3.2 (b).

Audit also observed that RDSO was not adequately equipped with the required technical manpower to carry out R&D activities. In place of building in-house capacity and expertise, RDSO entered into MOUs with various IITs/ overseas entities and outsourced 48 R&D activities during the review period, which were supposed to be the core functions of RDSO. These facts have also been highlighted in Para 4.1.3.2 (a). Audit further revealed that proportion of total expenditure incurred by RDSO on R&D activities was inadequate to meet increasing requirements as mentioned in Para 4.1.3.3.

From the above, it is evident that instead of concentrating on core R&D activities, RDSO was primarily engaged in subsidiary and peripheral works of vendor development and other routine activities like drawings and specifications. This may affect the quality and quantum of R&D activities carried out by RDSO and its overall contribution to technological upgradation and modernization of Indian Railways.

4.1.3 Conclusion

Significant delays (ranging between three to 82 months) were noticed in completion of 17 out of 58 identified R&D projects undertaken at RDSO. Instances of non-implementation of the completed projects (between September 2009 and December 2010) were also noticed that may result in obsolescence of the new technologies developed. Railways need to ensure an effective monitoring mechanism in the system for timely completion/ implementation of projects.

Lack of adequate in-house qualified research experts forced RDSO to rely upon consultancies from outside agencies and caused delay in project completion/ implementation besides increase in financial burden. Over the years, RDSO has been focusing less on R&D activities and more on subsidiary functions like Vendor Development/ Inspections and design activities despite repeated recommendations/ instructions of the Railway Board. RDSO should enhance its capital outlay on the core R&D activities.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

4.2 Functioning of Rail Coach Factory, Kapurthala

Highlights

Rail Coach Factory Kapurthala, a coach production unit of Indian Railways was set up in 1986. It is charged with the responsibility of design, development and manufacturing of coaches. Initially the production capacity was 1000 Coaches per annum which was increased to 1500 coaches per annum in 2010.

Rail coach Factory, Kapurthala manufactures more than 1500 coaches per annum which include around 470 LHB coaches. It is equipped with state-of-the-art Plant and Machinery having specialized facilities like laser cutting, plasma cutting, robotised welding and spot welding facilities.

Audit on the working of RCF was taken up with the objectives to assess the correctness of the budgeting and accounting procedures to ensure proper allocation and utilization of resources, efficiency in production activities and effectiveness of the monitoring system.

Some of the key findings are mentioned as under:

- *Appropriation to Depreciation Reserve Fund (DRF) is considered a component of the cost of the product. Loading of excess DRF to the cost of coaches resulted in inflating the cost of coaches and avoidable payment of Dividend of ₹3.31 crore during 2011-12 to 2013-14.*

  (Para 4.2.6.1-b)

- *Provisions for new coaching stock in the annual Rolling Stock Programme (RSP) which were to be made at least two years in advance were finalised by Railway Board with delays. Similar delays were observed in the approval by Railway Board of the coach production programme of RCF. Further, Railway Board made frequent changes in respect of the Production programme approved by it as seen in the years 2012-13 and 2013-14. The changes made in the approved production programme resulted in stores/materials worth ₹31.93 crore remaining unutilised.*

  (Para 4.2.6.2)

- *The project for complete switchover to production of LHB stainless steel coaches was started in April 2008. High level safety review committee in its report had recommended (February 2012) complete switchover to LHB type coach production and stopping the production of conventional type of coaches due to safety reason. The project was not successful as RCF was not able to manufacture more than 470 LHB coaches till date in any production year and majority of coaches produced in RCF were still of conventional type which went against the objective of phasing out the conventional coaches.*

  (Para 4.2.6.2-a)

- *Pre-inspection of the stores by RITES/RDSO was meant to ensure the quality of materials. Cases of rejection by RCF of stores pre-inspected by RITES/RDSO were seen during the audit scrutiny. In several cases either the defects were rectified by the supplier or cost of rejected material was recovered. Cases of rejection of material supplied after having been inspected and certified by the reputed agencies like RITES/RDSO indicates flawed inspection process.*

(Para 4.2.6.7-b)

- *Shortage of manpower in the technical cadre was dealt with in a casual manner by appointing excess Group 'D' staff by General manager as substitutes in place of technicians and supervisors for which higher technical qualifications are required and who are recruited by Railway Recruitment Board.*

(Para 4.2.6.8-b)

- *All finished coaches are required to be dispatched to the allottee zonal railway soon after their manufacture. Audit scrutiny revealed that 286 manufactured coaches were not dispatched in time and detained for periods ranging between one to ten months beyond the prescribed time limit. This delay in despatching the finished coaches resulted in the investment of ₹ 414.40 crore remaining unfruitful. This further led to avoidable loss of earning capacity of ₹ 46.14 crore which indicates ineffective monitoring mechanism.*

(Para 4.2.6.9-a)

- *Store components valuing ₹ 21.53 crore were lying unutilised without issue for more than 36 months. These items were not declared as scrap or useable as Survey committee had not surveyed these items resulting in non-disposal of stores besides avoidable payment of dividend to General Revenue.*

(Para 4.2.6.9-b)

4.2.1 Introduction

Prior to 1981 there were only three Passenger coach factories in the country viz. Integral Coach Factory Perambur; Bharat Earthmovers Ltd. Bangalore and Jessop& Company Ltd Calcutta. They were having a production capacity of 800 coaches, 300 to 400 coaches& 250 coaches respectively. The annual requirement of coaches for Indian Railways was assessed by the Railway Reforms committee at 2620 coaches per annum while the capacity available was only 1400 coaches per annum. The shortfall of 1220 coaches per annum was proposed to be met by enhancing the annual production capacity of ICF for manufacture of 200 additional Coaches and setting up of a new factory with a production capacity of 1000 Coaches per annum at Kapurthala. Ministry of Railways decided in 1981 to set up a Coach Production unit for the

Indian Railways, accordingly the Rail Coach Factory at Kapurthala (RCF/Kapurthala) was setup in 1986 with an installed capacity of 1000 coaches per annum. The first coach was rolled out on 31st March 1988 and thereafter its production progressively increased from 1000 to 1400 under the Expansion Project-I[147]at a cost of₹55.42 crore sanctioned by Railway Board in December 2006. The installed capacity was further increased to 1500 coaches per annum under the Expansion Project-II[148]in April 2008 at a sanctioned cost of ₹37.97crore.

Rail coach Factory, Kapurthala is now manufacturing more than 1500 coaches[149] per annum which includes around 325 to 470 LHB[150] coaches. Since production began, in March 1988, RCF has already manufactured 28,863 coaches for Indian Railways up to March 2014.It is equipped with *state-of-the-art* Plant and Machinery having specialized facilities like laser cutting, plasma cutting, robotised welding and spot welding facilities.

Budget for RCF is provided in Demand No. 16 under Rolling Stock. The annual budget allotment during the last three years (2011-12 to 2013-14) ranged from ₹2049 crore to₹2325 crore. 66 per cent to 70 per cent of gross budget of RCF was spent on procurement of raw material for manufacturing of coaches, 13 per cent to 15 per cent on labour payment, three per cent to six per cent on creation of new assets and the balance were the over-heads.

No detailed study on the working of RCF/Kapurthala has been done during recent past. It has, therefore, been considered appropriate to conduct a review on Functioning of RCF, Kapurthala as all the activities viz., Designing, Planning, Manufacturing of coaches, procurement of material and projects management are carried out under its administrative control.

4.2.2 Organisational structure

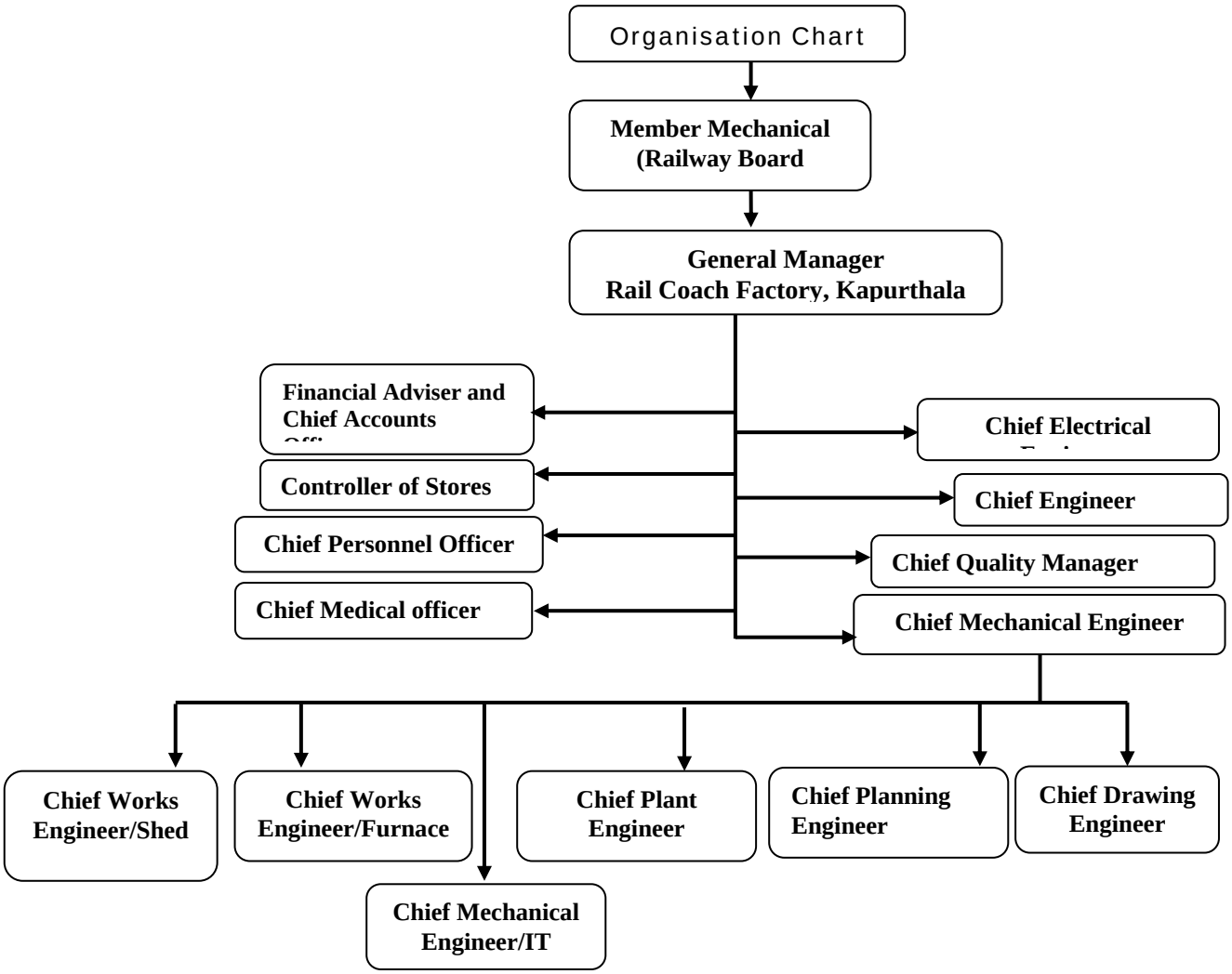
RCF is headed by a General Manager who functions directly under the control of Member Mechanical in Railway Board. He is assisted by Heads of Department of Mechanical, Electrical, Civil Engineering, Stores, Personnel, Medical, IT, Quality control and Accounts.

[147] Sanctioned under Item No. 5 of Pink Book 2005-06. Contract between RCF and M/s IRCON was made on 12/12/2006

[148] Sanctioned under Item No. 4 of Pink Book 2008-09. Contract between RCF & M/s RITES was made on 19/04/2008

[149](A): Conventional Coaches: GS, SCN, VPUHX, SLRD/SLR, MEMU/MC, MEMU MC (FTM), MEMU TC, WGACCN, ACCN cum ACCW (B): LHB Coaches: LWFCZAC, LFCWAC, LWSCZAC, LWLRRM, LWFAC, LWACCW, LWACCN, LWCBAC, LWCZDAC, LWSCN, LWSCZ, LGS

[150]Linke Hofmann Busch coaches developed by Linke-hofmann-Busch of Germany (renamed ALSTOM LHB GmbH in 1998 after take over by ALSTOM). Initially some AC coaches were imported from Germany. But after Transfer of Technology, RCF started manufacturing LHB coaches since 2001-02



4.2.3 Audit scope and methodology

Department wise activities of General Manager, RCF, Kapurthala were examined in Audit. Relevant files and records related to Planning, Operation and Manufacturing, Design, Mechanical, Electrical, Stores, Quality and Accounts Departments covering a period of last three years from 2011-12 to 2013-14 were also examined.

4.2.4 Audit objectives

The objectives of this audit were to obtain reasonable assurance whether:-

- Prescribed budgeting and accounting procedures[151] to ensure proper allocation and utilization of funds were followed;

[151] Rules and procedures mentioned in Chapter-III of Indian Railway Finance Code Vol. I, Chapter-XV of Indian Railway Code for the Mechanical Department (Workshops), Chapter XXXI of the Indian Railway Code for the Stores Department & Chapter –VI of Indian Railway Code for the Engineering Department

- Production activities were planned and executed with efficient Material Management and the procurement of the plant &machinery was judiciously done. An effective system of quality control existed and that the users' complaints about defects in coaches were attended to promptly. Required manpower was in position and the same utilised efficiently;

- An effective monitoring and internal control system existed

4.2.5 Audit criteria

This audit was carried out with reference to provisions of the relevant paras of Indian Railway Codes for Finance Department, Accounts Department, Mechanical Department and Stores Code as well as the instructions/ orders issued by Ministry of Railways and RDSO[152] from time to time.

