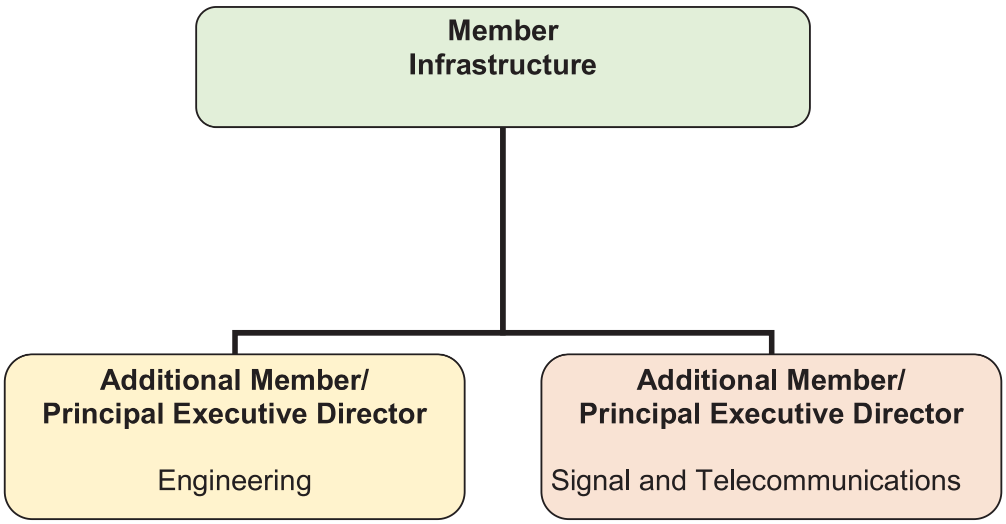
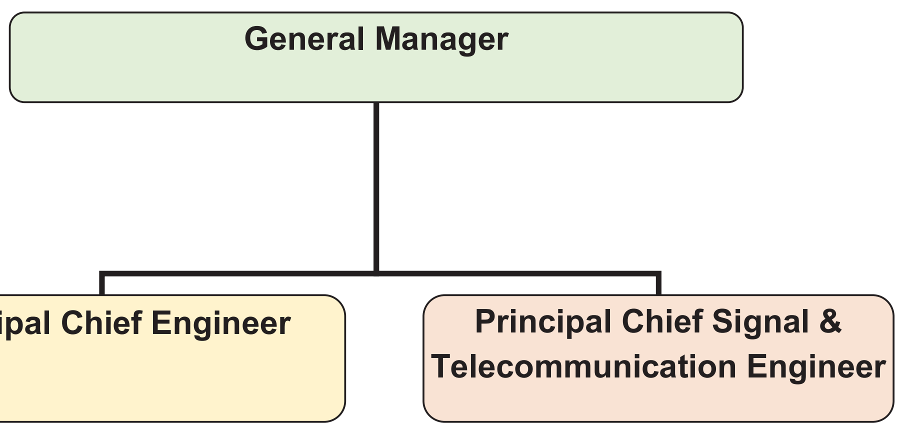
Chapter 3 - Infrastructure

Member (Infrastructure) at Railway Board is responsible for maintenance of all fixed assets of Indian Railways, such as, Tracks, Bridges, Buildings, Roads. In addition, he is responsible for construction of new assets, such as, new lines, gauge conversion, doubling and other expansion and developmental works. He is assisted by Additional Members and Principal Executive Directors.

Railway Board Level



Zonal Level



At Zonal level, with the General Manager heading the Zone, the Engineering Department is headed by Principal Chief Engineer (PCE). He is assisted by various Chief Engineers for maintenance of Tracks, Bridges, Buildings, Roads *etc.* Each Zonal Railway also has a construction organization headed by a

Chief Administrative Officer (Construction) who is responsible for major construction works of Zonal Railway. He is assisted by various Chief Engineers (Construction).

Member (Infrastructure) at Railway Board is also responsible for Signal & Telecom Departments of Indian Railways. The Signal & Telecom Directorate at Railway Board is responsible for all the issues regarding procurement and maintenance of Signal & Telecom assets over Indian Railways. In the Railway Board, Member (Infrastructure) is assisted by Additional Member (Signal) and Additional Member (Tele).

At Zonal level, the Chief Signalling and Telecom Engineer (CSTE) is responsible for overall supervision and maintenance of S&T assets.

For enhancing efficiency and safety in train operation, modern signalling plays a very vital role. The Signalling Department handles induction and maintenance of signalling systems. The Telecom Department is responsible for telecommunication services in Railways.

In 2019-20, the total expenditure on repair and maintenance of assets[90] by Engineering Department in Indian Railways was ₹ 20,766 crore[91]. Indian Railways also incurred an expenditure of ₹ 27,696 crore[92] on creation of new assets[93]. During the year, apart from regular audit of vouchers and tenders, audit of 1,086 offices of Engineering Department including Construction Organization was conducted.

The expenditure on repair and maintenance of plant and equipment of S & T Department during the year 2019-20 was ₹ 3,233 crore[94]. Capital expenditure of ₹ 1,622 crore was incurred on creation of S&T assets. During the year, apart from regular audit of vouchers and tenders, 490 offices of the S&T Department were inspected.

---

[90] Permanent Way and Works, Bridges, Tunnels, Roads, Sanitation and Water Supply *etc.* including Plant and Equipment

[91] Sub head 3002-3003 (02)-Repair and Maintenance of Permanent Way and Works and Sub head 3002-3003 (05)-Repair and Maintenance of Plant and Equipment- Appropriation Accounts - 2019-20

[92] Sub head 5002-5003-Assets-Acquisition, Construction and Replacement– Appropriation Accounts - 2019-20.

[93] New Line, Doubling, Gauge Conversion, Traffic Facility Works, Track Renewal Works, Bridge Works, Level Crossings and Passenger Amenities Works

[94] Minor Head 500, 600 and 700 of Sub head 3002 and 3003 (5)-Repair and Maintenance of Plant and Equipment - Indian Railways Appropriation Accounts - 2019-20

This Chapter includes a review on 'Implementation of Dedicated Freight Corridor Project in Indian Railways'. In addition, this Chapter includes 21 individual paragraphs. These paragraphs highlight compliance issues that relate to delay in construction of Road Over Bridge, blockade of funds in railway projects, underutilization of assets created, non-recovery of due charges from sidings, non-payment of licence fee by private parties *etc*. Compliance issues pertaining to Railway PSUs are also included in this Chapter.

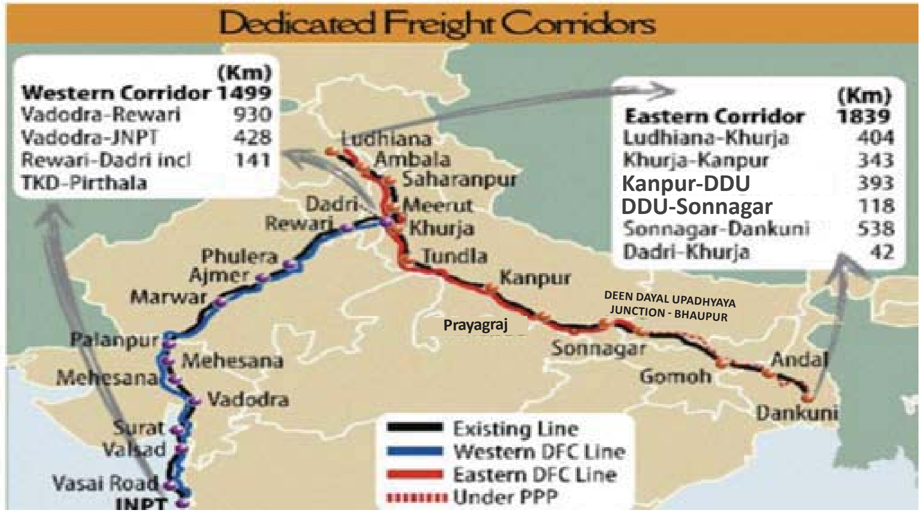
3.1 Implementation of Dedicated Freight Corridor Project in Indian Railways

3.1.1 Introduction

The 'Golden Quadrilateral' of Indian Railways (IR) connecting Delhi, Mumbai, Chennai and Kolkata comprises of 16 *per cent* of the total route length of 67,956 km but carries more than 50 *per cent* of passenger and freight traffic. These routes are, however, saturated to handle growing demand for freight traffic in eastern zone and the container traffic from the western ports of Mumbai and Gujarat to the Delhi area. Over a period of time, the share of freight transport by Indian Railways (IR) has declined substantially in comparison to road transport.