4.2.6 Audit findings

4.2.6.1 Financial Management

Rules and provisions mentioned in the financial and other related codes as applicable to a production unit under the Ministry of Railways are applicable to RCF/Kapurthala for maintenance of its accounts and budget. Funds to RCF are allotted under Demand No. 16 – 'Rolling Stock' under three sub-heads viz. 7100[153], 7200[154] and 7300[155] for manufacturing of coaches whereas for creation of infrastructure and replacement of assets, funds are allotted under Capital and Depreciation Reserve Fund (Plan head 1700[156], 3600[157], 4100[158], 4200[159] and 6400[160]). Details of funds demanded, original budget allotment, final budget allotment vis-à-vis actual expenditure incurred during 2011-12 to 2013-14 are given below:

Table 4.6 (₹in crore)

Year	Funds Demanded	Revised Budget Estimate	Final Budget Allotment	Actual Expenditure	Excess (+)/Surrender (-)	
					w.r.t. final allotment and Actual Expenditure	w.r.t. Funds Demanded and Actual Expenditure
2011-12	2046.70	2012.03	2049.12	2096.47	(+) 84.44	(+) 49.77
2012-13	2342.39	2290.19	2324.72	2327.66	(+) 37.47	(-) 14.73
2013-14	2549.35	2276.18	2194.00	2193.08	(-) 83.10	(-) 356.27

Source: Records of Books and Budget section of RCF/Kapurthala

It is observed that the actual expenditure exceeded the budget allotment in the years 2011-12 and 2012-13, while there were savings of funds allotted during 2013-14. The reasons offered by the RCF Administration for the variations in

[152] Research Design and Standard Organisation
[153] Stores Suspense: Procurement of stores for manufacturing purpose
[154] Manufacturing Suspense: All expenditure relating to manufacturing activity
[155] Miscellaneous Advances: Issue of stores for fabrication
[156] Computerization: Expenditure relating to computer hardware, software, servers etc.
[157] Other Electrical works: Expenditure relating to Electrifications of Township & Service buildings etc.
[158] Machinery & Plant: Expenditure relating to procurement of Plant & Machinery
[159] Workshops including Production Units: Expenditure relating to infrastructure of Workshop & Production Units
[160] Other Specified works: Works which are not categorized chargeable to other Plan Heads

the actual expenditure with reference to the Budget provisions are indicated in the table below.

Table 4.7

Year	Reasons for the expenditure incurred in excess of the Budget provisions or actual being less than the Budget provisions
2011-12	Procurement of material at the fag end of the year due to change in the production plan and enhanced appropriation to DRF
2012-13	Receipt of unanticipated debits (demand for payment) from COFMOW, DGS&D and Central Railway on account of procurement of machines and materials.
2013-14	Due to change in the production plan

Further, wide variations were observed between fund demanded and actual expenditure ranging between ₹14.73 crore to ₹356.27 crore indicating that the requirement of funds was not properly assessed.

(a) Budget for manufacturing of Coaches

For manufacturing activity Budget Estimate is prepared on the basis of tentative production programme and at the time of Revised Estimate it is modified on the basis of approved production programme. The year wise position of manufacturing budget with reference to number of coaches at BE and RE stages and actual expenditure on manufactured coaches relating to review period is depicted in Table as follows.

Table-4.8

Budget figures in thousand ₹

Particulars	LHB Coaches		Conventional Coaches		Shells		Total	
Budget Stages	No. of coaches	Amount	No. of Coaches	Amount	No. of Shells	Amount	No. of Coaches & Shells	Amount
YEAR: 2011-12								
BE	426	9284838	1158	9255162	0	0	1584	18540000
RE	426	9520814	1158	9379505	0	0	1584	18900319
ACTUAL	326	7851854	1159	10022633	71	867016	1556	18741503
YEAR: 2012-13								
BE	693	13934059	891	6967621	0	0	1584	20901680
RE	505	10980375	1122	9688504	45	576290	1672	21245169
ACTUAL	470	10125240	1160	9993205	38	522249	1668	20640694
YEAR: 2013-14								
BE	450	10298038	1100	10302573	100	1359074	1650	21959685
RE	375	8300410	1206	10134494	157	2218974	1738	20653878
ACTUAL	387	8478681	1164	9920567	159	1772320	1710	20171568

Source: Records of workshop section of RCF/Kapurthala

From above it is observed that every year there were wide variations between the budget demanded with reference to number of LHB Coaches to be manufactured and debit raised (expenditure incurred) for actual LHB coaches manufactured with reference to their number. It is concluded that preparation of budget requirement for the coach manufacturing was not realistic**.**

(b) Excess Appropriation of Depreciation Reserve Fund

Depreciation Reserve Fund (DRF) bears replacement cost of assets. Appropriation to DRF is made every year for this purpose. As per Railway Board's instruction[161]the depreciation provision on machinery and plant(M&P) should be at 4 per cent of asset value and 1.25 per cent on civil engineering assets. Actual calculation of depreciation and its correct appropriation to DRF is hence essential to work out the correct cost of the product namely coaches. In RCF Kapurthala, the extant orders of Railway Board were not followed and excess Appropriation to DRF amounting to ₹ 82.71 crore was made during the year 2011-12 to 2013-14 as under:

Table 4.9

Year	Excess appropriation to DRF (in `)
2011-12	33,40,76,878
2012-13	26,22,94,737
2013-14	23,06,85,305
Total	**82,70,56,920**

Source: Appropriation Accounts of respective years & calculation made by audit

As Appropriation to DRF is considered a component of cost of the product, this resulted in unnecessary increase in cost of coaches, besides avoidable increase in the liability towards payment of Dividend[162] of ₹ 3.31 crore to General Revenues[163] during 2011-12 to 2013-14[164].

(c) Excess credit balance in Workshop Manufacture Suspense (WMS)

In Work shop manufacturing suspense (WMS) cost of labour, material and over heads are booked as expenditure under the particular work order and posted on debit side (expenditure side) of account. Credits afforded by Railway Board towards the cost of coaches are posted on the credit side (receipt side) of the WMS account of RCF.

Para 1224(3) of Indian Railway Code for Mechanical Department provides that there should be no credit items in WMS and if there are any such items they should be immediately adjusted.

A review of work shop general register for the month of year ending of 2011 to 2014 (i.e. March ending of each year) revealed that credits received (for the cost of coaches realised) were more than the available debits (expenditure booked) resulting in credit closing balances as indicated below:-

[161] letter No.86-B-314(pt) dated 28.08.1987
[162] The dividend is payable on the capital borrowed from the Government of India.
[163] Government of India (Capital investments being funded from General Budgetary Resources by GOI)
[164] On the basis of present rate of dividend 4 per cent per annum

Table 4.10

As on	Number of work orders	Amount in ₹
31-03-2011	27	4749303761
31-03-2012	31	2298269833
31-03-2013	28	5425241492
31-03-2014	25	4133430021

Audit scrutiny revealed that the appearance of credit closing balances against the work order has been due to raising of debits[165] by the RCF to Railway Board at estimated cost in place of actual cost whereas cost of labour, material and over heads etc. have been booked into WMS on actual basis. The main impact of excess credits[166] in WMS on Railways was on cost of coaches as coaches were transferred to Railways at inflated cost. In the absence of required details at RCF/Zonal Railway level, the resultant impact on the dividend liability of IR could not be verified.

When the above issue was raised by Audit (2008), RCF Administration set up a committee of three Junior Administrative Grade officers (2009) to scrutinize the system lapses and to explore the remedial steps to overcome the problem. The committee was expected to submit its report within three months. However, even after six years the report has not been finalised by the committee.

4.2.6.2 Production Plan

Initially at the Railway Board level, the assessment of requirement is done by the Mechanical Engineering department of Railway Board and the Production Plan for five years is drawn up at Railway Board. This is followed by annual Rolling Stock Programme (RSP) and Coach Production Programme finalised by Railway Board for every year. As per Para 1503 of Indian Railway Code for Mechanical department provisions for new coaching stock in the annual RSP are to be made at least two years in advance. The said para of the code also states that it is necessary to match the requirement in each year of the plan period and also to provide lead time for the procurement of raw material by the Production Units.

On the basis of approved RSP, the RCF Administration prepares their tentative internal production programme one year in advance of production by the end of March every year to facilitate timely material procurement. Tentative coach production programme is also sent to Railway Board for approval. On the basis of tentative production programme Railway Board communicates the targets for manufacturing of coaches and their distribution according to the need of respective Zonal Railways.

It is important for a Production Unit to fix production targets every year and ensure their achievement consistently. Details of the finalisation of Rolling Stock Programme (RSP) and Coach Production Programme during 2011-14 are indicated in the table below.

[165] Placing demand for realizing cost/expenditure incurred on manufacturing coaches)
[166] Amount realized from the Zonal Railways towards the cost of coaches transferred to them

Table 4.11

Year	Rolling Stock Programme(RSP)		Coach Production Programme			
	RSP due for finalization	RSP actually finalised	Due for finalization in	Coach Production Programme		
				Sent by RCF	Finalised by RB	Revision by RCF
2011-12	April 2009	February 2011	April 2010	April 2010	Feb. 2011	Oct. 2011
2012-13	April 2010	Record not furnished	April 2011	May 2011	Jan. 2012	Dec. 2012
2013-14	April 2011	February 2013	April 2012	April 2012	April 2013	Dec. 2013

From the table above it is observed that Annual Production Programme of RCF for the years 2011-12, 2012-13 and 2013- 2014 were finalized belatedly by Railway Board. Further, Railway Board changed the finally approved Production programme of RCF five times for the year 2012-13[167] and once for the year 2013-14[168]. Scrutiny of records revealed that frequent changes were due to variation in the actual requirement of coaches based on trains announced, priorities to trains in annual Budget speech. Hence, RCF was asked to produce 46 Double Decker coaches (12th June 2012) to introduce Double Decker trains in the system as per the budget announcement. Later, RCF was again advised (22 June 2012) to manufacture 1630-1650 coaches against the original target of 1600 coaches (conventional General Service type coaches) based on Hon'ble Prime Minister's approval of upward revision of coach production target from 3816 to 4000 in order to accommodate greater demand.

RCF also undertook revision of the finally approved production programme for the year 2011-12, 2012-13 and 2013-14 due to following reasons:

Table 4.12

Year	Reasons for revision of coach production programme
2011-12	The RCF Administration proposed revision in their production programme for the year 2011-12 to Railway Board (20th October2011) to manufacture only 2 left over non-RSP coaches in place of 16 non-RSP[169] Coaches sanctioned for the year as no order for these coaches was received from outside parties. Further, RCF suggested to RB not to produce 10 VPRs[170] sanctioned for the year as air-conditioning equipments were not finalized on time.
2012-13	The RCF Administration proposed to Railway Board (12th July 2012) to replace 25GSLR[171] coaches with GSLRD[172] coaches as the RCF has stopped the manufacturing of GSLR coaches since 2001-02.Subsequently, RCF proposed to the Board (22nd

[167] 06/2012 (Three times), 12/2012 (Two times)
[168] 04/2013
[169] Coaches other than Indian Railways
[170] Refrigerated Parcel Coach
[171] General sitting cum luggage coach
[172] General sitting cum luggage coach for disabled passengers

	December'2012) to reduce the production of LHB coaches(40 nos.) due to changes in design of SBC[173]of non-AC LS[174] and LWSCN[175] coaches, modification in bogie design, lower luggage rack and water tank in LS coach and uncertainty in supply of CBC[176], Axle mounted disc brake system and LHB wheel disc.
2013-14	RCF proposed to Railway Board (12th December 2013) to reduce the production of WGACCN coaches from 270 to 220 coaches due to non availability of RMPUs by compensating the same by manufacturing 80 additional GS coaches.

Audit scrutiny revealed that:-

- Production of Hybrid coaches[177] had been discontinued by Railway Board in 2011. However in RCF Kapurthala 49 items pertaining to Hybrid coaches worth₹ 1.11 crore are still lying unutilised.
- On the basis of tentative production programme for the year 2013-14, RCF started procurement of materials for 75 double decker coaches (5 Rakes). Railway Board, subsequently, advised in July 2013 not to manufacture more than 30 Double Decker coaches (2 Rakes) and no Double Decker coach was planned to be manufactured in the year 2014-15. As a result, 44 items relating to Double Decker coaches worth₹ 1.07 crore remained unutilised.

Thus, changes in Production programme by Railway Board/RCF led to procured materials such as transformers, CDTS[178], Hard Plastic sheet etc. remaining unutilised. At the beginning of April 2011, there were 1819 items of stores valuing ₹ 20.49 crore lying unutilized which increased to 2651 items valuing ₹ 31.93 crore at the end of March 2014.

(a) Targets and achievements of Production

It is important for a Production Unit that production targets fixed every year are achieved consistently. During the review period manufacturing capacity of Rail Coach Factory Kapurthala was 1500 coaches per annum. The year wise target vis-à-vis actual out turn of coaches during 2011-12 to 2013-14 is given in Table below[179]:

[173] Side Buffer Coupler
[174] General 2nd class coach LHB type
[175] Sleeper class coach LHB type
[176] Centre Buffer Coupler
[177] LHB coaches with conventional ICF Bogie
[178] Controlled discharge toilet system
[179] Para 6.1.1 relate to figures provided by Accounts Department of RCF at different budgetary stages whereas Para 7.1.1 relate to actual production figures of Mechanical Department RCF. In Para 6.1.1 and 7.1.1, there was a difference of 9 coaches between figures of actual production in the year 2012-13 and 2013-14. It was due to the fact that debit in respect of these 9 coaches shown manufactured in the year 2012-13 by the Mechanical department were actually raised during the year 2013-14.

Table-4.13

Type of Coaches	2011-12		2012-13		2013-14		Total	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
LHB Coaches	426	326	693	470	395	387	1514	1183
Conventional Coaches	1062	1047	795	1026	1072	1060	2929	3133
MEMU MC/TC	112	112	112	136	112	102	336	350
Shells for RBL	60	71	75	45	150	152	285	268
Total	**1660**	**1556**	**1675**	**1677**	**1729**	**1701**	**5064**	**4934**

Source: Railway Board orders, records of FA&CAO & CME office

From the above table it may be seen that:

- Although the production of coaches was more than the installed capacity during the year 2011-12 and 2013-14 production targets fixed were not achieved whereas during the year 2012-13 production targets were achieved by manufacturing more conventional coaches in lieu of LHB coaches.
- Against the total target of 1514 Nos. LHB coaches fixed by the Railway Board the actual outturn by RCF was 1183 coaches (78 *per cent*). On the other hand, 3133 conventional coaches were manufactured against target of 2929 coaches (107 *per cent*).

Initial targets fixed for manufacturing of LHB coaches have not been achieved by RCF. During the production years 2011-12, 2012-13 and 2013-14 against the target of 426, 693 and 395 RCF could manufacture only 326, 470 and 387 LHB coaches respectively whereas a project for complete switchover to LHB stainless steel coaches had already started in April 2008.Further, in February 2012, High level safety review committee in its report had recommended complete switchover to LHB type coach production and stopping the production of conventional type of coaches due to safety reason. The report of the Expert Group for modernization of Indian Railways has also recommended modernization of rolling stock by manufacture of LHB type coaches with speed potential of 160/200 kmph. Despite investing ₹ 49.80 crore up to March 2014 for augmenting the LHB coach production, RCF was not able to manufacture more than 470 LHB coaches till date in any production year and majority of coaches produced in RCF are still of conventional type. The relatively higher production of conventional coaches goes against the objective of phasing out of conventional coaches.

4.2.6.3 Costing System

(a) Cost comparison between manufacturing in house and procurement from trade

The basic objective of job costing in Railway Workshops as envisaged in Para 902 of Indian Railway Code for Mechanical Department is – (a) to compare the cost of similar articles manufactured from time to time in workshop and finding out reasons for variations in cost and (b) to compare the cost of articles

manufactured in workshop with those manufactured in other Railway or with the market price of similar articles. In order to comply with the above codal provisions, working out the cost of shop manufactured items is essential. A review in Audit revealed that:-

Cost documents such as Job cards, Route Card, Idle Time Cards and Cost Sheets etc. were not maintained. Further, every year shop manufactured items were off- loaded to trade without taking into account the cost of in-house production. In the absence of above records, cost analysis of Shop Manufactured items and procurement made from trade could not be carried out in Audit.

(b) Non-implementation of Codal provision for costing of coaches

Various types of coaches manufactured in RCF are mainly intended for use in Indian Railways. As such, while transferring the rolling stock to various railways, the cost thereof is also debited[180] to them through Railway Board by RCF. This transfer is done on 'no profit no loss basis'. Two different methodologies are adopted for fixation of transfer prices[181] viz. (a) where lines of Production have been stabilised and (b) where lines of production are yet to be stabilised[182].

Production of coaches in RCF having been stabilised long ago, the Zonal Railways are required to be debited[183] with the actual cost of production from time to time. However in RCF codal provision[184] for costing of coaches was not being fully observed as transfer of coaches to Railways is done at estimated cost. On this being pointed out in audit, RCF administration stated that the transfer cost price of coaches supplied to Zonal Railways is worked out taking material cost based on Unit Material schedule and manpower cost including overheads. The cost worked out by this method is fairly correct as it takes into account all the items required for manufacture of coaches and system to work out batch cost is less accurate compared to unit material cost. This reply is not acceptable as the codal provisions should either be followed or got suitably modified.

(c) Payment of excess Excise Duty

As per provisions[185] contained in Indian Railway Code for Mechanical Department, cost reports are to be finalized within 10 weeks after the issue of completion certificate for a Batch order in order to finalise the actual cost of the coaches produced by RCF. However in RCF above codal provisions are not being followed as costing is done at estimated price.

[180] Raising the demand for getting payment for the coaches manufactures and transferred to respective Zonal Railway
[181] Cost at which manufactured coach is transferred to Zonal Railways (incidentally it is not the actual cost
[182] Paragraph No. 1348 of Indian Railway Code for Mechanical Department (Workshops)
[183] Placing demand for realizing cost of manufacture
[184] Chapter No. 13 & 14 of Indian Railway Code for Mechanical Department (Workshops)
[185] Paragraph No. 1337 to 1343 of Indian Railway Code for Mechanical Department (Workshops)

Non adherence to the codal provisions resulted in Central Excise Department charging excise duty on 110 per cent of transfer price instead of 100 per cent w.e.f. 20.04.2011[186]in terms of Rule 11 of Central Excise Valuation (Determination of price of excisable goods) Rules, 2000 which provides that "If the value of any excisable goods cannot be determined under the foregoing rules, the value shall be determined using reasonable means consistent with the principles and general provision of these rules and sub –section (1) of Section 4 of the Act." The reasonable means to determine the assessable/transaction value under the side rule 11 appeared to be application of the method given in Rule 8 of Central Excise Valuation (Determination of price of excisable goods) Rules, 2000 i.e arriving at the assessable value at 110 per cent of the cost of manufacture of the goods.

As a result of this an amount of ₹ 8.25 crore had been paid up to 31st March 2014 towards avoidable differential excise duty.

4.2.6.4 Procurement and performance of Plant & Machinery

Plant and Machines are essential for efficient and proper production/maintenance as well as manufacturing of different kinds of parts and components of Rolling Stock.As per assets register of Rail coach Factory 2035 plant and machines costing ₹ 429.80 crore are available for production activities. It was observed that CNC Press Brake 650-T machine and Cut to Length Line Machine were procured in the year 2009 and 2012 respectively but could not be utilised due to their non- commissioning. Further some surplus machines were lying at RCF for want of disposal or transfer to other Railway. The details are discussed below:-

(a) Cut to Length Line Machine (M/s DIMECO, France)

A Cut to Length Line Machine was procured from M/s DIMECO, France[187].The Machine was received at RCF in October 2012. As per terms of contract 80 per cent payment amounting to ₹ 8.87 crore was made to firm. After installation, trials for commissioning conducted from 08 to 14 November 2013 and again from 26 February to 05 March 2014 were not successful. COFMOW was advised (by RCF) to reject the machine on 26 March 2014. An expenditure of ₹ 11.62 crore towards 80 per cent cost of machine, inspection fee, freight and COFMOW' share was made by RCF but all the expenditure is unproductive so far.

(b) CNC Press Brake 650-T (M/s Hindustan Hydraulics)

RCF procured this machine from M/s Hindustan Hydraulics PVT. Ltd. Jalandhar at a cost of ₹ 1.32 crore (excluding excise duty and sales tax). The

[186] As per Central Board of Excise and Customs (CBEC) Notification of March 1995 (General Exemption No.16 vide notification No.62/95-CE dated 16.03.1995), Rolling stock (Locomotives, Coaches and Wagons) manufactured in production units of Indian Railways for Zonal Railway's use were exempted from payment of Excise Duty and accordingly no such duty was paid by them. However, vide their Notification of 20th April 2011, CBEC withdrew the exemption given to these Rolling Stocks etc and imposed Excise Duty with effect from 20.4.2011.

[187]vide COFMOW AT NO. COFMOW/G-563/10

machine was received on 08 May 2009. As per terms of purchase order, 90 per cent payment amounting to ₹1.44 crore (after deducting liquidated damages) was made to firm in January 2010.Clear site for installation of machine was already handed over to the firm in June 2009. Prove out trial of components conducted with Bending Manipulator on 21/02/2013 was not successful. No commitment was, however, given by the firm for completing the work and expenditure of ₹ 1.44 crore remained unproductive.

(c) Non disposal of surplus machines

Ten surplus machines costing ₹ 0.62 crore lying at RCF for want of disposal or transfer to other Railway for more than five years were not disposed off/transferred as detailed below:

Table 4.14

S.No.	Description of Machine	Original Value (in ₹)	Date of commissioning
1	CNC Oxy fuel Cutting Machine	39,00,000	07/02/1990
2	Pillar type all geared heavy duty machine	28,136	09/01/1991
3	Static Bogie Testing Machine	5,42,700	12/04/1988
4	Radial Drilling machine RM-66	1,65,708	27/06/1987
5	Mortising Chain and Chisel Double Head Heavy Machine	1,60,000	29/06/1989
6	Pneumatic Hyd cross cut Saw	1,51,000	10/12/1989
7	Pneumatic Hyd cross cut Saw	1,41,000	16/02/1989
8	Pneumatic Hyd cross cut Saw	1,51,000	10/1/21989
9	Automatic Submerged arc Welding Plant	8,00,000	24/03/1990
10	Resin Glass Spray Unit	1,79,500	24/03/1990
	Total Value	**62,19,044**	

These machines were offered to all the Zonal Railways (February 2013) but no response was received. Subsequently, due to non initiation of the condemnation process through survey committee these machines were yet to be disposed off as of September 2014.

4.2.6.5 Workers' Safety and Environmental issues

After examination of workers' safety and Environmental issues, Audit highlighted (July 2013) following issues to RCF Administration, reply of which has not been given so far (May 2015):

- Lay out plan still remains to be approved by the competent authority i.e. Director of Factories Punjab even after 25 years of setting up of RCF. Further, there is no system in place in the RCF to assess risk associated with workers' safety in the factory premises.

- Periodical medical examinations (PME) were not conducted and a number of PME were pending since the staff was not spared by the shop authorities.
- Compliance with requirements to use Personal Protective Equipments (PPE) by workers was not being monitored.
- Painting of coaches was being done outside the paint booth. Exhaust fans provided at window level in the Paint shop throw hazardous fume on the road. Heavy dust leakage was observed during shot blasting of coaches in shot Blasting Plant. Two dust extractors in Carpentry shop were out of order causing heavy wooden dust in the shop.

4.2.6.6 Materials/Stores Management

Stores play an important role in Rail Coach Factory for production activities. Effective stores management ensures timely availability of essential items for production requirement of Rail Coach Factory with minimum blocking of capital by timely ascertaining the needs of stores and arranging such material in the most efficient, economical and expeditious manner.

Stores management includes the entire range of functions that affect the flow, conservation, utilization, quality and cost of materials, receiving, transportation and disposal of scrap etc.

After receipt of confirmed coach production programme from the Railway Board for the ensuing year, Material Schedule and indents for various Mechanical and Electrical items are prepared by the Planning Department and sent to the Stores Department for procurement. The Stores Department of RCF is responsible for procurement and availability of material required for production of coaches and Machinery and Plant Items. The procurement of the various items is generally done from the open market by floating tenders. Besides, some items required for production are generated within the workshop.

For all purchases where the estimated value exceeds ₹ 5 lakhs, Advertised tenders were invited after giving wide publicity through a number of newspapers etc. Limited tenders are invited by soliciting quotations from firms of repute dealing with the subject material if the estimated value of the material to be purchased does not exceed ₹ 10 lakh and in all cases for safety items not exceeding ₹ 2 crore. Single tenders are also invited for proprietary articles on the basis of the certificate furnished by the Head of the Department that the subject material is manufactured only by a particular firm.

While considering the procurement, generally the demands are prepared four to nine months in advance before the actual requirements. In the tenders, the contractors are asked to keep their offers valid for a specific period say 90 days period from the date of opening. Material management of RCF/Kapurthala has been examined and following areas for improvement were observed:

(a) Unnecessary procurement of Material valuing ₹ 3.11 crore

A review of store items in Material Management Information System (MMIS) revealed that 157 stores items valuing ₹ 3.11 crore procured during the period 2006-2012 were never issued. It depicts lack of planning and forecasting on the part of RCF Kapurthala.

(b) Turnover ratio

Turnover ratio[188] measures the efficiency of inventory management. Excessive percentage of turnover ratio denotes lesser issues and/or more receipts during the year thereby increasing the value of closing balance of inventory at the end of the year. Since the closing balance of inventory is linked with blocking up of capital, the level of TOR should be kept to the minimum possible. Details on the projected TOR vis-à-vis actual are indicated in the table below:-

Table 4.15

Year	Projected TOR in Revised Budget Estimate (Percentage)	TOR in Final Budget Grant (Percentage)	Actual Turn Over Ratio (Percentage)
2011-12	14.74	14.35	15.86
2012-13	16.37	17.31	17.37
2013-14	19.07	19.55	19.03

Turnover Ratio has not been fixed by Railway Board.However it has been fixed at local level in each Budgetary Review at RCF. It may be seen from the above table that every year projected TOR was higher than the previous year level. It was noticed that value of stock held at the end of March 2012, 2013 and 2014 was substantial being ₹ 250 crore, ₹ 328 crore and ₹ 327 crore respectively. Out of these value of inactive items was ₹ 27.74, ₹ 28.31 and ₹31.93 crore respectively which indicates that efforts had not been made by the RCF Administration to control the TOR.

4.2.6.7 Performance of approved vendors

As per terms and conditions of purchase orders placed on approved vendors for the supply of material, the firm should complete the supplies within due date of delivery mentioned in the Purchase Order (PO). The performance of the vendors can be judged from their efficiency in this regard.

During the review period 11,281 purchase orders were placed. In case of 3484 purchase orders (31 per cent) valuing ₹ 337 crore the supplies were completed after the originally fixed delivery dates. In case of 1171 purchase orders (10 per cent) valuing ₹ 198 crore the material was not supplied at all. It is pertinent to mention here that most of the vendors on which the POs were placed were RCF approved vendors. Position of delayed supplies is indicated in the table as follows:-

[188]Ratio of year end balance of stores held in stock to total issues made during the year

Table 4.16

Year	No. of POs	Value of POs (in ì crore)	Range of delays in supplies
2011-12	632	48.00	1 day to 29 months
2012-13	1323	151.31	1 day to 23 months
2013-14	1058	110.89	1 day to 15 months
2014-15*	471	26.52	1 day to 6 months

* Up to October 2014

(a) Avoidable expenditure of ₹ 7.17 crore due to purchase from Part-I approved sources at higher rates

Railway Board has fixed eligibility criteria and condition for distribution of quantity on Part I & Part II approved firms[189] on the basis of their capacity & capability but no criteria is fixed for margin of difference in rates of Part I & Part II approved firms. Lack of clear instructions in this regard is causing recurring excess avoidable expenditure in crores of rupees. Part I approved firms quote higher rates by virtue of their approved status and secure order for 75 to 80 per cent of the tendered quantity despite quoting much higher rates than Part II approved firms. In eight cases test checked in Audit, it was observed that Part I approved firms quoted rates ranging between 15 and 93 per cent higher than the rates offered by Part II approved firms and their offers were considered for placement of Purchase order. As a consequence, RCF Administration had to incur excess avoidable expenditure of ₹ 7.17 crore.