Capacity constraints on the existing network and anticipation of the quantum leap of freight traffic demanded for construction of Eastern Dedicated Freight Corridor (EDFC) and Western Dedicated Freight Corridor (WDFC). Thus, an independent entity, "Dedicated Freight Corridor Corporation of India Limited" (DFCCIL) was established in October 2006. It was formed as a Special Purpose Vehicle (SPV) company under the administrative control of the Ministry of Railways for the construction, operation and maintenance of these corridors. The primary objectives of Dedicated Freight Corridor (DFC) project were to reduce unit cost of transportation and creation of additional rail infrastructure.

EDFC extends from Ludhiana (Punjab) to Dankuni in West Bengal and the WDFC is from Dadri in Uttar Pradesh to Jawahar Lal Nehru Port Trust (JNPT), Mumbai.



Route Km of WDFC and EDFC was later increased to 1504 Km and 1861 Km respectively. Mughal sarai renamed as Deen Dayal Upadhyay station.

The project was targeted for completion within five years of its commencement. The project, however, has missed several targets. Out of total 3,365 Km length, only 657 km[95] stretch (19.5 *per cent*) of the project was commissioned till March 2021.

3.1.2 Salient Features of DFC Project

In the DFC Project, world class and state-of-the-art technology were adopted. The significant technologies used in DFC Project include mechanized track laying, train protection warning systems, online monitoring of rolling stock systems etc. Some important basic information on the corridors are mentioned in **Table-3.1.**

Table 3.1: Features of Western and Eastern Corridors

Basic Features	WDFC	EDFC
Route length (km)	1504	1861
Feeder Route length (km)	1516	3328
Container Stack	Double Stack	Single Stack
Projected traffic in million tonnes (2021)	128	144
Moving Dimension (Height)	7.1m	5.1m
Total Land to be Acquired	6000 hectares	4567*hectares
Project Cost (2015) ₹73392 crore (Excluding cost of land ₹ 8067 crore)	₹ 46,718**	₹ 26,674
Funding agency	JICA	World Bank
Expenditure incurred ₹74028 crore (March 2021)	₹ 42,504 crore	₹ 31,524 crore

**** Excluding Sonnagar – Dankuni Section, ** This includes interest during construction of ₹5316 crores for WDFC loan.***

[95] Bhaupur – Khurja (343 km) in December 2020 on EDFC and Rewari – Madar (306 km) in January 2021 on WDFC.

3.1.3 Organisational Set up

At DFCCIL Corporate Office, Managing Director is overall responsible for implementation of DFC Project. The Construction of the EDFC is headed by Director (Project Planning) and of WDFC Director (Infrastructure). Each field unit is headed by a Chief General Manager (CGM) who is responsible for implementation of works pertaining to an assigned section of the corridor. DFCCIL is governed by a Board of Directors comprising of the Chairman (Part-time), Managing Director, four whole-time Directors. Chairman Railway Board is the part time Chairman of DFCCIL.

3.1.4 Scope and Methodology of audit

The scope of audit covered examination of records related to Planning, funding, execution and monitoring of implementation of project as of March 2021. Audit methodology includes examination of records at Railway Board and Corporate office of DFCCIL. Audit also examined the records at DFCCIL corporate office to assess the transparency in the process of awarding of contracts. Regarding execution of contracts, the records of different project offices pertaining to selected sections, as mentioned in **Annexure 3.1,** were test checked in Audit.

The audit commenced with an entry conference (January 2020) with the executives concerned of DFCCIL and Ministry of Railways (MoR). The draft review report was issued to DFCCIL on 02 August 2021 and a provisional paragraph was also issued to the Ministry on 05 October 2021. The remarks/views of DFCCIL on the audit findings were considered in finalizing the report. The response of the Ministry is awaited.

3.1.5 Audit Objectives

Audit was conducted with a view to obtain assurance on:

- efficiency in planning the implementation of the project, and its impact on its overall cost and the targets for completion of projects; and
- evaluation of the economy and efficiency in execution of contracts.

3.1.6 Sources of Audit Criteria

The audit criteria was derived from the following sources:

- Feasibility Studies/Preliminary Engineering cum Traffic Survey Report (PETS) / Detailed Project Report (DPR),
- Loan agreements with World Bank and JICA, minutes of the meeting with World Bank and JICA,
- Concession Agreement, Corporate Plan and Business Plan of DFCCIL,

- Procurement Guidelines of World Bank and JICA, Schedule of Power, Work Manual of DFCCIL,
- Memorandum of Understanding (MoU) with MoR, World Bank and JICA.

3.1.7 Sample Selection

The Dedicated Freight Corridor Project was divided into 13 sections. Audit test checked contracting procedures, execution and other related issues pertaining to four sections (Rewari – Iqbalgarh and Vaitarna – JNPT section of WDFC and Khurja - Bhaupur and Bhaupur – Deen Dayal Upadhayaya section of EDFC) of the DFC Project. All the 16 major contracts financed by JICA and World Bank pertaining to these four sections were reviewed. Details of sample selection are shown in **Annexure 3.1**.

Audit findings, emerged on scrutiny of the records of DFCCIL Corporate Office, field project offices and Railway Board offices are discussed in subsequent paragraphs.

3.1.8 Funding of DFC project

Indian Railways (IR) projects are generally financed by budgetary support due to inadequate generation of internal resources. The extent of financial resources required for implementing DFC Project was, therefore, decided for funding through a mix of bilateral and multilateral debt and equity investment. Eastern corridor is funded by the World Bank except for Deen Dayal Upadhayaya – Sonnagar (126 Km) and Sonnagar - Dankuni section (540 Km). The section Deen Dayal Upadhayaya – Sonnagar is funded by Ministry of Railways (MoR) and the terminal section Sonnagar – Dankuni would be funded and executed in Public Private Partnership (PPP) mode. Western Corridor is funded by JICA. In February 2008, Cabinet approved the project at an estimated cost of ₹ 28181 crore (EDFC - ₹ 11589 crore and WDFC-₹16592 crore). In 2015, the revised cost of the project was assessed at ₹81459 crore.

Audit observed that the Debt-Equity Ratio for the project was initially envisaged to be 2:1. With the increase in cost of the project, the debt-equity ratio of the project was revised to 3:1. The equity component of DFCCIL is provided by MoR. Details of terms and conditions of financing by JICA and World Bank are given in **Annexure 3.2.**

3.1.9 Loan Restructuring

For the purpose of financing by the World Bank, EDFC Project was divided into three phases. The total committed loan of US$ 2725 million was reduced to US$ 1775 million. The funding tie ups with JICA and World Bank is shown in **Annexure 3.3.**

Audit observed that EDFC loan although sanctioned in 2011, first works contract was awarded in March 2013 only. Therefore, during the initial one and a half year, no expenditure was incurred from the World Bank fund. Audit also observed that the target for commissioning of EDFC-1 (Khurja-Bhaupur) was March 2017. This target was revised to November 2019. The World Bank and the Ministry of Finance agreed to close the loan of this overage project on May 31, 2019. It was also observed that the EDFC-1 loan was reduced (December 2018) from USD 975 million to USD 555 million with the understanding that the remaining activities would be financed from the savings from EDFC-2 (Bhaupur – Deen Dayal Upadhayaya) from June 1, 2019 onwards.

Further, the loan amount for EDFC-2 was also restructured from USD 1100 million to USD 660 million along with loan closing date extended from December 31, 2019 to January 31, 2020. Extension of tenure of loan, inclusion of new projects/section in the existing loan and transfer of any portion of loan to another loan were cited as the reasons for restructuring of loans.

As per the loan agreement for EDFC-3 (Ludhiana –Khurja), DFCCIL is required to pay the Commitment Charges equal to one quarter of one *per cent* (0.25 *per cent*) per annum on the undrawn loan balance. Audit observed that during the period from 2016-17 to 2020-21, DFCCIL had drawn US$ 248.79 million as against the planned schedule of drawing of US$ 620 million. Non-utilization of fund by DFCCIL led to avoidable payment of commitment charges to the tune of ₹ 16 crore till March 2021 as shown in **Annexure 3.4**.

Admitting the audit observations, DFCCIL stated (October 2021) that the progress of project at initial phases was affected due to numbers of reasons, such as, delay in awarding and land acquisition, formation of bidding document, lengthy World Bank process and coordination with State Government in replacement of level crossings by RUBs/ROBs.