On being pointed out RCF Administration referred the matter to Railway Board but no policy decision has been taken by Railway Board so far.

(b) Rejection of material pre-inspected by RITES/RDSO

In respect of safety items being procured as per RDSO approved specification and from RDSO approved sources, the inspections before the supply of materials are conducted by RDSO. RITES conduct inspection in respect of materials where value of the purchase order exceeds ₹ 1 Lakh. In order to ensure quality of materials, stores are pre-inspected by RITES/RDSO and after ensuring the quality, the store material is supplied. As such, their quality certifications are very important as 90 per cent advance payments are made to the supplier firms based on the certification. In normal course, there should be no rejection of material supplied by firms after the issue of inspection certificates by these agencies.

Audit scrutiny revealed that stores pre-inspected by RITES/ RDSO were rejected by RCF in 1781 cases during 2011-12 to 2013-14, out of which in 1587 cases either the defects were rectified by the supplier or cost of rejected material was recovered wherever advance payment was made. As on 31st March 2014, the remaining 194 rejection cases valuing ₹ 0.43 crore had not been settled. The rejection of materials after inspection by RITES/ RDSO indicates that the inspection was not done properly by these agencies. Inspections need to be adequately strengthened as most of the items are categorised as vital or safety equipment.

[189] Director Railway Stores (IC) letter No. 99/RS(G)/709/1Pt.1 dated 29/06/2007 (RBE No. 09/2007)

4.2.6.7 Quality Control

(a) Quality assurance during production

RCF does not have an elaborate system of inspection and clearance by a separate set of Quality Control Staff at all stages of coach manufacturing. As per Integrated Management System of Quality Control approved by General Manager/RCF Kapurthala the quality assurance of the product is ensured by self-inspections. Quality control staff checks the coach only at a few nominated check points like final clearance of shell, bogie, painted shell and furnished coach and a few other intermediate stages. At all the other stages the concept of self-inspection by production staff is practiced, wherein after completion of the stage work, production staff carry out inspection of the work done and record results on Self Inspection Proformas (SIP's). The Quality control Section carries out audit checks on the self-inspected stages to ensure that self-inspection is being effectively carried out. Suitable corrective action is initiated, wherever necessary.

There are separate formats for each type of coach for each stage/group for ensuring quality control at each stage. The data regarding frequency of cases of faulty production at various stages during the review period was not provided to audit citing the reason that it was not compiled since it was quite voluminous. It was stated that defects observed by quality staff are advised to the respective Production groups for taking corrective action and after attending to the defects production staff reoffer the product for quality inspection.

(b) Quality assurance after production

Every coach produced in RCF is dispatched accompanied by a Warranty Certificate[190] also called Rolling Stock certificate valid for 06 months. In addition, RCF also has Customer Service Cell to maintain close liaison with Zonal Railways, which collects feedback on the performance of RCF coaches from various Zonal Railways for corrective action.

Detail of complaints registered, parts failed and cases of en-route detachment under warranty noticed during the review period are indicated in the table given below:-

Table 4.17

Year	Number of complaints	Cases relating to parts failed	Cases relating to En-route detachment[191]
2011-12	108	382	2
2012-13	206	1981	6
2013-14	260	1891	3

Source: Records of CQM/RCF office

From above it is seen that number of complaints registered and cases relating to parts failed have increased considerably over the years. During the review

[190]Detail of items under warranty fitted in a coach with name of suppliers

[191]Enroute detachment means detaching of coach from the rake for safety reason in case a serious defect relating to safety nature observed by the train examination staff

period there were 11 cases of en-route detachment of RCF built coaches which is a very serious lapse endangering life of passengers. Out of these, two cases relate to improper POH/IOH. In six cases firm replaced / agreed to replace the defective material being under warranty. In two cases cause of detachment was not attributable to RCF. In remaining one case poor workmanship was observed and Disciplinary and Appeal Rules (D&AR) case was initiated. Due to en-route detachment coaches remained idle till replacement of failed part/ necessary rectification.

4.2.6.8 Human Resource Management

(a) As per installed capacity of RCF, staff strength of different categories of workers is sanctioned whereas no shop wise sanctioned strength is available in the Personnel Branch of RCF. The 'allowed time' required for the completion of job is determined on the basis of time and motion study which in turn forms the basis for payment of incentive and working out the requirement of outsourcing. RCF made projections every year of man hours required duly considering the available man-hours with reference to the production programme. The requirement of hours over and above the available man hours was proposed to be outsourced.

Industrial Engineering wing of Planning Department calculates authorized manpower for all Production Groups and Plant based on the production plan received from Railway Board. The authorized manpower is required for the purpose of Incentive calculations under Group Incentive Scheme. This calculation of authorized manpower is based on the work study of report of M/s RITES approved by Railway Board.

RCF made projections every year of man hours required in terms of GSU[192]. The targeted GSU and achievement vis-à-vis shortfall in achievement of GSU during the review period is mentioned below:

Table 4.18

Year	Target		Achievement		Shortfall in achievement of GSU (Col. 3- Col. 5)	Direct labour cost of GS coach	Total financial implication (in ₹) (Col. 6 x Col. 7)
	Nos. of Coaches & Shells	GSU	Nos. of Coaches & Shells	GSU			
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2011-12	1660	2608	1623	2540	68	448400	30491200
2012-13	1675	2911	1732	2787	124	583885	72401740
2013-14	1729	2753	1604	2386	367	675315	247840605
Total	**5064**	**8272**	**4959**	**7713**	**559**		**350733545**

Source: Information provided by Planning Department of RCF (Number of coaches and GSU shown for incentive purpose)

On the basis of analysis of targeted GSU and achievement it was revealed that there was shortfall in utilisation of 559 projected GSU's man hours involving financial implication of ₹ 35 crore.

[192]GSU stands for General Sitting Unit and is calculated by planning department of RCF on the basis of total man hours required for the manufacturing of general sitting coach.

(b) Shortage of staff in the technical cadre

In Production units of Indian Railways, the technicians are engaged in Cutting, Moulding, Trimming, Fitting, Welding, Painting, Wiring and operating of machines, whereas the work of supervisor is to monitor them and Group 'D' is required to help the technicians.

In RCF, sanctioned strength in the Supervisor/Technician of the production cadre as on 01-04-2011 to 01-04-2013 was 4793, 4876 and 4876 respectively whereas working strength during this period was 4334, 4380 and 4398 leaving a shortage of 459, 496 and 478 in these years. It was observed that these vacancies in Group "C" cadre were clubbed with group "D" cadre to calculate the vacancies in group "D" cadre which was against the extant rules for recruitment in group "C" cadre. As per the recruitment rules, recruitment in group "C" cadre was done through Railway Recruitment Board whereas recruitment in group "D" cadre was done at the General Manager level. As a result of incorrect procedure followed by RCF Administration, 185 to 519 Group D staff were appointed in excess[193] of the sanctioned strength by the General Manager during the period from 2011-12 to 2013-14.

The excess Group 'D' staff appointed has been assigned the job of helpers. Initially, they are deployed in the non-production Department i.e. General Branch, Stores Department, Electrical maintenance, Medical and Personnel Department etc. After regularisation through screening and after engagement of next batch, they are deployed in production cadre. The fact, however, remained that instead of initiating action for filling the vacancies in the technician and supervisor cadre, Group 'D' staff appointed in an irregular manner were assigned the job of technicians which was also a compromise with the safety.

(c) Irregular creation of work charged posts

Railway Board has fixed yardsticks for creation of work charged posts of Gazetted cadre[194]. A review of Gazetted cadre position during 2011-12 to 2013-14 revealed that the yardsticks fixed by Railway Board were not being followed at RCF and 19 to 23[195] officers of different grade in different departments were working in excess of the yardstick fixed for work charged posts resulting in extra avoidable expenditure of ₹5.49 crore during the review period.

4.2.6.9 Monitoring and effectiveness of internal control

Following major weaknesses in the monitoring system of RCF were observed which resulted in blocking up of precious financial resources of Indian Railways.

[193] The cost (pay and allowances) of excess appointed Group D cadre w.e.f. 1st April 2011 to 31st March 2014 has been worked out to ₹18.24 crore.

[194] Railway Board letter No. 2011/E&R/3/1 dated 11/02/2011

[195] SAG -3, GAG -5 and SS -15

(a) Inordinate delay in dispatch of finished coaches

All finished coaches should be handed over to station master, Northern Railway, Hussainpur for onward dispatch to the allottee Zonal Railway soon after their manufacturing. The average time allowed for turning out of coaches is approximately one to two weeks. A test check of records revealed excess detention ranging between one to ten months over the prescribed time in respect of 286 coaches manufactured. Thus inordinate delay in dispatch of finished coaches resulted in loss of earning capacity amounting ₹46.14 crore to the Indian Railways as the coaches could not be put in service for train operations.

Railway Administration furnished following main reasons for delay in dispatch of coaches:

- Delays in rake formation,
- Requirement of minimum number of coaches in one shunt when coaches are turned out loose i.e. without rake formation,
- Non-availability of coach number from Railway Board,
- Non-availability of power from Northern Railway for pulling out coaches from RCF, and
- Coaches were being considered for dispatch even if these were in advance stage of completion during the particular month.

Above reasons are not tenable in Audit as delay in dispatch of different types of coaches during review period was attributed to non-availability of material for coaches shown as complete in outturn statement. RCF could not meticulously plan their production programme so as to minimize delay in rake formation of coaches. RCF contended that percentage of coaches delayed is only 6 per cent of the total outturn of RCF and loss of earning capacity was only notional but the fact remains that capital expenditure amounting to ₹414.40 crore could not be utilised timely due to detention of coaches for a period ranging from one to ten months which deprived the earning capacity amounting ₹ 46.14[196] crore to Indian Railways. This situation could have been avoided had the RCF administration efficiently chalked out their production programme and shown only finished coaches in the outturn statement.

(b) Non-disposal of surplus items amounting to ₹21.53 crore

Store is considered as surplus to the requirement of the railway only if they have not been issued for a long time (24 months). In RCF Kapurthala 1901

[196] Calculation of loss due to inordinate delay in dispatch of coaches

Per day earning of passenger BG coach= $\frac{\text{Total earning from passenger carried during the year (BG)*}}{\text{Total passenger carriages (BG) x Total No. of days during the year**}}$

$= \frac{27908094300}{43059 \times 365} = 17757$

Total Loss = 25982 x 17757 = ₹46,13,62,374

* Statement No. 6 of Annual Statistical Statement 2011-12 of Indian Railway

** Statement No. 24 of Annual Statistical Statement 2011-12 of Indian Railway

items of store components valuing ₹21.53 crore were lying unutilised without issue for more than 36 months as on 31st March 2014. These items were not declared as useable/scrap as Survey committee had not surveyed these unutilised items, resulting in non-disposal of these stores items. These remained unproductive and also resulted in avoidable payment of dividend to General Revenue.

(c) Loss due to non-recovery of recoverable amount of ₹9.32 crore in respect of advance payment for rejected store and pending risk purchase cost

Despite issue of instructions from time to time by the Railway Board for expeditious finalization of cases relating to rejected stores and recovery of risk purchase cost, suitable action is not being initiated by RCF Administration. An amount of ₹9.32 crore on account of advance payment for rejected store (₹3.89 crore) and pending risk purchase cost (₹5.43 crore) was outstanding for recovery noted before 31/03/2014 and pending up to date (i.e. 11/10/2014).

(d) Non recovery of General Damages

Purchase orders for supply of material were placed on various firms without obtaining required security deposit. Subsequently these firms failed to supply the material within the stipulated or extended delivery period and as such their Purchase orders were cancelled after imposing General Damages.

A review of records generated from Financial Accounting System (FACT) of Rail Coach Factory for the period 2000-01 to 2013-14 revealed that an amount of ₹ 1.56 crore on account of General Damages was outstanding for recovery from various firms who had failed to supply the material. On scrutiny it was noticed that every year the figure of recoverable outstanding amount was increasing but no effort was made for recovery of outstanding General Damages.

(e) Irregular lying of coaches in RCF

Four coaches had been lying near scrap yard in the workshop area of Rail Coach Factory Kapurthala for a long period of time (more than five years) as detailed below:

Table 4.19

S.No.	Coach No.	Railway	Coach Type	Built by RCF during the year
1	02155/AB	N.R.	AC Chair Car	2002
2	16002	N.R.	GS	1988
3	41345	W.R.	AC 3 Tier	2005
4	No number mentioned on coach		AC chair Car	Year not mentioned

These coaches were received in RCF for removal of some defects but suitable action has not been initiated. The matter regarding these coaches not being attended to at RCF was taken up with RCF administration but no reply was furnished.

(f) Non-finalisation of stock sheets within stipulated period

Para 3261 of Indian Railway Code for the Stores Department Vol. II stipulates that Stock sheets should invariably be finalised within a period of 6 months and where an employee responsible for shortage is to retire, this matter should be finalised before his retirement so that suitable punitive action, if any, can be initiated. Considering the fact that despite several instructions and clear codal provisions in this regard, cases of loss to Railways on account of non-finalisation of stock sheets continue to be reported, Railway Board reiterated that the codal provisions in this regard may be scrupulously adhered to. Position of Department wise outstanding stock sheets as on 30/09/2014 revealed that six stock sheets were pending for finalisation as indicated in the table below.