3.1.10 Concession Agreement

The relationship between MoR and DFCCIL is governed by a Concession Agreement (CA), which is valid for a period of 30 years. Audit observed that DFCCIL was established in October 2006. MoR, however, took more than seven years in finalizing CA (February 2014). Main reasons for the delay in finalizing CA were due to delays in compliance of Ministry of Finance recommendations and legal vetting from the Minstry of Law and Justice.

3.1.11 Non- provision of Return on Equity in TAC

DFCCIL's role is primarily that of the infrastructure provider for the Indian Railways, to enable them to run trains on the DFC. The only source of revenue for the DFCCIL would be the user charge or 'Track Access Charge' (TAC), to be paid by the Indian Railways in return for services received. Track Access Agreement is a part of Concession Agreement.

TAC consists of Fixed & Variable cost. Fixed component is payable irrespective of the volume of traffic and a variable component based on gross ton kilometers (GTKM) moved. The fixed cost is the capital cost (Depreciation plus cost of debt) and the variable cost is traction cost and operating expenditure.Track Access Agreement (February 2014) provides that TAC shall be mutually agreed between MoR and DFCCIL. TAC is to provide revenue adequate for DFCCIL to be a commercially sustainable company earning a reasonable return on investment.

In October 2011, Railway Board had constituted a committee of Executive Director (Project Planning) Adviser Finance and Budget of Railway Board and Director (Operation and Business Development) of DFCCIL for developing methodology for establishing TAC for MoR. As per the recommendation of TAC committee, the fixed component of TAC would cover debt servicing, return on equity, interest on working capital and other fixed charge costs, when IR is the sole user. The TAC, thus calculated, would be reviewed when Rail Development Authority or other regulatory mechanism is set up and multiple-operator regime is introduced over DFC.

Audit, however, observed that the recommendation of TAC committee was not fully implemented. As per the TAC approved by MoR in December 2018, "Return on Equity"[96] would not be payable by Ministry of Railway to DFCCIL as long as IR is the sole user. This arrangement contradicts the provisions of the Track Access Agreement (February 2014). Non-provision of return on equity would have adverse impact on the commercial sustainability of the Company in future and on efficient operation and maintenance of freight corridors.

Audit further observed that no TAC was accrued to the DFCCIL till March 2021 due to delay in commissioning of the project. As a result, DFCCIL

[96] Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Shareholders' equity is equal to a company's assets minus its debt. ROE is considered as a measure of a corporation's profitability in relation to stockholders' equity.

had to repay the debt of ₹589.85 crore[97] to the World Bank for EDFC – 1 out of the equity funded by MoR. Though two sections[98] of EDFC and WDFC were commissioned, commercial operation of freight traffic in these sections is yet to commence and therefore, no TAC was paid to DFCCIL.

3.1.12 Lack of functional independence of DFCCIL

As per the Concession Agreement, the relationship between MoR and the DFCCIL was set out on the basic principle that DFCCIL should be commercially independent and it will remain at arm's length distance from IR (MoR).

Audit observed that the responsibility for determination of access to authorized rail users for DFC routes rests with the MoR and is the sole customer holding 100 *per cent* equity. Therefore, 'Return on Equity' was not payable by the Ministry to DFCCIL. Apart from this, JICA fund is routed to MoR through MOF in the form of GBS. This fund, in turn, is passed on to DFCCIL as an Externally Aided Project. Revenue Generation for DFCCIL is dependent on the traffic offered by the MoR only. TAC has been determined in cost cover model and no incentive to DFCCIL has been prescribed for financial sustainability of DFCCIL. This arrangement has limited the independence of DFCCIL.

3.1.13 Planning Deficiencies

DFC project was first discussed at the Japan-India Summit in April 2005. Based on the feasibility report submitted by RITES in January in 2006, MoR submitted (February 2006) a note to Cabinet Committee on Economic Affairs (CCEA) seeking approval for taking up the project at an estimated cost of ₹ 21,140 crore. The Cabinet accorded 'In Principle' approval of the proposal (February 2006) to take up the project. In February 2008, Cabinet finally approved the project.

Scrutiny of records relating to planning in implementation of the project revealed following deficiencies:

3.1.13.1 Delay in taking off DFC between Sonnagar and Dankuni

In February 2008, Expanded Board of MoR discussed the feasibility of extension of DFC from Sonnagar to Dankuni of EDFC. The minutes of the meeting recorded that the Department of Expenditure (DOE) and the Ministry

---

[97] Pertaining to the period November 2018 to March 2021

[98] Bhaupur – Khurja (343 km) in December 2020 on EDFC and Rewari – Madar (306 km) in January 2021 on WDFC.

of Statistics and Programme Implementation expressed their observations on premature appraisal of the project pending finalization of the location of the deep sea port. It was also pointed out that the project independently was not viable with Financial Internal Rate of Return (FIRR) for the Sonnagar – Dankuni section being only seven *per cent.*

Planning Commission also supported the views of the DOE. They mentioned that the extension beyond Sonnagar was essentially to cater to the traffic from the future deep sea port and without a deep sea port being finalized, the proposed extension was considered premature. The Planning Commission viewed that the traffic projections, particularly of coal were too optimistic. They further added that the reduced level of traffic on Sonnagar – Dankuni section and its low viability is likely to make the entire eastern corridor project from Ludhiana to Dankuni unviable. The Expanded Board of MoR, therefore, resolved not to recommend the proposal. MoR, however, submitted a note to CCEA for final approval for DFC project on eastern route from Ludhiana to Dankuni.

The Cabinet approved (February 2008) extension of EDFC project from Sonnagar to Dankuni (540 Km). The estimated cost of the extension was ₹ 12,218 crore. The decision to finance the section through PPP mode was announced later in the Budget of 2010-11. In August 2013, MoR conveyed DFCCIL to take necessary action in this regard. The extension of the section was justified to increase railways' share of coal and steel traffic from the areas located in eastern region. It would also facilitate evacuation of containers from the ports in Kolkata area. MoR justified that the extension from Sonnagar to Dankuni would result in an overall Financial Internal Rate of Return (FIRR) of around 13 *per cent* for the eastern corridor.

Audit observed that no response was received for investment in this project. MoR was aware of the apprehensions of the prospective investors where the financial viability was not guaranteed. In order to attract the prospective bidders and reduce the volume of investment, Sonnagar – Dankuni section was divided into two sub-sections - Dankuni to Gomoh (276 Km. Phase I) and Gomoh to Sonnagar (264 Km. Phase II). This arrangement also failed to evoke any response.

Further scrutiny revealed that DFCCIL in co-ordination with MoR, could not finalize the location for deep sea port and float Expression of Interest even after 13 years of approval of the project.

3.1.13.2 Deficient planning for maintenance of DFC rolling stock

As per Budget Speech for the year 2010-11, two workshops for high axle load wagons were proposed to be set up for moving traffic on Western and Eastern

DFC. JICA recommended a new Routine Overhauling (ROH)/Periodic Overhauling (POH) facility at Dadri for eastern corridor and ROH facility at Rewari for Western corridor.

In March 2015, DFCCIL proposed that the ROH/ POH facilities and regular maintenance should be planned by authorized rail users (IR). DFCCIL further added that any deviation in infrastructure to be provided by DFCCIL may escalate the project cost and it may not be possible where the contracts were in an advanced stage.

In response, Railway Board stated (June 2015) that movement of loaded wagons on the existing tracks might not be possible as portions of the track connecting existing maintenance yards with DFC may not be capable of handling 25T/32.5T load. Railway Board further stated that besides capacity constraints, it would not be possible to carry out POH/ROH of wagons that plied on DFC in the existing Depots/workshops due to -

- Non-existence of workshops near the alignment of Eastern and Western DFC.
- The existing workshops might not be able to handle the modern rolling stock that would ply on DFC.
- Movement from DFC to IR existing workshop would create in-fructuous movement and in most cases such movement may not be feasible due to Schedule of Dimensions[99] (SOD) constraints, as SOD envelope for DFC being higher than that of the existing IR system.

Inspite of the above constraints, MoR/DFCCIL did not take any action for creation of maintenance facility for rolling stock of DFC.

3.1.13.3 Delay in upgradation of feeder routes

The objective of upgrading feeder routes was to ensure that the traffic originating from the Non-DFC routes are routed through DFC routes. Achievement of the projected traffic on DFC routes depends upon the connectivity with the hinterland and port. The axle load of existing railway line is 22.9 tonne with train load capacity of 5400 tonne. The track standard of DFC is, however, 25 tonne axle load with 13000 tonne train load capacity. Unless the feeder routes are upgraded to DFC's track standard, the intended benefit of DFC project in ensuring integration of DFC with the existing rail network would be defeated. With a view to achieving this objective, IR had

[99] Schedule of Dimension refers to the prescribed standards for tracks, overhead structure, signaling, rails, rolling stock etc.

undertaken upgradation of total 4,844 Km (1,515.8 Route Km in Western corridor and 3,328.4 Route Km in Eastern corridor).

Audit observed that the feeder routes of WDFC and EDFC were under upgradation. Till November 2020, only 438.60 Route Km (29 *per cent*) and 1,907 Route Km (57 *per cent*) feeder routes of WDFC and EDFC respectively were upgraded.

DFCCIL stated (October 2021) that upgradation of existing feeder routes was being done by the Zonal Railways concerned and being monitored by MoR. However, the fact remained that the projected benefit of DFC is unlikely to be achieved without upgradation of feeder routes as the DFC traffic would mostly originate and terminate in the existing network of Indian Railways.

3.1.13.4 Adoption of differential moving dimension in EDFC and WDFC

In DFC Project, the moving dimension[100] in WDFC is for double stack container and single stack container movement for EDFC. The height of overhead traction equipment for drawing power for electric locomotive is 7.1m in WDFC and 5.1m in EDFC. Since container trains form the major share of freight traffic on the WDFC, it was decided to adopt double stack container train operation to enhance the system productivity.

In the feasibility study report (2006), it was recorded that double stack container train operation may not be practicable to run all container trains except for only such pair of Origin-Destination points which have regular and sufficient traffic. Accordingly, container trains running between Jawaharlal Nehru / Mundra / Pipavav / Hazira Ports and ICDs in NCR of Delhi / Ludhiana alone were considered suitable for double-stack operations.

Feasibility study report also recorded that there would not be any substantial movement of container traffic in the eastern corridor. It was, however, recommended double stack container movement in Sonnagar-Ludhiana section of EDFC for maintaining uniformity in Maximum Moving Dimension (MMD). Despite such recommendations, MoR decided to adopt single stack container movement in EDFC as per the recommendation of JICA study report (2007) on traffic potentiality of eastern corridor. Audit observed that the adoption of different moving dimension would restrict the inter-portability of traffic between EDFC and WDFC due to difference in height of overhead traction equipment and loading standard.

[100] Moving dimension refers to the standards prescribed for tracks, signalling and overhead structures etc. of safe operation/movement of rolling stock of certain axle loads.

DFCCIL stated (October 2021) that the double stack container movement was not contemplated as the container movement is negligible in EDFC. Regarding inter-portability restriction, DFCCIL stated that single stack traffic can easily ply on both EDFC and WDFC.

Despite lower container traffic in EDFC in comparison to WDFC, feasibility study report recommended double stack container movement in Sonnagar-Ludhiana section of EDFC for maintaining uniformity in Maximum Moving Dimension (MMD). Further, due to the lack of uniformity in track standards, only single stack container would have inter-portability, as admitted by the DFCCIL. Therefore, the contention of DFCCIL was not tenable.

3.1.13.5 Land Acquisition

DFCCIL acquired land for DFC project on behalf of Central Government, Ministry of Railways (MoR) through the nominated Competent Authorities who are mainly Revenue Officers of the State Government. Land acquisition was being done as per Railway Amendment Act (RAA), 2008.

DFC alignment passes through 68 districts of nine states in both the corridors involving 11,813 hectares[101] of land. Till May 2021, acquisition of 11,689 Ha of land was complete.

Scrutiny of records revealed that DFCCIL made payment of award of ₹15,572 crore towards acquisition of 11,689 Ha of land. The disbursement to the land owners was made to the extent of ₹13,739 crore leaving a balance of ₹1,833 crore of award pending disbursement till May 2021.

Further scrutiny of records relating to assessment of requirement and acquisition of land, and payment of award/compensation to Project Affected Persons revealed the following:

(a) Improper assessment of land

In Bhaupur- Deen Dayal Upadhayaya section of EDFC, two civil works contract packages were awarded (CP-201 and 202). Audit observed that the requirement of land for execution of works within the scope of these contract packages had undergone revision over the years.

In its reply, DFCCIL admitted (November 2021) that there were variations in the requirements of land due to construction of approaches at level crossing and acquisition of new land which was missing during the initial acquisition of Land.

[101] EDFC-4618Ha, WDFC- 6000Ha, Sonnagar-Dankuni- 1195Ha

Audit observed that the reply of the DFCCIL was indicative of its improper assessment and consequent delay in acquisition of land resulting in additional expenditure of ₹ 173.38 crore on account of enhancement of the rates of land.

DFCCIL stated (October 2021) that various factors such as changes in alignment and detours, provisions of ROB/RUB and change in policy led to change in scope of land during project implementation stage. It further added that the procedural delays at district level and non-availability of proper land record etc. led to delay in timely determination and finalisation of land awards to Project Affected Persons (PAPs).

DFCCIL also stated that the role of DFC was to convey the assessment of land requirement to State Authorities concerned and ensure transfer of funds before acquisition of land.

The admission of DFCCIL authority was indicative of deficiencies in planning and improper assessment of land. Apart from this, lack of effective monitoring and coordination with the State Authorities concerned led to avoidable expenditure on account of enhancement of the rates of land.

Similar instance was also observed in JNPT- Vaitrana section of WDFC. Test check of records relating to acquisition of land in this section revealed that DFCCIL acquired 17.22 Ha of land in 2012-13 in five villages[102]. In 2016-17, DFCCIL again acquired additional 3.73 Ha of land. This had resulted in extra expenditure of ₹ 9.84 crore due to enhancement of circle rates of land during the intervening period.

(b) Erroneous notification for land acquisition

For acquisition of land in Ajmer tehsil and Pisangan tehsil, notification under section 20A[103] and 20E[104] was issued in 2009 and 2010. Audit observed that the land measuring 25.55 hectares, not covered in the notification issued under section 20A and 20E, was included in the notification under section 20F[105] for payment of award. This erroneous notification had attracted legal dispute at a later stage and the result of the lawsuit was in favour of the parties concerned. Consequently, the process of acquisition of land in Ajmer tehsil and Pisangan tehsil had to be initiated afresh in 2015 and 2016. In the

[102] Dhaniy, Rahanal, Dunge,Tiwari and Paygaon

[103] Section 20A of RAA 2008 provides for notification for declaration of intention of Central Government regarding the land required for execution of a Special Railway Project

[104] Section 20E also provides for acquisition of land within a period of one year from the date of publication of the notification under section 20A

[105] The competent authority shall make payment of award under section 20F within a period of one year from the date of publication of the declaration under section 20E.

meantime, some of the components of entitlements had increased as per the Entitlement Matrix for compensation for land. This had resulted in increase of the cost of land and extra expenditure of ₹ 36.14 crore on account of additional payment of compensation.

DFCCIL admitted (October 2021) that the notification of 20A and 20E was not issued for some parts of land but the award was declared for acquisition of land. DFCCIL further added that after issuing necessary notifications and fulfilling all process for the balance land, for which notification under section 20A and 20E were not published earlier, the amended award was declared in October 2017.

(c) Delay in payment of compensation

Audit observed that in Bhaupur- Deen Dayal Upadhayaya section of EDFC, Special Land Acquisition Officer did not make payment of the award within one year from the date of notification under section 20F. This indicates lack of proper monitoring and co-ordination between DFCCIL and State Revenue authority. Due to delayed payment of award, DFCCIL had to make additional payment of compensation of ₹ 14.26 crore.

Similar instances of delay in making payment of award were also noticed in JNPT-Vaitarana Section of WDFC, where additional 227 Hectares of land (other than Railway land) was acquired through the State Government. This had resulted in payment of additional compensation to the tune of ₹51.59 crore (including ₹ 1.50 crore towards establishment charges levied by the State Government).

In support of payment of additional compensation, DFCCIL contended (October 2021) that the award under section 20F could not be completed due to resistance by the Project Affected Persons. It further stated that the land acquisition was completed under police protection. However, the fact remained that DFCCIL had to incur loss of ₹ 51.59 crore due to delayed payment of compensation.