Table 4.20

Stock Sheets Pending	Number of Stock sheets pending	Value (₹in Lakh)
> 6 months and < one year	1	(-) 0.44
> 1 Year < 2 year	2	(-) 91.6
> 2 Year	2	(-) 132.07
> 19 years	1	(-) 4.84

It is a clear violation of codal provisions mentioned above. There is possibility that non-finalisation of stock sheets for such a long period may result in loss to Railways. Despite clear cut instructions in this regard, RCF administration has failed to put in place a proper mechanism to ensure that shortages are accounted for/recovered in time from delinquent staff following due process of rules.

(g) Non-maintenance of records as required under Codal provisions

It was observed that Purchase Suspense Register, Sale Suspense Register and Register of Stock Adjustment Accounts were not being maintained in the prescribed codal formats. These records are necessary to keep close watch over the sales and purchase of various stores items being procured by the Stores department. Non-maintenance of proper records relating to transactions made in bulk may lead to cases of fake sales and payment orders.

4.2.7 Conclusion

Rail Coach Factory, Kapurthala was set up in 1986. It has been carrying out the responsibility of design, development and manufacturing of coaches. It is equipped with *state-of-the-art* Plant and Machinery having specialized facilities like laser cutting, plasma cutting, robotised welding and spot welding facilities.

Provisions for new coaching stock in the annual Rolling Stock Programme (RSP) which were to be made at least two years in advance were finalised by Railway Board with delays. Similar delays were observed in the approval of the coach production programme of RCF. Further, Railway Board made frequent changes in respect of the Production programme already approved by it. The changes made in the approved production programme led to stores/materials worth ₹ 31.93 crore remaining unutilised.

The project of complete switchover to production of LHB stainless steel coaches that started in April 2008 was not successful as RCF was not able to manufacture more than 470 LHB coaches till date in any production year and majority of coaches produced in RCF were still of conventional type which went against the objective of phasing out the conventional coaches.

Excess appropriation to DRF was debited[197] to cost of Product resulting in unnecessary increase in cost of coaches and avoidable increase in the liability towards payment of Dividend of ₹ 3.31 crore to General Revenues.

RCF failed to comply with the codal provisions relating to finalization of the cost reports resulting in raising debits[198] at the estimated cost. Further, RCF had to pay excise duty at 110 per cent of the estimated cost in the absence of the actual cost of production.

As many as 286 manufactured coaches were not dispatched in time and detained ranging between one to ten months beyond the prescribed time limit. This delay in despatching the finished coaches resulted in the investment of ₹ 414.40 crore remaining unfruitful. This further led to avoidable loss of earning capacity of ₹ 46.14 crore which indicates ineffective monitoring mechanism.

Shortage of manpower in the technical cadre was dealt with in casual manner by appointing Group 'D' in excess by General manager and deploying them in place of technicians and supervisors for which higher technical qualifications are required and are recruited by Railway Recruitment Board.

The matter was brought to the notice of Railway Board in February 2015; their reply has not been received (May 2015).

[197] Loaded or added to the cost of coaches
[198] Realising the cost of manufacture from Zonal Railway

Paragraphs related to Mechanical department of Indian Railways

4.3 Diesel Locomotive Works,Varanasi, Rail Coach Factory, Kapurthala and Integral Coach Factory, Perambur : *Non-availing of the benefit of CENVAT while paying Excise Duty on Rolling Stock*

Imprudent decision of Railway Board and Production units to opt for payment of Excise Duty on Rolling stock manufactured by them without availing the benefit of CENVAT resulted in total avoidable payment of ₹ 313.70 crore during the period 2011-12 to 2014-15(February 2015) on Excise Duty in DLW, Varanasi, RCF, Kapurthala and ICF, Perambur alone resulting in financial loss to Railways.

As per Central Value Added Tax (CENVAT) Credit Rules 2004, a manufacturer of final product shall be allowed to take credit of Excise Duty paid on Plants and Machineries (Capital Goods) and input materials if they were used for the manufacturing of the final product. As far as imported Capital Goods/inputs are concerned, the Countervailing Duty (CVD) [199]paid on them is also eligible for CENVAT benefit. CENVAT credit can be availed on production of Duty payment documents such as Bill of Entry[200].

Diesel Locomotive Works (DLW), Varanasi is a production unit of Indian Railways (IR), manufacturing Diesel Electric Locomotives for Indian Railways. Capital Goods and inputs obtained domestically as well as imported are used for manufacturing the Locomotives for which Excise Duty/CVD is paid. As far as payment of CVD is concerned, it is paid by Eastern Railway [201]on behalf of DLW.

As per Central Board of Excise and Customs (CBEC) Notification of March 1995[202], Rolling Stock [203] manufactured in Production units of IR for use of Zonal Railways were exempted from payment of Excise Duty (ED) and accordingly no such Duty was paid by them. However, vide their Notification of 20th April 2011[204], CBEC withdrew the exemption given to these Rolling Stocks and imposed Excise duty with effect from 20.04.11 under one of the following two options:-

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[199] This Duty is imposed on the imported items to offset the subsidy effect of imported items wherever it is applicable to protect the domestic product.(Customs Tariff(Identification, Assessment And Collection of Countervailing Duty On Subsidized Articles And For Determination Of Injury) Rules, 1995)

[200] Bill of entry is the legal document filed by importer or his customs house agent to complete import customs clearance procedures to take delivery of imported cargo. Normally three original copies are made. 1 copy is retained by Custom Department and two by parties

[201] Out of two copies of Bill of Entry received by Eastern Railway, 1 copy is retained by them for passing Custom Duty and second copy is sent to DLW. The copy received by DLW is sent to SBI, Varanasi for onward transmission to RBI as proof of receipt of imported material and Xerox copy of the same is retained in Account section.

[202] General Exemption No 16 vide notification No.62/95-CE, dated 16-03-1995

[203] Locomotives, Coaches and Wagons

[204] Vide notification No.32/2011-CE dated 20.04.2011

1) ED @ 1%+ Cess 3% in case CENVAT is not availed and 2) ED@5 % +Cess 3% in case CENVAT credit is availed.

DLW, Varanasi being a production unit was legally responsible for payment of ED, but they did not pay the ED and waited for Railway Board's instruction in this regard.

Railway Board belatedly, in October 2011 instructed Production units including DLW to pay this Duty by opting for ED without availing CENVAT benefit (Option 1). Railway Board did not indicate the reasons for electing Option 1in the said letter. Based on this, DLW started paying Excise Duty on Locomotives sold to Zonal Railways under Option 1 since November 2011 along with arrears (₹10.87 crore) for the period from April 2011 to September 2011. DLW has also paid ₹ 0.94 crore as interest for the delayed payments of ED for the period mentioned above. CBEC in March 2012 revised [205]the rates as follows:

1) ED @ 2%+ Cess 3% in case CENVAT is not availed and 2) ED @ 6% +Cess 3% in case CENVAT credit is availed.

Railway Board, in April 2012 asked the Production units and Zonal Railways to continue the payment of ED under Option 1 again without giving any reason for that. Nevertheless, Railway Board, in June 2012, instructed production units to conduct an analysis of the two options. DLW upon analysis recommended to the Railway Board in July 2012 that Option 1 without availing benefit of CENVAT is beneficial to them. However, it was observed by Audit that while taking into account the possible CENVAT benefits, DLW factored Capital Goods and input materials purchased domestically and did not take into account the imported ones on which CVD was paid. This mistake and substantial advantage in opting for ED with benefit of CENVAT (Option 2) was brought to the notice of the Management of the DLW by Audit in August 2012[206]. DLW stated (January 2013) that for availing CENVAT benefit, original copy of Bill of Entry was essential which was not readily available with them. This was, through efforts, made available since October, 2013. RB in March 2014 asked all production units again to work out the net liability of excise duty under option 2. Based on such exercise carried out, DLW requested (April/May 2014) Railway Board's permission to pay ED under Option 2 on account of substantial saving.

Railway Board, in August 2014 asked all Production Units to be ready with all required documents to switch over to Option 2 with effect from 1st April 2015.

Audit observed that there was an avoidable payment of ₹ 207.46 crore on Excise Duty during the period from April 2011 to December 2014 at DLW due to wrong option. The matter was taken up with Railway Board by Audit in March 2015. Subsequently Audit observed that two more Production units viz Railway Coach Factory (RCF), Kapurthala and Integral Coach Factory (ICF), Perambur have reported avoidable payment of ED due to having opted for Option 1. Avoidable payment of ED was ₹ 67.17 crore in respect of RCF,

[205] Vide Notification No 16/2012-CE dated 17.03.2012
[206] Special Letter issued by Audit on 30.08.2012

Kaputhala for the period 2011-12 to 2014-15(February 2015), while it was ₹ 39.07 crore in respect of ICF, Perambur for the period 2011-12 to 2013-14. Thus the total avoidable payment of ED in three production units alone was ₹ 313.70 crore during the period 2011-12 to 2014-15. ICF, Perambur has started availing the CENVAT credit (Option 2) from April 2014 onwards while DLW, Varanasi and RCF Kapurthala had opted for it from April 2015.

In reply to Audit, Railway Board in April 2015 stated that proper and systematic up keep of original invoices and other specified documents was necessary for availing CENVAT credit. DLW could obtain the original copy of Bill of Entry for availing the CENVAT on CVD from October 2013 only. Being a new development it took some time to understand the implication of the scheme for which an expert was engaged (05.07.2012) who concluded (10.10.2012) that Option 1 was beneficial to Railways. They further stated that DLW had followed the instruction of Railway Board and there was no loss to Central Government in this case since the payment of ED went to Consolidated Fund of India.

The reply is not acceptable due to the following reasons:

i). IR is a commercial entity with a separate Budget and even borrows money for expansion of operations. As such any avoidable payment is a loss to Railways and affects its functioning to that extent. The critical lapses leading to substantial avoidable payments over a period of 4 years (₹ 313.70 crore so far came to notice) cannot be ignored by the assertion that the ED went to Consolidated Fund of India

ii). Railway Board in October 2011 and again in April 2012 instructed Production Units to pay ED under Option 1 without analyzing whether such an option was beneficial to them. Though Production Units were better suited and were capable to work out the beneficial option for them, it was only in June 2012 that RB instructed them to carry out such an analysis.

iii). ICF, Perambur on their own switched over to Option 2 from April 2014 onwards which shows that being the legal entity responsible for payment of ED nothing prohibits Production Units in ensuring that the ED payment was under beneficial option. However, DLW followed the instruction of Railway Board in this case without even examining and ensuring that the Option was beneficial to them. In fact, DLW later in July 2012 recommended Option 1 as beneficial to them without taking into account the important factor of CENVAT credit on CVD. Though this lapse was pointed out by Audit in August 2012, it was only in April 2014/May 2014 that DLW sought permission to switch over to Option 2. Therefore, the stand taken by DLW and RB that DLW Varanasi had simply followed Railway Board's instruction in this case is seen by Audit as an effort to dilute the accountability aspect.

iv). The systematic upkeep of Accounts and related documents of bills paid is a primary duty of Railway Accounts Department and should have been readily available. The importance of original copy of Bill of Entry for claiming the CENVAT benefit was a factor known [207] to DLW and could have been kept with them from the beginning, therefore cannot be accepted as a valid justification for any delay on this issue.

In view of above facts, there is no justification for the Railway Board to take more than three years to select the beneficial option (August 2014) and further giving another 6 months to Production Units (April 2015) to operationalise it while allowing avoidable payment of ED all through this period.

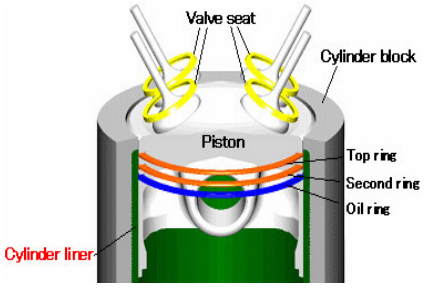
As such Railway Board may assess the avoidable payment made on this account by all production units till March 2015 and take action either to recover the ED from Excise Department along with interest, if possible, or take action to treat the amount as financial loss for the Railways.

Thus imprudent decision of Railway Board and Production units to opt for payment of Excise Duty on Rolling stock manufactured by them without availing the benefit of CENVAT resulted in total avoidable payment of ₹ 313.70 crore during the period 2011-12 to 2014-15(February 2015) on Excise Duty in DLW, Varanasi, RCF, Kapurthala and ICF, Perambur alone resulting in financial loss to Railways.

4.4 Southern Railway (SR): Defective honing and consequent reworking on cylinder liners

Use of obsolete honing machine for cylinder liner plating due to delay in timely installation of new machines led to deficiencies in honing and reworking (re-honing) of cylinder liners which resulted in wasteful expenditure of ₹7.70 crore

A cylinder block is a portion of the frame of a diesel locomotive, which supports the cylinder liners. Liner forms the wall of the combustion chamber and it also guides the movement of piston inside it. The cylinder liner is a replaceable bore in which the piston rides and is used to propel a locomotive engine. Liners get cracked, broken and distorted due to overheating, corrosion and improper installation. Ridges at the top of the liner are formed due to normal wear and tear. This may cause damage to the piston and the ridges need to be removed to ensure smooth and effective functioning of the piston. Hence, new and old cylinders are subjected to lining. This process is called plating process. The plating process requires honing machines for the operations viz., cast iron (CI) honing (prior to plating), diamond honing (post



[207] In an earlier case pertaining to the period 01/2001 to 09/2003 in which CENVAT credit was taken by DLW against photo copy of Bill of Entry was later objected by associated Audit and consequently penalty was imposed on which a review petition is pending with Commissioner , Central Excise.

plating) and polishing. Diamond honing is done by using vitrified stones to remove excess chromium after plating to achieve desired specification and polishing.

Honing is a high-tech precision operation involving bore sizing of the cylinder liners as per required specification. The performance and life of the plated liners, apart from plating quality, is highly dependent on this high-tech precision operation. Precise operation of honing machine would prevent defective honing and consequent reworking of defective liners.

Cylinder liner plating shop (CLP shop) at Golden Rock Workshop (WS/GOC), Ponmalai in Southern Railway undertakes plating process for new cylinders and old cylinders reclaimed from diesel locomotives received from various zonal railways. CLP shop had three vertical honing machines viz. HM3, HM4 and HM5. These machines were outdated and could not hone with precision as discussed below:

1. The HM3 machine, procured in 1984, was condemned (July 2007) after expiry of eight years of completion of its codal life of 15 years in 1999. The proposal for its replacement was also made late in 2008-09 for which fund was provided in July 2010 and order was placed in April 2011 to an USA based firm through COFMOW. The machine was received in June 2013 as against the scheduled date of April 2012. The delay in shipment was attributed to non-availability of steamer conforming to COFMOW's requirement.

2. Though the HM3 was commissioned (December 2013), the inadequacies/ deficiencies noticed during commissioning were yet to be rectified (April 2014). As such the machine has not yet been put to effective use.

3. The plating process for cylinders was carried out with the remaining two honing machines (HM4 and HM5), which were commissioned during 1997. It was stated (July 2010) by the Workshop authority that these two machines working with three shifts had already outlived their codal life of nine years (in 2007) in three shift working. Consequently, the HM4 machine developed multiple operational problems during honing and resulted in overloading on HM5 machine, honing accuracy of which was also lost in July 2010.

4. After a lapse of five years of expiry of codal life, purchase order for replacement of HM4 was placed in November 2012 and the machine was received in July 2013. However, the new machine is yet to be commissioned (April 2014). As such the condemned HM4 machine was still in use. Moreover, reasons for delay in condemnation of both the machines (HM3 and HM4) were not found on record.

5. As HM4 and HM5 machines had outlived their codal life and lost their precision, defects were noticed in the honing carried out by these machines. Out of 99,299 liners plated, deficiencies such as bore oversize, peel off and tool marks were noticed on 11,844 liners (12 per cent) during the period from April 2007 to March 2014.

When the matter was taken up with the Southern Railway Administration (May 2014), they stated (September 2014) that the HM3 machine has been put in service since its commissioning (December 2013) and is being utilized effectively. They further stated that the rejections are not caused entirely by defective honing, but also due to consequential effects of the process. However, they remained silent about the additional expenditure incurred on reworking of liners.

The above replies are not convincing as deficiencies/ inadequacies intimated to the supplier during commissioning were not rectified and Proven Test Certificate was not issued (till April 2014). Moreover, the machine history of the new machine (HM3) for the period from 01.01.2014 to 11.09.2014 showed down time of 2181 hours (about 90 days). This indicates that the machine was not put to effective use till date. Further, it was evident from the letter of Golden Rock Workshop authority that the rejections were attributable to honing machine i.e. peel off, bore oversize and tool mark occurred during the processing of diamond honing only.

As such, working on outdated machines and failure to ensure timely replacement of machines led to defective honing of liners. This resulted in additional expenditure of ₹7.70 crore on reworking on liners. Besides, the workshop was not able to supply the targeted quantity of liners (12 per cent short due defective honing during April 2007 to March 2014) which may cause non-availability or delay in availability of locos in train operation. Defective liners may also cause damage to the piston and affect the smooth and effective functioning of the piston which in turn impacts smooth operation of engines and ultimately locos.

The matter was brought to the notice of Railway Board in December 2014; their reply has not been received (May 2015).

Chapter 5 – Public Sector Undertakings of Indian Railways

There are 27 Public Sector Undertakings (PSUs) of Indian Railways as on 31 March 2014 under control of Ministry of Railways. These PSUs were set up by the Ministry with varied and specific objectives of raising finance for its rolling stock, manufacture of wagons and locos, developing specialization in construction projects, developing containerization of rail traffic and rail infrastructure.

This Chapter highlights issues of two PSUs viz., Pipava Railway Corporation Limited (PRCL) and Indian Railway Catering and Tourism Corporation Limited(IRCTC), wherein Audit commented on imprudent decision of PRCL to obtain permission for container operation and on violation of provisions of Employees Provident Fund Scheme by IRCTC. The details findings were discussed in the concerned paragraphs.

5.1 Pipavav Railway: Corporation Limited — *Imprudent decision to obtain permission for container operation from Ministry of Railways resulted in unfruitful expenditure of ₹11.66 crore*

Ministry of Railways (MOR) announced (January 5, 2006) the scheme containing the policy to permit rail linking of inland container depots (ICDs) by private parties and allowing them to move container trains on the same for both International and Domestic traffic. The scheme was open to all registered Indian Public/Private Sector Companies/persons either individually or in joint venture. Clause 4.5 of the scheme envisaged that this scheme would be open for one month every year. In order to regulate the entry of new container operators on Indian Railways (IR) network various routes were grouped into four categories. At the time of submission of request to run container trains every applicant was required to deposit a non-refundable registration fee of ₹50 crore for applying for all categories of routes (including category I) and. ₹10 crore for each individual category of routes (except category I). the scheme provided that the operator was required to set up Inland Container Depots (ICD), track connecting ICD, procurement of containers and maintenance of track at his own cost. The validity of permission would be for a period of 20 years from the date of operation of container trains by the operator (clause 8.1)

As per Clause 4.3, Railways would give their 'In principle approval' (IPA) based on the documents. In case the prospective operator failed to indicate his readiness to operate his container trains to Railway's satisfaction within three years of grant of (IPA), it would be deemed to have lapsed unless prior extension is given by railways at its sole discretion.

The Board of Director of Pipavav Railway Corporation Limited, New Delhi (Company) in its meeting held on 17 th January, 2006 gave approval to the

Company to deposit ₹ 10 crore as Registration fee to MoR for permission to run container trains by obtaining short term loan from bank. The Ministry of Railways issued IPA (08.02.2006) to the company for movement of container trains on Indian railways.

Audit observed that the company failed to commence the business within the permitted period i.e. upto February 2009 due to non-availability of funds. The Company approached (February 2009) MoR for grant of exemption for one year to enable the company to start container train operation and MoR allowed (March 2009) the extension of time limit up to February 2010 to commence operation of container trains. In order to prevent the IPA from lapsing, the company discussed with many parties to commence container train operation business in partnership without any investment from the Company. Vikram Logistic & Maritime Services Private Limited., Bangalore, a private ltd. company (Firm) agreed for the same and accordingly Company entered (July, 2009), into an agreement with the Firm to operate the container trains using its IPA. The firm however operated the business only in 2009-10 and thereafter the container operation was discontinued after running of 10 trains due to non viability of the project. The Company terminated (December 2011) the contract due to non performance by the firm.

Since then the company has neither appointed other business partner nor has it started container operation business on its own. Thus, non consideration of the poor financial capability of the company before depositing the registration fee of ₹10 crore with the MOR, the company has not only suffered a loss of ₹ 10 crore but also loss of interest of ₹1.66 crore on loan obtained from bank for depositing registration fee.

In the reply management stated (September 2014) that in the past the financial condition was not allowing to continue the container train operation in view of huge losses, debt liabilities and burden of heavy O&M cost. However, over the last three years, the Company had been able to turn around its financial position by converting itself into a profit making Company. The validity of container train operation permission is for twenty years and in case the market study indicated a possibility of entering the container business, the company might start container operation in the near future. The Ministry of Railway also furnished the same reply (September, 2014).

The reply of the Ministry and Management was not tenable as from the books of Accounts of the Company for the 2013-14, Audit noticed that Company had written off[208] the residual value of 'Registration Fee' (shown as intangible asset) amounting to ₹7.38 crore by charging loss to Profit & Loss account, which confirmed that the chances of running the container train operation by the Company were remote.

[208] The company had performed the impairment test for intangible assets namely License for container operation, which indicated that there was need of impairment of the license fee. Accordingly impairment loss equivalent to the net carrying amount of the license fee was booked as expense.

Thus the decision to obtain the permission for container operation requiring further capital investment of ₹322.48 crore required for commencing the business, was not prudent and without due diligence resulting in avoidable loss of ₹ 11.66 crore to the Company as the company was well aware of its poor financial position[209] at the time of applying for permission to run container operation.

5.2 Indian Railway Catering and Tourism Corporation Limited : Violation of provisions of 'Employees Provident Funds Scheme, 1952' resulted in excess expenditure of ₹9.07 crore during 2010-11 to 2013-14

Para 29 (1) of the Employees Provident Fund Scheme, 1952 (Scheme) provides that the contribution payable by an employer under the scheme shall be twelve per cent of the basic wages, dearness allowance and retaining allowance (if any) payable to each employee to whom the Scheme applies.

Paragraph 26 A (2) of the Scheme provides that where the monthly salary of an employee exceeds ₹ 6500, the contribution payable by the employer shall be limited to the amount payable on a monthly pay of ₹ 6500, subject to the provisions contained in Section 26(6) of the scheme. Para 26 (6) of the scheme further provides that Assistant Provident Fund Commissioner, on the joint request in writing by employer and employee may (i) enroll a person drawing the salary more than ₹ 6500 for this scheme and (ii) may also allow him to contribute more than ₹ 6500 of his pay per month if he is already a member of the fund.

Thus the provisions of Para 26 A (2) read with the paragraph 26 (6) & 29 (1) empowers the employer and the employee to contribute at the applicable rate of 12 per cent on the salary of more than the limit of ₹ 6500[210].

Test check of the records relating to the year 2010-11 to 2013-14 revealed that the Indian Railway Catering and Tourism Corporation Ltd. (Company) was not limiting their contribution (12 per cent) up to the salary of ₹ 6500 in respect of the employees drawing more than ₹ 6500 as per requirement of Section 26 A (2) of the scheme. It was specifically enquired from the Company whether they had taken required permission under Section 26 (6) of the scheme for such excess contribution. However rather than furnishing the specific reply, the Management in their reply (August 2014, March 2015) stated that, as per guidelines, contribution of Central Public Sector Enterprises to these schemes should be limited to such extent that the contribution to the total Superannuation benefits viz. PF, Gratuity, Pension and Post Superannuation Medical Scheme is limited to 30 per cent of Basic plus DA. In any case, the superannuation benefits to the employees did not exceed 30 per cent of basic pay plus DA.

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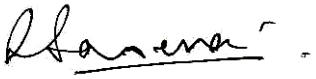
[209] During 2005-06, Company had accumulated loss of ₹ 68.89 crore.

[210] 'Pay' includes basic wages dearness allowance, retaining allowance and cash value of food concessions admissible thereon

Thus contribution of 12 per cent on pay to the Scheme paid by the Company was not in contravention to PF rules. The reply was not relevant to the issue and therefore not acceptable. In fact the Company's contribution to the Scheme was governed by Provisions of the Scheme which did not permit contribution on the pay of more than the limit of ₹ 6500 and hence their action was in violation of provisions of 26 (6) and para 26 A (2) of the scheme and resulted in excess contribution of ₹ 9.07 crore during 2010-11 to 2013-14.

The matter was brought to the notice of Railway Board in June 2014; their reply has not been received (May 2015).



(Suman Saxena)

New Delhi **Deputy Comptroller and Auditor General**

Dated:

Countersigned

(Shashi Kant Sharma)

New Delhi **Comptroller and Auditor General of India**

Dated:

Annexure I (Para 2.1.2)
Details of Private sidings in Indian Railways

Zonal Railway	No. of total sidings as on 31st March 2009	Position of sidings from 01.04.2009 to 31.03.2014			Number of sidings in operation as on 31 March 2014
		Number of sidings opened	Number of sidings closed	Number of sidings not in operation (but not declared closed by issuing notification)	
1	*2*	*3*	*4*	*5*	*6*
NWR	27	4	17	2	12
NER	10	1	1	0	10
NFR	29	3	0	3	29
SCR	74	17	5	3	83
WCR	35	9	0	0	44
WR	56	8	0	1	63
ECoR	38	14	1	0	51
SWR	37	7	0	3	41
CR	73	9	2	7	73
ECR	34	2	1	15	20
SER	75	10	4	8	73
ER	46	8	0	10	44
NR	98	6	10	13	81
SR	82	14	8	5	83
SECR	91	12	0	2	101
NCR	30	1	0	4	27
Total	**835**	**125**	**49**	**76**	**835**

Annexure-II (Para 2.1.4)

List of private sidings test checked

Zonal Railway	Name of the private siding selected	Code of the private siding	Commodity handled
1	*2*	*3*	*4*
Existing Sidings			
NWR	Shree Cement Ltd.	BNGS	Outward-Cement , Inward-Clinker, Coal, Gypsum
NWR	Lakshmi Cement Ltd.	LCTS	Outward-Cement , Inward-Clinker, Coal, Gypsum
NWR	Binani Cement Ltd.	BGKG	Outward-Cement , Inward-Clinker, Coal, Gypsum
NWR	Reliance Industries Ltd.	MRIK	POL
NWR	Adani Logistics Ltd. (ICD)	ALIK	Outward-Container, Inward-Container
NWR	Ultra Tech Cement Ltd.	IRLS	Outward-Cement , Inward-Clinker, Coal, Gypsum
NWR	Suratgarh Thermal Power Station	STPB	Coal
NWR	Food Corporation of India Siding, Sirsa	FCSD	Food Grain
NER	Century Pulp & Paper Mill Ltd, LKU	CPML	Coal & Wood
NER	Indian Oil Coporation Ltd, LKU	LIOC	POL
NER	Bajaj Hindustan Ltd, GK	BHLG	Sugar,Sugar cane
NER	Bajaj Hindustan Ltd, PLK	SSIP	Sugar
NER	Food Corporation of India, GDK	FIK	Food Grain
NER	Bharat Petrolium Corpn Ltd, GDK	BPCG	POL
NER	Food Corporation of India, GKC	FCC	Food Grain
NER	Bharat Petrolium Corpn Ltd, BALR	BPOB	POL
NER	Balrampur Chinni Mills Ltd, BLP	BLP	Sugar
NFR	IndianOil Refinery Siding, Noonmati	IRPN	POL
NFR	Food Corporation of India Siding, NGC	FSNG	Food Grain
NFR	HPCL Siding (MG), PNGM	HPCP	Paper and Bamboo
NFR	POL Siding (MG), RMR	POLA	POL
NFR	CSD, Food Corporation of India, NJP	CSDJ	Rice,wheat
NFR	BPCL, NJP	BPCK	POL
NFR	Food Corporation of India, MLFC	FCIE	Food grains(Rice,wheat)
NFR	Indian Oil Corporation, MLFC	ISMC	POL(MS,HSD, K.Oil)
NFR	BVFCL Siding, Namrup	NMFS	Urea
NFR	Numaligarh Refinery Siding, NMGS	NMGS	POL