3.1.14 Execution and Monitoring of Project

3.1.14.1 Delay in Awarding of Contracts

(a) WDFC

Audit test checked eight contracts pertaining to Rewari-Iqbalgarh (Phase-I) and JNPT-Vaitarana (Phase-II) of WDFC. Review of the records relating to the time taken in awarding of contracts with reference to the JICA's implementation schedule revealed abnormal delay in finalisation of contracts as shown in **Table 3.2.**

Table 3.2: Delay in awarding of contract in WDFC

Sl. No.	Name of Contract	Target as per JICA's Schedule	Month & Year of Agreement	Delay (in months)
1	2	3	4	5 (4-3)
Rewari-Iqbalgarh (Phase-I)				
1.	Civil building and Track Work (CTP-1&2)	October 2011	August 2013	22
2.	Electrical and Mechanical Work (EMP-4)	September 2012	March 2015	30
3.	Signaling and Telecomm. Work (STP-5)	September 2012	December 2015	39
4.	Train Protection and Warning System (Entire WDFC) (STP-5A)	March 2014	December 2015	21
JNPT-Vaitarana (Phase-II)				
1.	Civil, Building and Track Work (CTP-11)	December 2013	November 2016	35
2.	Electrical and Mechanical Work (EMP-16)	March 2014	March 2016	24
3.	Signaling and Telecom. Work (STP-17)	March 2014	August 2016	29

In May 2012, Chairman Railway Board advised DFCCIL to take all possible steps to curtail the timelines of the intermediate stages of awarding of contracts. It was suggested to do away with the Pre-qualification (PQ) Process which would result in saving of at least six months. Accordingly, in case of EMP-4. STP-5 and STP-5A, the PQ process was dropped for speeding up the awarding process. Despite such dispensation, there was delay of more than 21 months in awarding of contract.

b) EDFC

Audit test-checked eight major contracts of two selected sections of EDFC. As per model procurement schedule based on World Bank guidelines, the process of signing of contract is to be completed within 365 days from the date of launching of PQ document. It was, however, observed that there was delay in awarding of contracts as shown in the **Table 3.3.**

Table 3.3: Delay in Awarding of Contract in EDFC					
Sl. No.	**Name of Contract**	**Target as per Model Procurement Plan**	**Month and Year of issue of PQ document**	**Date of agreement (Month and Year of Agreement)**	**Delay in awarding of contracts (in months)**
1	**2**	**3**	**4**	**5**	**6 = Col. (5-3)**
Bhaupur-Khurja Section					
1.	Civil & Track Work CP-101	April 2011	April 2010	March 2013	23
2.	Civil & Track Work CP-102	April 2011	April 2010	March 2013	23
3.	Civil & Track Work CP-103	April 2011	April 2010	March 2013	23
4.	Electrical, Signaling and Telecomm. CP-104	July 2013	July 2012	August 2015	25
Deen Dayal Upadhayaya -Bhaupur Section					
5.	Civil & Track Work CP-201	April 2014	April 2013	May 2015	13
6.	Civil & Track Work CP-202	April 2014	April 2013	May 2015	13
7.	Electrical Works CP-203	February 2015	February 2014	October 2016	20
8.	Signaling and Telecomm. Works CP-204	February 2015	February 2014	September 2016	19

From the above table, it can be seen that period of 13 to 25 months was taken in awarding of contract from the date of launching of PQ document.

In its reply (October 2021), DFCCIL narrated the sequence of events and date-wise details of various processes involved in the tendering process leading to the delay in awarding of contract. No justified reasons for delay were, however, furnished.

Audit observed that the main reasons for the delay in awarding of contracts were the delay in appointment of consultants, delay in evaluation of PQ of applicants and the delay in signing of contract agreements etc. which are discussed in the succeeding paras.

3.1.14.2 Delay in Appointment of Consultants

As per the JICA Guidelines, Engineering Services Consultants (ES) were engaged for WDFC project. Similarly, in EDFC, General Consultants (GC) were appointed. The scope of ES Consultants/ GC covers all activities from preparation of PQ documents to awarding of contract.

Project Management Consultants (PMC) were also engaged in both the corridors for supporting DFCCIL in implementation of design, construction, testing and commissioning including reviewing and approval of designs prepared by contractors, supervision of their performance, progress monitoring etc.

In respect of World Bank funded project, a model procurement schedule has been prescribed for all activities leading to awarding of contract. However, for JICA funded WDFC project, only the final target for awarding of contract has been prescribed.

Scrutiny of the records relating to awarding of consultancy contract revealed the following:

(a) Appointment of Engineering Services consultants in WDFC

There was inordinate delay in finalization of consultancy contracts as indicated in the **Table 3.4.**

Table 3.4: Delay in awarding of consultancy contract

Consultancy Contract	Awarding of Consultancy Contracts		Delay (in Months)
	Target as per JICA	Achievement	
ES (Phase-I)	March 2010	May 2010	02
ES (Phase-II)	December 2010	November 2011	11
PMC (Phase-I)	June 2011	March 2014	32
PMC (Phase-II)	August 2013	March 2016	31

Rewari-Iqbalgarh (Phase-I) and JNPT-Vaitarana (Phase-II)

From the table above, it may be seen that there was minor delay in awarding of Engineering Services Contract for Phase-I. In respect of other consultancy contracts, the delays ranged between 11 to 32 months. Factors attributable to the delay in awarding of contract are indicated in **Table 3.5.**

Table 3.5: Reasons for the delay in awarding of contract

Consultancy Contract	Reasons for the delay
ES (Phase-II)	Out of total 11 months delay in awarding of contract, the Technical Evaluation Committee took about eight months in finalization of technical bids for submission to JICA (June 2011) for obtaining no objection certificate.
PMC (Phase-I)	As against the target of awarding of contract in June 2011, Expression of Interest and the Request for Proposal (RFP) was issued in April 2012 and April 2013 respectively.
PMC (Phase-II)	RFP was issued in June 2015 i.e after 22 months of the target for awarding of contract by December 2012.

DFCCIL stated (October 2021) that each stage of tendering is subject to multiple deliberations by multi-member committee and requisite approval which takes time.

While setting target, JICA must have taken into consideration of the time required for different activities involved. The reply of DFCCIL was, therefore, not tenable considering the cascading effect of delay in appointment of engineering consultants on the award of major works.

Audit observed that the delay in appointment of PMC had adverse impact on the progress of works. A contract for the work of design and construction of eight Special Steel Bridges (CTP-15A) of Western DFC (Phase-II JNPT-Vadodara) was awarded in June 2015. DFCCIL, however, appointed the PMC in March 2016.Till the appointment of PMC, Chief Project Manager Mumbai Unit/Surat Unit was assigned the responsibility to act as PMC. Due to delay in appointment of PMC, contractor sought extension of time (June 2016) for 205 days for completion of Milestone (MS) -I. PMC rejected (September 2016) the contractor's request for extension as slow progress of works were attributable to contractor. DFCCIL, therefore, imposed (December 2017) delay damages amounting to ₹22.17 crore and JPY 62.49 million.

Aggrieved by the decision of the DFCCIL, contractor approached Dispute Adjudication Board (DAB) to resolve the dispute. As per the verdict of DAB, DFCCIL refunded the delay damages recovered from the contractor.

Thus, DFCCIL failed in compensating the loss due to slow progress of work resulting from delayed appointment of PMC.

(b) Appointment of consultants in EDFC

In EDFC, DFCCIL appointed (September 2008) General Consultant (GC) for Bhaupur-Khurja section (343 km) from its own budget. The value of the contract was ₹ 133.85 crore. The Terms of Reference of the GC covered the development of engineering concept design, preparing bid document and assistance in bid evaluation including Project Management Consultancy (PMC).

Subsequently, it was decided that the EDFC would be financed by the World Bank. The World Bank expressed their reservations over assignment of the function of project management consultancy within the scope of GC on the following grounds:

a) The apparent poor quality of services and the lack of performance by the current GC,

b) The tendency of DFCCIL to reduce the presence of General Consultant.

Accordingly, DFCCIL truncated (January 2012) the scope of the GC Contract. On the direction of the World Bank (December 2011), PMC was engaged in October 2013 with contract value of ₹ 80.98 crore. The currency of the GC contract was for six years from the date of commencement of Service

(December 2008). Audit, however, observed that the currency of the contract was not reduced in proportion to the offloading of PMC Services from the contract.

Audit also observed that there were delays in appointment of PMCs for different sections as mentioned in **Table 3.6**.