NFR	Tirap Siding	TS	Coal
SCR	Kakinada Seaports Ltd., Kakinada Port	KSLK	Coal, Salt, Cement, Chemical Manures
SCR	Low Temperature Carbonization Plant Colliery, Manchiryal	LTC	Coal
SCR	Central Screening Plant Colliery, Manuguru	CSPS	Coal
SCR	India Cements Ltd.(formerly Raasi Cements Ltd.), Vishnupuram	ICLV	Outward-Cement, Inward-Clinker
SCR	Godavari Khani No.6 Colliery, Ramagundam	GXSG	Coal
SCR	Orient Cement Ltd., siding, Mandamarri	OCIM	Outward-Cement, Inward-Clinker
SCR	Kothagudem Thermal Power Station siding for APGENCO,Gajulagudem	KTPG	Coal
SCR	Nagarjuna Fertilisers & Chemicals Ltd.,Kakinada Port	NGFS	Fertilizers
SCR	Zuari Cements Ltd.,Yerraguntla	MZCY	Outward-Cement, Inward-Clinker
SCR	Coromandel International Ltd., Kakinada Port	PGFC	Fertilizers
SCR	The India Cements Ltd. Kalamalla	ICLS	Cement
SCR	Rashtriya Ispat Nigam Ltd. (Visakhapatnam Steel Plant), Jaggayyapet Town	RVSJ	Lime Stone
SCR	Food Corporation of India, Nalgonda	PFCI	Rice
SCR	Food Corporation of India, Gudivada	FCGV	Rice, Wheat
SCR	(Kalyani Gerdau Steel Ltd.,) Gerdau Steel India Ltd., Challavaripalli	MGCP	Iron Ore
SCR	BPC, IBP Ltd. Siding,Cherlapalli	BPCL	Inward - POL
SCR	Steel Authority of India Ltd.,Nagalapalli	SAIN	In ward - Steel & Iron
SCR	Lanco Industries Ltd., Rachagunneri	PLIR	Iw - Iron Ore
WCR	Maihar Cement Siding Maihar	MSSG	Outward-Cement, Inward-Coal & Zypsum
WCR	ACC Siding Kymore	JQSG	Outward-Cement, Inward-Coal & Zypsum
WCR	Birla Cement Siding Satna	BCSW	Outward-Cement, Inward-Coal & Zypsum
WCR	Prism Cement Siding Hinauta Ramban	PCIH	Outward-Cement, Inward-Coal & Zypsum
WCR	Ahluwalia Mining Pvt. Ltd. Siding Satna	AMLG	Iron ore

WCR	BPCL Siding Bhitoni	PLBG	POL
WCR	Bokaro Steel Lime Co. Siding Khanna Banjari	BLSG	Lime Stone
WCR	Chambal Fertilizer Siding Bhonra	CFCS	Fertilizer
WCR	Rajasthan State Electricity Board Thermal Power House Siding, Kota	GTPS	Coal
WCR	National Fertilizer Siding, Vijaipur	NFLG	Fertilizer
WCR	FCI Siding Itarsi	FISG	Outward- Food Grain, Inward- Food Grain
WR	BPCL, MGG	BPMG	POL
WR	Aditya Cement- COR	ACSN	Cement
WR	Vikram Cement Siding NBH, JWO	VCSN	Cement
WR	Kribhco	KBCS	Fertilizer
WR	Wanakbori Thermal Power Station Sewaliya	TSWS	Coal
WR	Dhuvaran Power house siding, Kathana	GEBS	Furnesh Oil
WR	IFFCO-GIM	IFFG	Fertilizer
WR	SAIL-KHD	PSAK	Iron & Steel
WR	Food Corporation of India-SBI	SGFG	Food Grain
WR	ICD, KHD	CKYR	Container
WR	RRT, KNLS	PRTK	POL
WR	Solid Cargo Siding, KNLS	RPCK	Pet Coke
WR	Essar Oil, Modpur	MEOM	POL
WR	TCL, MTHP	TCLS	Outward - Chemical, Cement, Iodised Salt, Inward - Coke
WR	PPSP-Pipavav Port	PPSP	Mixed Commodities
ECoR	South Balanda-Jagannath Colliery Siding	SBCT	Coal
ECoR	NTPC Exchange Yard Siding	NEYT	Coal
ECoR	Nilachal Ispat Nigam Ltd	NINS	pig iron, iron ore
ECoR	FCI siding, Khurda Road	FCKR	Food grains
ECoR	IOC siding, Khurda Road	IOK	Petroleum
ECoR	Visakhapatnam Steel Plant Siding	VSPS	Steel
ECoR	NALCO Siding at Damanjodi	NLOD	Alumina
ECoR	Vedanta Alumina Ltd, Brundamal	MAVB	Alumina Ingots, Billets
ECoR	Bhusan Power & Steel Ltd, Lapanga	BPSL	Steel
ECoR	The Associated Cement Co ltd, Unit Bargarh Cement works, Bargarh Road	CFDS	Cement
ECoR	Paradeep Phosphate Ltd.	PRPL PPGP	Fertilizer Gypsum
ECoR	Jayashree Chemicals	JCLG	Caustic Soda
SWR	Mysore Cements Limited	AMSC	Cement

SWR	Obalapuram Mining Company	MOCB	Iron Ore
SWR	BMM Ispat Limited	MBIV	Iron Ore
SWR	Fomento Limited	FLY	Iron Ore
SWR	VS Lad and Sons	VLSY	Iron Ore
SWR	Sandur Manganese and Iron Ore Company	SDMG	Iron Ore, Manganese Ore
SWR	Karnataka Power Corporation Limited	BTPK	Coal
SWR	Hindustan Petroleum Corporation	HPCH	POL
SWR	Food Corporation of India	FIH	Food Grains
SWR	Zuari Chemicals and Fertilizers	ZCS	Fertilizers
SWR	Jindal Steel Works	JSWT	Iron & Steel
CR	Bharat Petroleum Corporation Ltd. at Uran	MBPP	POL
CR	Indion Oil Tanking Ltd. Siding at Jasai Chirle	MIOJ	POL
CR			
CR	Rashtriya Chemical & Fertiser, Trombey	FZSG	Chemical &Fertilizers
CR			
CR	Rashtriya Chemical & Fertiser, Thal	TVSG	Fertilizers
CR	Tata Iron & Steel Company, Kalamboli	KTIG	Container
CR	Steel Authority of India Ltd., Kalamboli	KSAG	Steel, Iron
CR	Tata Thermal Power Station, Trombey	TTPS	Coal, LSHS
CR	Food Corporation of India Ltd., Kalamboli	KFCG	Food Grains
CR	Bulk Cement Corporation Ltd., Kalamboli	*BCCK*	Cement
CR	Loiyds Steel Industries	MLSW	Steel & Iron ores
CR	Karnataka Empta Coal siding	KECM	Coal
CR	Chargaon Colliery Siding	CGM	Coal
CR	Ordinance Factory Siding Chanda	FFSG	Militry Traffic
CR	Dehu Road A. D. Siding	DASG	Militry Traffic
CR	Dehu Road Vehicle Depot Siding	VDSG	Militry Traffic
CR	Chinchwad Container Siding	CRCC	Container
CR	ACC siding	WDSG	Cement, Clinkers, Coal
CR	Birla Super Cement	MBSH	Cement,Clinkers
CR	Bharat Petroleum Corporation Ltd.	BPCL	POL
CR	CONCOR siding	ICBD	Container
ECR	ACC Cement Siding Sindri	SNFC	Cement
ECR	Anpara Thermal Power Siding	ATPS	Coal
ECR	BPCL Siding Mugalsarai	BPCM	Oil
ECR	BPCL Siding Narayanpur Anant	BPNA	Oil

ECR	Thermal Power Stn. Sdg. Kanti	MFP	Coal
ECR	Chasnala (T.B. Sdg.)	CCSP	Coal
ECR	C K East Colliary Siding	CECP	Coal
ECR	SGRL Coal	SGRL	Coal
ECR	Jindal Steel & Power Ltd. Pvt. Sdg.	JSPP	Steel
ECR	NTPC Sdg. Rihand	RINS	Coal
ECR	ICD Raxual Nepal Sdg.	RXT	Container Traffic
ECR	Karghali Washery Sdg.	KGLI	Coal
ECR	VSTPP	VSTP	Coal
ECR	SSTP	SSTP	Coal
ECR	CTPS	CTPS	Coal
ECR	Obra Thermal Project Stn. Siding	OTPS	Coal
ECR	Panari Dalla Private Siding	PDLS	Cement
ECR	HPCL Siding Ranchi Road	PHLR	Oil
ECR	PSBS Private Sdg. Meralgram	PSBS	Iron Ore
ECR	Food Corporation of India siding Gaya	PSFI	Food Grains
ECR	Food Corporation of India siding NRPA	NRPA	Food Grains
SER	ACC Limited Siding, Jhinkpani	ACCJ	Outward - Cement, Clinker Inward - Gypsum, Coal, Slag
SER	Ambuja Cement Siding Yard, Abada	ACSY	Outward - Cement Inward - Gypsum, Clinker
SER	Banspani Iron Limited, Jaroli	IOJB	Iron Ore
SER	Bhojudih Coal Washery Siding, Santaldih	BWSB	Outward - Wash Coal, Middling Coal Inward - Raw Coal
SER	Food Corporation of India Siding, Adra	FCIP	Outward - Wheat, Inward - Wheat
SER	Hindustan Steel Plant Limited, Bondamunda	HSPG	Outward- Iron & Steel,Hard Coke,Slag,Sinter and Scrap Inward- Iron, Ore,Coal,Dolomite.Lime Stone and Stone
SER	Indian Oil Corporation, Rourkela	IORR	HSD Oil, Kerosene, Petrol
SER	Joda East Cabin Siding, Banspani	JMDT	Iron Ore
SER	Jojobera Cemrnt Plant Jamshedpur Siding, Tata	JBCT	Outward - Cement Inward - Gypsum, Clinker, Slag
SER	Kolaghat Thermal Power Plant Siding, Mecheda	KPPS	Coal
SER	Noamundi Ropeway Siding, Noamundi	MTRN (NOMR)	Iron Ore
SER	Tata Sponge Iron Ltd., Murga Mahadev Road	TSIM	Outward - Sponge Iron I/W: Coal, Dolomite, iron ore
SER	SAIL Siding, Barsuan	PBSB	Iron Ore

SER	Tata Chemicals Ltd., Durgachak	TCLD	Fertilizer
SER	TISCO Siding, Sonakhan	TSPD	Dolomite
SER	TISCO Work Site Siding., Tata	TWS	Outward - Steel Products, Slag Inward - Iron Ore , Coal, Dolomite
ER	Calcutta Electric Supply Corporation Siding, Titagarh	CNGP	Coal
ER	Calcutta Electric Supply Corporation Siding, Budge Budge	MCES	Coal
ER	Indian Oil Corporation, Budge Budge	MICB	POL
ER	HPCL & BPCL Siding, Budge Budge	MHBS	POL
ER	Food Corporation of India, Budge Budge	CFDI	Food grains
ER	Bandel Thermal Power Station Siding, Tribeni	BTMT	Coal
ER	LTC Plant, Dankuni Coal Complex	LPDC	Outward - Coal fines, Inward - Coal
ER	Panem Coal Mines Ltd. Siding, Pakur	PCML	Coal
ER	Food Corporation of India, Dankuni	DFSD	Outward-Foodgrain, Inward-Foodgrain
ER	Mejia Thermal Power station Siding, Raniganj	MTPS	Coal
ER	Ultratech Cement Siding, Durgapur	MLTC	Outward- Cement, Inward-Clinker.Gypsum.
ER	IOC siding, Rajbandh	IOCR	POL
ER	Electrosteel Casting Limited, Sodepur	ESCL	Iron Ore
NR	IOCL, Bahauli	ICB	POL, Naptha, HSD, SKO, ATF
NR	HPCL, Asaudah	HPCA	O/W=POL , I/W=LPG
NR	National Fertilizers Limited, Diwana	NFLD	O/W=Urea, I/W=Coal,
NR	Food Corporation of India, Pehowa Road	FCP	Foodgrain
NR	IFFCO, Aonla	IFAB	Fertilizer
NR	TCL, Babrala	MTCL	Fertilizer
NR	Jindal Pipe Ltd., Pilkhua	JPLS	Steel
NR	Food Corporation of India, Hapur	FCSH	Foodgrain
NR	TTPH, Tanda	TTPH	Coal
NR	IFFCO, PLP	IFFP	Outward-Urea, Inward-Coal
NR	Indo Gulf Fertilizer, Sindurwa	IGFC	Urea
NR	Food Corporation of India, BBK	FCIB	Foodgrain
NR	JP Cement, Tanda	JPCT	Clinker