Table 3.6: Delays in awarding of PMC and GC contracts

Activities	Prescribed Time line (in days)	Actual time taken (in days)	Delay (in days)
Bhaupur-Khurja section			
Awarding of PMC contract	**255**	**645**	**390**
➢ **Sub-Activity**: Expression of Interest till Issue of RFP to shortlisted consultant	100	337	237
Deen Dayal Upadhayaya - Bhaupur and Khurja-Ludhiana Section			
I. Project Monitoring Consultant			
Awarding of PMC contract	**255**	**609**	**354**
➢ **Sub-Activity**: Expression of Interest till Issue of RFP to shortlisted consultants	100	297	197
➢ **Sub-Activity**: Issue of RFP till signing of contract agreement	155	312	157
II. General Consultant			
Awarding of GC contract	**255**	**622**	**367**

Accepting the delay in appointment of consultants, DFCCIL stated (October 2021) that the activities such as preparation of terms of reference, request for proposal etc. took more time as these were done for the first time in DFCCIL. It also stated that there was considerable delay in obtaining clearance from the World Bank.

3.1.14.3 Delay in evaluation of Pre-qualification applicants

DFCCIL adopted two stage bidding process. The first stage is prequalification of the prospective bidders. This is followed by single stage two-envelope bidding process. The two envelopes contain technical and financial bids separately. The financial bids are opened for those who qualify the technical bid evaluation stage. Finally, the contract is awarded to the successful bidder in the financial evaluation. Similar process was being followed in EDFC with the exception that pre-qualified bidders would submit their technical proposal in the first stage. In the second stage, the bidders would submit updated technical bids along with commercial bids.

Analysis of the reasons for delay in finalization of PQ documents in respect of three contracts of JNPT-Vaitrana section of WDFC revealed that after approval of PQ documents by JICA, DFCCIL resubmitted the same with some modifications. JICA, however, did not agree to the suggested modifications of DFCCIL and directed to adhere to its already approved observations.

The repetition of the PQ process caused delay by five to nine months in approval of PQ documents by JICA which, in turn, contributed to the delay in signing of contract agreement.

Similarly, there was delay in approval of PQ documents in EDFC due to delay from 04 to 17 months in submission of PQ documents by the General Consultant. The delay was mainly due to compliance to World Bank observations and incorporation of certain items for introduction of new technology as advised by the MoR.

3.1.14.4 Delay in obtaining approval of bid documents

As per Model Procurement Plan based on World Bank guidelines, DFCCIL was required to obtain the approval of bid documents within 100 days from the day of submission of PQ documents to the World Bank. The delay in obtaining World Bank's approval for the bid documents in respect of contracts executed for the sections Bhaupur-Khurja and Deen Dayal Upadhayaya - Bhaupur is shown in the **Table 3.7.**

Table 3.7 : Excess time taken in finalisation of bid documents

Contract Package	Submission of PQ document to World Bank	Prescribed time for Receipt of WB approval (100 days)	Actual date of recipt of WB approval	Delay (in Months)
1	2	3	4	5= Col. (4-3)
CP-101, 102 & 103	April 2010	July 2010	December 2011	17
CP-104	July 2012	October 2012	January 2014	15
CP-201 & 202	April 2013	July 2013	February 2014	07
CP- 203	February 2014	May 2014	March 2015	10
CP- 204	February 2014	May 2014	April 2015	11

From the table above, it is observed that there was delay ranging between 07 to 17 months in obtaining approval of the World Bank. The reasons for the delay were attributable to the time taken by the General Consultant/ DFCCIL for compliance to various observations of World Bank, raised subsequent to the initial submission of bid documents.

3.1.14.5 Impact of delay in awarding of contracts

(a) Extension of Engineering services consultancy contracts

As per the provisions of consultancy contract, consultancy services were to be provided for three years from the date of awarding of consultancy contract. Audit observed that the extensions to consultancy contracts of Rewari-Iqbalgarh and JNPT-Vaitarana section of WDFC were granted till the awarding of the major contracts. The time gap between awarding of major contracts and consultancy contracts is in **Table 3.8**.

Table 3.8: Time taken in awarding of Major contracts

Description of Work (Contract Package)	Award of ES Contract	Award of Major Contract	Time Taken (In months)
Civil & Track Works (CTP 1&2)	May 2010	August 2013	39
Electrical & Mechanical (EMP-4)	May 2010	March 2015	58
Signaling & Telcom. (STP-5)	May 2010	December 2015	67
Train Protection Warning System (STP-5A)	May 2010	December 2015	67
Civil & Track (CTP-11)	November 2011	November 2016	60
Civil & Track (CTP-15A)	November 2011	August 2015	45
Electrical & Mechanical (EMP-16)	November 2011	March 2016	52
Signaling & Telecom (STP-17)	November 2011	August 2016	57

Thus, due to delay in awarding of works contracts and extension of consultancy contract, DFCCIL had incurred an extra expenditure to the tune of ₹ 10.04 crore till June 2020 towards consultancy charges.

DFCCIL stated (October 2021) that it did not have unfettered freedom of tendering due to binding loan agreement conditions posing restrictions. DFCCIL also stated that owing to the multiplicity and unavoidability of multi staged factors, time consumption could not have been optimized.

The reply of DFCCIL was general in nature and did not specify the reasons for the delay.

(b) Extension of PMC Contracts

As per Para 14.1 of the Special Conditions of PMC Contract for Bhaupur – Khurja section, the tenure of the contract was for 72 months upto October 2019. DFCCIL, however, had to extend the currency of consultancy contract upto September 2022 due to slow progress of civil contract works (CP-101, CP -102 and 103). As a result, DFCCIL incurred extra expenditure of ₹ 40.09 crore till March 2021 over and above the contract amount of ₹ 66.76 crore.

Similarly, the contract for Quality and Safety Audit Consultancy Services (QSAC) for Bhaupur-Khurja Section was extended upto December 2020 as against the original stipulated tenure upto 5 November 2017. This resulted in extra expenditure of ₹5.90 crore on account of extension of consultancy contract (March 2021).

PMC contracts were extended by 92 months beyond the stipulated period due to slow progress of civil contracts (CP-201, 202, 203 and 204) pertaining to Deen Dayal Upadhayaya -Bhaupur Section. Extension of these contracts resulted in incurring extra expenditure of ₹ 42.24 crore.

Thus, DFCCIL incurred extra expenditure of ₹88.23 crore towards payment to consultants for rendering service during the period beyond the stipulated date of completion of the contracts.

DFCCIL accepted (October 2021) the audit observations that the consultancy contracts were extended due to delay in execution of main contracts.

3.1.15 Delay in execution

All contracts relating to civil, electrical and signaling works were divided into a series of milestones to be achieved within the stipulated time period as provided in the respective contracts. Audit observed that the contractors failed to achieve the desired milestone within the given time period. As a result, several extensions were granted on the grounds either attributable to DFCCIL or to contractors concerned.

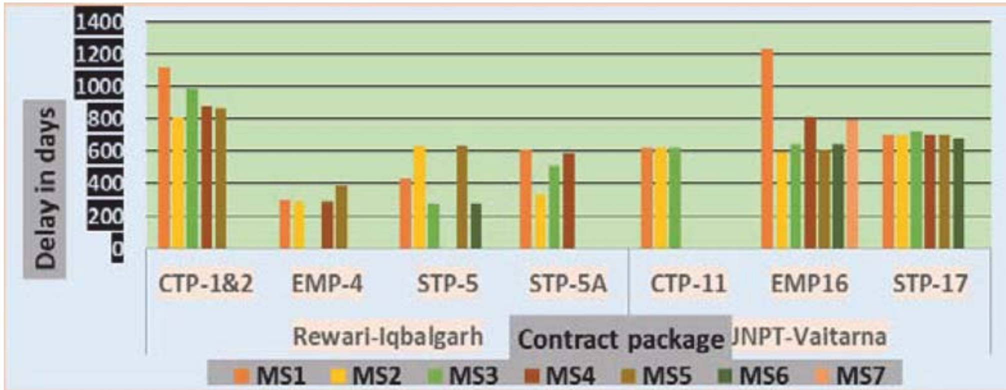
The range of delays in achieving different milestones in respect of different contracts pertaining to WDFC and EDFC is shown in **Table 3.9.**

Table 3.9: Range of delays in achieving milestones

Sections	*Range of delays (in Days)*
JNPT - Vaitarana (WDFC)	600 – 1234
Rewari – Iqbalgarh (WDFC)	276 – 1117
Bhaupur – Khurja (EDFC)	80 – 1635
Deen Dayal Upadhayaya - Bhaupur (EDFC)	90 – 1079

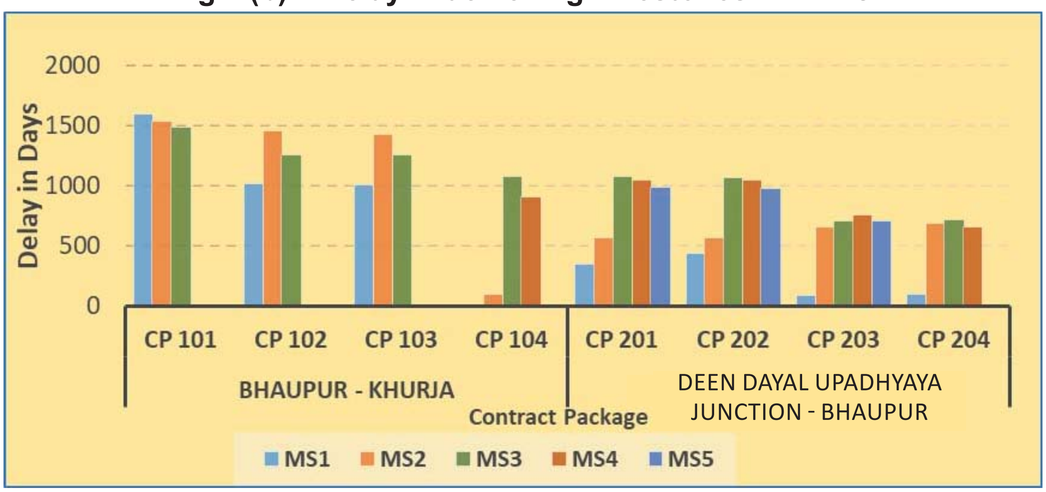
Audit observed that the contractors were engaged after detailed deliberation of their pre-qualification bid in the capacity of an expert agency in the field of design and construction of project of such magnitude. Despite following the due process for awarding of contract, delays in achieving the milestones in respect of different contracts of the sections test checked in WDFC and EDFC were noticed as shown in **Figure 1 (a) and 1 (b).**

Fig. 1(a): Delay in achieving milestones in WDFC



CTP-1&2 and CTP-11 (Contract Number for Civil and Track works), EMP-4 & 16 (Contract Number for Electrical and Mechanical works), STP-5 & 17 (Contract Number for Civil and Telecommunication works.

Fig. 1(b): Delay in achieving milestones in EDFC



CP-101,102,103 etc. represent contract number

Due to delay in achieving the milestones and completion of project, DFCCIL had to incur ₹ 2,233.81 crore till March 2021 towards price escalation. DFCCIL further anticipated future liability of ₹ 2,671.29 crore in this regard. The primary reasons for granting extension of time inter-alia include the delay in handing over of land to the contractors, delay in finalization of design, delay in utility shifting, delay in achieving milestones by the interface contractors and the same are discussed in the succeeding paragraphs:

3.1.15.1 Delay in handing over of land to the Contractors

As per provisions in the contract, the employer shall hand over certain percentage of land or shall give Right of Access to site to the contractor within a stipulated period of commencement of the works by the contractor. The contract also provides that initial possession of site for work will be handed over to the contractor in continuous stretches of at least 10 km. Thereafter, employer shall make efforts to provide access to site of at least 5 km length in isolated locations or minimum 1 km in stretches in continuation to the previously handed over stretch.

The cumulative percentage of land to be handed over within the stipulated period as per the contract conditions is indicated in the **Table 3.10.**

Table 3.10: Contract conditions for handing over of land		
Sl. No.	**Stipulated period of handing over of land after Commencement of work (in days)**	**Cumulative percentage of land to be handed over for work with respect to total length (in *per cent*)**
Rewari-Iqbalgarh and JNPT-Vaitarana (WDFC) and Bhaupur-Khurja section (EDFC)		
1	28	80
2	91	90
3	182	100
Bhaupur- Deen Dayal Upadhayaya section (EDFC)		
1	28	80
2	91	85
3	182	95
4	365	100

Scrutiny of records revealed that DFCCIL failed in making available required land as stipulated in the contract. The quantum of land to be handed over as per the time line prescribed in the contract vis-a-vis actually handed over under the jurisdiction of different field project offices is shown in the **Table 3.11**.

Table 3.11: Shortfall in achievement of target in handing over of land to the contractor					
Project Management Unit	**Cumulative percentage of land to be handed over**				
	80 *per cent*	**85 *per cent***	**90 *per cent***	**95 *per cent***	**100 *per cent***
	Cumulative percentage of land actually handed over				
CGM/Mumbai (JNPT-Vaitarana/WDFC)	17.65	NA	82.9	NA	82.9
CGM/Jaipur (Rewari-Madar/EDFC)	03	NA	10	NA	71
CGM/Ajmer (Madar-Iqbalgarh /EDFC)	NIL	NA	NIL	NA	98.7
CGM/Allahabad (East) (Bhaupur- Deen Dayal Upadhayaya section/EDFC for contract No. CP-201)	71	82	NA	85	97

Table 3.11: Shortfall in achievement of target in handing over of land to the contractor					
Project Management Unit	**Cumulative percentage of land to be handed over**				
	80 *per cent*	**85 *per cent***	**90 *per cent***	**95 *per cent***	**100 *per cent***
	Cumulative percentage of land actually handed over				
CGM/Allahabad (West) (Bhaupur- Deen Dayal Upadhayaya section/EDFC for contract No. CP-202)	85	85	NA	85	85
CGM/Tundla 1 (Bhaupur-Khurja/EDFC for contract No. CP-101)	35	NA	35	NA	70
CGM/Tundla-2 Bhaupur-Khurja/ EDFC for contract No. CP-102)	78	NA	78	NA	80
CGM/Tundla-3 Bhaupur-Khurja/ EDFC for contract No. CP-103)	62	NA	62	NA	62

NA: Not Applicable

There was shortfall in handing over of land up to 80 *per cent.* The reasons attributable to delay in acquisition and handing over of land were:

- Delay in notification for land acquisition and assessment of land
- Delay due to Arbitration / Court cases filed by aggrieved land owners,
- Delay in shifting of Charted and uncharted utilities and providing encumbrance free land.

Audit observed that there was delay in handing over of encumbrance free land to the contractor in respect of CP-101 under the jurisdiction of CGM/Agra. Contractor claimed prolongation cost[106] of ₹183.36 crore from DFCCIL. The Dispute Adjudication Board (DAB), decided (February 2020) the matter in favour of the contractor. DFCCIL, however, approached for arbitration against the decision of DAB. The matter was sub-judice (March 2021).

DFCCIL stated (October 2021) that the land acquisition activities completely fall in the domain of the State authorities concerned. DFCCIL also stated that the land acquisition process was delayed due to various external factors which were beyond the comprehension of DFCCIL.

[106] Prolongation costs are the additional costs that the contractor has incurred as a result of the completion of the works being delayed by an event that is the responsibility of the other party or Employer.

Factors contributing to the delay in land acquisition such as delay in assessment and notification for land acquisition were within the control of DFCCIL. DFCCIL could have avoided delay in shifting of utilities by way of effective co-ordination and pursuance with departments concerned. The contention of the DFCCIL was, therefore, not tenable.

3.1.15.2 Delay in finalisation and execution of contracts

Delay was observed in commencement of works pertaining to JNPT-Vaitarana Section of WDFC. The main reasons attributable to the delay in commencements were the delay in finalization of sub-design consultants (CTP-15A) and delay in obtaining concurrence from JICA (CTP-11, CTP-15A and EMP-16) etc. Further, delay in handing over right of access to encumbrance free site, delay in finalization of design and drawing due to deficient submissions by the contractors etc. led to delay in execution of the contracts. Resultantly, there was substantial shortfall in achievement as against the planned physical progress as indicated in the **Table 3.12**.

(In per cent)

Table 3.12: Status of Major Works Progress

Contract Packages	Physical Progress Planned to be achieved by March 2021	Overall Physical Progress JNPT-Vadodra	Actual Physical Progress between JNPT – Vaitarana Section	Shortfall (Col. 2– Col. 3)
1	*2*	*3*	*4*	*5*
CTP-11 JNPT- Vaitarana	100	23.78	23.78	76.22
CTP-15A JNPT- Vadodara	100	48.08	29.49	51.92
EMP-16 JNPT- Vadodara	100	75.78	59.59	24.22
STP-17 JNPT- Vadodara	99.32	38.73	10.17	60.59

The delay in completion of works would not only result in extra financial burden on the project but would also lead to avoidable claim from the interface contractors (Electrical and signaling contractors).