NR	Food Corporation of India, BSB	GMUV	Foodgrain
NR	Ropar Thermal Power Plant, RPAR	RTPR	Coal
NR	Gujarat Ambuja Cement Ltd. (GACL)/RPAR	GACL	Outward-Cement, Inward-Coal & clay
NR	Gagal Cement Works Ltd. (GCWS), Kiratpur	GCWS	Coal, Iron & Clay
NR	Food Corporation of India, Sahnewal	FCSS	Foodgrain
NR	Food Corporation of India, Moga	FCMA	Foodgrain
NR	Food Corporation of India, JAT	FCSJ	Foodgrain
NR	Hindustan Steel Ltd./SRX	HSTL	Iron
SR	Chettinad Cement Corp, Siding	PLMC	Outward- Cement, Inward-Clinker.Gypsum.
SR	Dalmia Cement Siding	KKPS	Outward- Cement, Inward-Clinker.Gypsum.
SR	Madras Cement Siding	ICM	Outward- Cement, Inward-Clinker.Gypsum.
SR	Thermal Power Plant Siding	AIPS	Coal
SR	Mettur Thermal Power Plant Siding	TEMP	Coal
SR	SPIC Siding	MVNP	Fertilizer
SR	Food Corporation of India Siding	FCSA	Foodgrains
SR	Food Corporation of India Siding	SFCG	Foodgrains
SR	Food Corporation of India Siding	FCOP	Foodgrains
SR	Food Corporation of India Siding	PGTS	Foodgrains
SR	TISCO Siding	TISR	Iron &Steel
SR	Salem Steel Plant Siding	SSPS	Iron &Steel
SR	Irupanam PCL Siding	BPCI	POL
SR	IOC Siding	TNPS	POL
SR	Tamil Nadu News Print & Paper Ltd [TNNP] Siding	PGRS	Coal,Gymsum, Container
SR	Coal siding for CHEMPLAST	MTDC	Coal
SR	Chetttinad Cement Siding	VRQS	Outward- Cement, Inward-Clinker.Gypsum.
SR	ST-CMS Electric Co Ltd (TAQA-Neyveli Powe Co Private Ltd.siding)	VLX	Coal
SR	Irupanam LPG Siding	ERNS	POL
SECR	New Kusmunda Colliery Sdg, KRBA-NKCR	NKCR	Coal
SECR	Old Kusmunda Colliery, Gevra Road-OKSR	OKSR	Coal
SECR	Gevra Project (Junadih I to IV)-GPCK	GPCK	Coal
SECR	Lajkura Open Cast Mines-I/Brajrajnagar-LOMB	LOMB	Coal

SECR	Lajkura Open Cast Mines-II/Brajrajnagar-LOMC	LOCM	Coal
SECR	Robertson Sidings of SECL-SECL	SECL	Coal
SECR	Kanika Siding of MCL, Himgir-MCLK	MCLK	Coal
SECR	Bijuri Colliery Siding, Bijuri-BCRB	BCRB	Coal
SECR	New Rajnagar OCM Colliery Siding, Bijuri-NROB	NROB	Coal
SECR	Belpahar Open cast mines -I & II-BOCM	BOCM	Coal
SECR	PCEK Korba Siding of CSPGCL	PCEK	Coal
SECR	Jindal Steel & Power Ltd, KDTR-JSLK & RJN	JSLK & RJN	Outward-Steel product, Inward-Coal etc.
SECR	Lafarge India Pvt.Ltd. Siding, Akaltara-LIPL	LIPL	Outward-Cement, Inward-Clinker, Coal etc.
SECR	Kondey Siding, Dallirajhara-KSDJ	KSDJ	Iron Ore
SECR	Rajhara Siding, Dallirajhara-RSDG	RSDG	Iron Ore
SECR	Hindustan Steel Ltd/Dadhapara-HSLH	HSLH	Dolomite
SECR	Century Cement, Baikunth-CCS	CCS	Outward-Cement, Inward-Clinker, Coal etc.
SECR	Bhilai Steel Plant Construction Area Siding, Bhilai-BSPC	BSPC	Steel product
SECR	Raipur Handling Infrustructure Private Limited (RHIH)/Hatbandh.	RHIH	Outward-Boxite, Inward- Iron ore,Coal etc.
SECR	Nova Iron & Steel Ltd., Dagori PSNS	PSNS	Outward-Spong Iron, Inward-Iron ore
SECR	Bharweli Manganese Ore Balaghat for MOIL Siding, Balaghat-MOIL	MOIL	Manganese Ore
SECR	Food Corporation of India Siding, Rajnandgaon-RFCI	RFCI	Food grains
SECR	Koradih Thermal Power Station Sdg/Kalumna-KRDS	KRDS	Coal
NCR	UPSEB Siding, Parichha	UPSG	Coal
NCR	B Power House Siding, Harduaganj	PHSH	Coal
NCR	IOC Siding, Bad	IOCG	POL
NCR	IOC Siding, Panki	IOPK	POL
NCR	Gangaganj Bottling Plant, Panki	LPGK	LPG
NCR	JP Associates Ltd. Chunar	MJAC	Outward-Cement, Inward- Clinker
NCR	Diamond Cement, Parichha	DCPG	Outward-Cement, Inward- Clinker
NCR	SAIL Siding, Panki	SATP	Iron & Steel

NCR	SAIL Siding, Naini	HSLN	Iron & Steel
NCR	FCI Siding, Chandari	FCSC	Food grains
New Sidings			
NWR	J.K. Cement Works Ltd. Gotan	MJCG	Outward-Cement, Inward-Clinker, Coal, Gypsum
NWR	Indira Gandhi Super Thermal Power Project	MIGK	Coal & POL
NWR	Jhajjar Power Ltd.	MJPJ	Coal & POL
NWR	Guru Govind Singh Refinery Project ,HPCL- Mittal Energy Ltd.	HMEL	All type of petroleum Products
NER	Gallant Ispat Ltd, Sahajanwa-MGIS	MGIS	Iron Ore & Coal
NFR	IWAI Siding, Pandu Port	IWPS	Not functioning since commissioning on March 2012
NFR	NRL, RNI	NRSR	POL
NFR	NTPC Siding, Salakati	SNTP	Boiler Component(Other)
SCR	CONCOR Siding ,Santhnagar	CSTN	Cement, Ores, Iron & Steel, Empty Flat wagons, etc
SCR	Krishnapatnam Port Company Ltd.,Krishnapatnam Port	PKPK	Coal, Sugar & Fertilizers
SCR	My Home Industries Ltd., Regupalem	MMHR	Cement
SCR	Ultra Tech Cement Ltd.,Shankarpalli	UTCS	Bulk Cement
SCR	Bharathi Cement Corporation Ltd., Yarraguntla	MBCY	Outward-Cement, Inward-Clinker, Coal, Gypsum
WCR	Bhilai JP Ltd. Siding Sakaria	BJCS	Clinker
WCR	Bina Refinary Plant Siding Bina	BRSM	Pet Coke & Coal
WR	IOC-BOD	IOBD	POL
WR	Wonder Cement Gambhiri Road (GRF)	WCGS	Cement
WR	MAPD	MAPD	Imported Coal
WR	ICD-BRCY	CCTV	Container
WR	ICD-AKV (CCTA)	CCTA	Container
ECoR	Bhusan Steel Ltd, Meramandali	MBMB	Steel
ECoR	Dhamara Port Ltd	DPCB	Iron ore, coal, imported coal, lime stone
SWR	UltraTech Cement	MUTG	Cement
SWR	SMIORE Plant	MSPV	Coal
SWR	Mineral Enterprises Limited	MMEC	Iron Ore
SWR	ACC Limited	PMAK	Coal & Cement
SWR	Bharath Mines and Minerals	PMBR	Iron Ore
CR	Hind Terminal Pvt. Ltd. at Dronagiri	HTSD	Rice, sugar, Maize DOC etc in container

CR	Navkar Corporation Ltd. At Somathane	PNCS	DOC, SUGAR, MAIZE IN BCN AND CONTAINER TRAFFIC
CR	PNP Marintime Services at Pen	PPDP	Copal, rock phosphate
CR	JSW Steel Ltd. at Vasind	JSWV	Steel, HR COILS
CR	Vimla Infrastructure India Pvt. Ltd. at Tadali	PVIT	Coal, Cement and Iron ores
ECR	Barh Super Thermal Power Project	BSPB	Coal
ECR	Koderma Thermal Power Station Siding Hirodih	KPSH	Coal
SER	Adhunik Alloys & Power Ltd., Kandra	PAPK	Outward - Billets, Pellet Inward - Iron Ore, Coal
SER	Bokaro Jaypee Cement Limited, Bokaro	PBJT	Outward - Cement Inward - Clinker, Gypsum
SER	In-Plant Private Siding of Jindal Steel & Power Ltd., Deojhar	PJPD	Outward - Iron Ore , Pellet Inward - Coal
SER	Joda East Direct Entry Siding, Banspani	JMTC	Outward - Iron Ore
SER	Private Siding of M/s Electrosteel Casting Limited., Barajamda	PESB	Outward - Iron Ore
ER	Jai Balaji Industries Ltd. Siding, Durgapur	SRBS	Inward - Iron Ore, Coal, Dolomite, Coke, Charcoal, Outward - Billet , Granualted Slag
ER	Lafarge India Pvt. Ltd., Raniganj	PMLR	Outward - Cement, Inward- Clinker
ER	Bengal Emta Coal Mines Ltd., Pakur	BECM	Coal
ER	Super Smelters Limited	MSSL	Iron, Coal
ER	Sonar Bangla Cement Siding	MCCS	Outward - Cemen, Inward-- Clinker, Gypsum
SR	Sterlite Thermal Power Plant Sdg	MVST	MISC
SR	Karaikal Port Pvt. Ltd. Sdg	KIKP	Coal
SR	Madras Cement Ltd Sdg	ALUM	Outward - Cement, Inward- Clinker
SR	FCI Sdg	MVKF	Foodgrains
SR	POL Sdg for Hindustan Petroleum Corpn	AIPH	POL
SECR	Lanco Amarkantak Power Pvt.Ltd, Urga	PLPU	Coal
SECR	KSK Mahanadi Power Co.Ltd & M/s Raigarh Champa Rail Infrastructure Ltd., Akaltara	MKMA	Coal
SECR	Sarda Energy & Mineral LTd., Mandhar	MSMM	spong iron, coal, iron ore etc.
NR	Rajiv Gandhi Thermal Power Plant, Kheddar Barwala	PMRG	Coal

NR	Jubliant Life Science, Gajraula	MJOG	Outward - Empty Container, Inward - Coal & Rock Phosphate
NCR	Kanpur Fertilizer & Cement Ltd. Panki	KFCL	Outward-Urea, Inward-Naphatha & Coal
Total	**293**		

Annexure III (Para - 2.1.7.2.1)

Cases where Sidings Agreement not executed

Zonal Railways	**Name of the Private siding test checked**	**Date of commissioning of the siding**	**When the siding was notified as commercial purpose**	**Whether copies of agreements are available with Serving Station as well as with Accounts Department**
1	*2*	*3*	*4*	*5*
ECR	BPCL Siding Mugalsarai	25.06.1997	1997	Agreement not executed
ECR	BPCL Siding Narayanpur Anant	RNMA	RNMA	Agreement not executed
ECR	Chasnala	RNMA	RNMA	Agreement not executed
ECR	C K East Colliary Siding	RNMA	RNMA	Agreement not executed
ECR	SGRL Coal	RNMA	RNMA	Agreement not executed
ECR	NTPC Sdg. Rihand	22.11.1989	1989	Agreement not executed
ECR	Karghali Washery Sdg.	RNMA	2.6.10	Agreement not executed
ECR	VSTPP	RNMA	RNMA	Agreement not executed
ECR	SSTP	17.05.1985	1985	Agreement not executed
ECR	CTPS	RNMA	RNMA	Agreement not executed
ECR	FCI siding NRPA	RNMA	RNMA	Agreement not executed
ECR	Koderma Thermal Power Station Hirodih	26.09.2012	21.9.12	Agreement not executed
SWR	Obalapuram Mining Company	1.05.2007	05-01-2007	Agreement not executed
ECoR	South Balanda-Jagannath Colliery Siding	11.10.1930	29.05.1930	Agreement not executed
ECoR	Dhamara Port Ltd	06.05.2011	06.05.2011	Agreement not executed
NWR	M/s. Reliance Industies Ltd. (MRIK)	29-12-2004	No	Agreement not executed

RNMA-Record not made available

ABBREVIATIONS (used in Para 2.1)

ACC	**Associated Cement Companies**
ADA	Adra
ADRM(O)	Additional Divisional Railway Manager (operating)
ART	Accident Relief Train
ASN	Asansol
BG	Broad Guage
BECM	Bengal Emta Coal Mines Ltd.
BNGS	Bangurgram
BOD	Bangrod
BSPC	Bhilai Steel Plant Construction Area Sdg
CCOE	Chief Controller Of Explosives
CCM	Chief Commercial Manager
CTPM	Chief Traffic Planning Manager
COM	Chief Operations Manager
CIL	Coal India Limited
CR	Central Railway
CRS	Commissioner for Railway Safety
DPR	Detailed Project Report
DRM	Divisional Railway Manager
EOL	Engine on Load
ESP	Engineering Scale plan
FOIS	Freight Operations & Information System
HAS	Hassan Junction
HCL	Hindustan Copper Ltd.
HODs	Heads of Departments
ICDs	Inland Container Depot siding
IFFCO	Indian Farmers Fertilizer Cooperative Limited
IGNP	Indira Gandhi Nahar Pariyojna
IOTL	Indian Oil Tanking Ltd. Siding
IRCON	Indian Railway Construction Company Ltd.
LPG	Liquid Petroleum Gas
MG	Meter Gauge
NTPC	National Thermal Power Corporation
OHE	Over Head Equipments
PCC	Permissible Carrying Capacity
PCE	Principal Chief Engineer
POL	Petroleum Oil Lubricants
PRPL	Paradeep Phosphate Ltd., Paradeep
RR	Railway Receipt
RCP	Rajasthan Canal Project

RTC	Rail Transport Clearance
RITES	M/s Rail India Technical Economic Services
SDAH	Sealdah
S&T	Signal & Telecommunication
UBL	Hubli