3.1.15.3 Delay in completion of Over Head Equipment works

Scrutiny of records revealed that Over Head Equipment (OHE) Works pertaining to Madar-Iqbalgarh Section of WDFC were scheduled to be completed by 2 August 2018 (MS- 4). The work could not be completed within the stipulated period. The progress of the work as in December 2019 was as indicated in **Table 3.13**.

Table 3.13: Status of Completion of OHE works					
Activity	**Unit**	**Scope**	**Achieved**	**Balance**	**Achievement (in *per cent*)**
OHE Foundations M/L	Number	13179	9532	3647	72.33
OHE Foundations Yards	Number	2213	843	1370	38.09
Anchor Foundation M/L	Number	3591	2596	995	72.29
Anchor Foundation Yards	Number	1035	431	604	41.64
Mast Grouting	Number	16919	7097	9822	41.95
Mast Grouting Yards	Number	1275	416	859	32.63
BEC Laying	TKM	765	205	560	26.80

Thus, even after passage of around one and half year from the stipulated date of completion, the progress of different activities in respect of OHE works ranged between 26.80 *per cent* and 72.33 *per cent*.

The reasons for delay in completion of OHE works were delay in Civil works (CTP) and non-provision of Foundation and Structure Erection to OHE works in due time. Activities for completion of MS-4 are directly linked to the actual completion of corresponding activities of MS-1 and MS-2. As the work of MS-1 and MS-2 could not be completed within the stipulated time period and extensions were granted for these milestones. Consequently, MS-4 i.e. OHE work was also delayed.

The delay in completion of works relating to OHE was one of the factors contributing to the delay in overall commissioning of the Rewari - Iqbalgar section. The commissioning of the section, which was planned in June 2018, remained incomplete till March 2021.

3.1.15.4 Delay in submission of programme activities

Clause 1.10.25 of Employer's requirements of Contract Agreement EMP-4, STP-5 and STP-5A pertaining to Rewari-Vadodara of WDFC provides for submission of different Programmes within the prescribed time schedule of 28 and 42 days. As per agreement, the Contractor is required to submit contractual construction programme, survey plan, inception report for approval of PMC.

Audit observed that the Contractor failed in timely submission of programmes. The delays ranged between 54 and 520 days**.**

DFCCIL stated (October 2021) that the delay in submission of programmes was on account of resolution of interface issues, site access by other contractors, design inputs and some other factors such as availability of 100 *per cent* encumbrance free land, resistance of local people, sudden interference of forest department etc. which were beyond the control of DFCCIL as well as contractual agencies.

Audit observed that the factors like interface issues, site access by other contractors, design inputs and availability of 100 *per cent* encumbrance free land were not beyond the control of DFCCIL. DFCCIL failed in timely resolution of these issues which were indicative of inadequate monitoring and co-ordination with various authorities.

3.1.15.5 Delay in shifting of utilities

Utility shifting is the process of clearance of utilities of Railways and other departments, such as, state electricity boards, oil and gas companies and telecom departments etc. which fall along the project site and may cause hindrance to the construction, operation and maintenance of track. Shifting of utilities, *inter-alia*, includes shifting of railway track, signaling and telecommunication utilities, optical fibre cables, level crossings and underground gas pipe lines etc. This requires co-ordination with various authorities owning the affected utilities. Concerned departments prepare the estimate for shifting of utilities. Based on the vetted estimate, DFCCIL make advance payment to the departments concerned.

Scrutiny of records relating to payment for shifting of utilities and the status of their progress revealed the following:

I. In respect of four sections test checked in audit, an amount of ₹2,275.93 crore was paid to different executing departments for utility shifting. Utilisation of ₹1,031.96 crore was adjusted against the advance leaving a balance of ₹ 1,243.97 crore unadjusted till March 2020.

II. In JNPT-Vaitrana section, out of 61 utilities approved for shifting, only nine utilities had been shifted till March 2021 as indicated in **Table 3.14.**

Table 3.14: Status of shifting of utilities and adjustment of advance payment

Sections	Advance paid (₹ in crore)	Advance adjusted (₹ in crore)	Unadjusted advance (₹ in crore)	No. of works	Completed works
JNPT -Vaitarana	631.55	307.02	324.53	61	09
Deen Dayal Upadhayaya - Bhaupur	558.12	90.85	467.27	79	60
Rewari - Madar	20.24	13.27	6.97	27	27
Bhaupur -Khurja	554.94	485.95	68.99	134	77
Madar-Iqbalgarh	511.08	134.87	376.21	50	23
Total	**2275.93**	**1031.96**	**1243.97**	**351**	**196**

Audit observed that the several extension of time were granted to contractors due to delay in shifting of utilities. This had also contributed to factors leading to time and cost overrun of the project as a whole.

The reply of DFCCIL (October 2021) narrated the status of utility shifting in North western Railway (NWR). DFCCIL's reply was not specific to audit observation.

3.1.15.6 Impact of delay in execution of contract

(a) Revision of targets for commissioning of projects

The failure in achieving different milestones had not only delayed in commissioning of project but also delayed in accrual of the intended benefits of the project. Audit observed that there was slippage of targets for commissioning of different sections as shown in the **Table 3.15**.

Table 3.15: Target for Commissioning of the Project

SL. No.	Section	Target as per concession agreement	First Revision of target	Second Revision of target
Western Corridor				
1	Rewari-Madar (Marwar)	June- 18	Dec-18	Commissioned
2	Madar (Marwar) - Palanpur (Iqbalgarh)	June -18	Sept-19	March- 2021
3	Palanpur (Iqbalgarh)-Makarpura	June -18	March -20	March- 2022
4	Makarpura-Sachin	Dec -18	March -20	June- 2022
5	Sachin-Vaitarna	Dec -18	March -20	June- 2022
6	Vaitarna-JNPT	Dec -18	March -20	June- 2022
7	Dadri-Rewari	Dec -18	March -20	March- 2022
Eastern Corridor				
1	Sahnewal-Pilkhani	Dec-19	March -20	June-2022
2	Pilkhani-Khurja	Dec-19	March -20	June- 2022
3	Khurja-Dadri	Dec- 19	Dec- 19	June- 2021
4	Khurja-Bhaupur	Mar- 17	March- 19	December 2020 (Commissioned)
5	Bhaupur - Deen Dayal Upadhayaya	Dec-18	Aug- 19	June 2022
6	Deen Dayal Upadhayaya - Sonnagar	Dec- 2016	Oct-19	December 2021

(b) Delay in finalization of design

A contract for "Design and construction of important and major bridges (54 Nos.) of Western Dedicated Freight Corridor" was awarded in December 2008 at a total cost of ₹ 605.15 crore on lump sum contract basis. The work was to be completed by August 2011. The contractor, however, could not complete the work within the stipulated period. DFCCIL, therefore, imposed the liquidated damages (LD) of ₹ 27.79 crore along with freezing of price variation indices as on 05 January 2010.

The contractor sought arbitration against the decision of the DFCCIL and raised claim of ₹128.15 crore[107] and interest on the claim. The Arbitral Tribunal passed an award[108] (January 2015) of ₹1,08.53 crore in favour of the contractor, failing which simple interest at the rate of 12 *per cent* per annum shall be payable by DFCCIL on the amount due to the contractor.

Chief Project Manager, Surat and the Project Management Consultant recommended DFCCIL to accept the arbitration award on the grounds that DFCCIL delayed in giving approval of General Arrangement Drawings (GAD) to the contractor. Moreover, the Company also could not make the land available to the contractor in time for construction of the bridges. DFCCIL, however, ignored the recommendations of CGM/Surat and challenged the Arbitral Tribunal award in High Court in April 2015.

In December 2016, Delhi High Court upheld the verdict of the Arbitral Tribunal. The awarded amount was paid to the contractor in March 2017. Due to delayed payment of award, DFCCIL had to pay interest of ₹ 28.23 crore[109] to the contractor.

DFCCIL stated (August 2019) that in terms of Arbitration & Conciliation Act, 1996, the parties involved have the right to contest the decision to protect their interest. DFCCIL justified their decision to contest the arbitral award to avoid huge loss to the public exchequer.

The reply of DFCCIL was not convincing. Despite recommendations of CGM/Surat and PMC to accept the arbitration award, DFCCIL approached the Hon'ble High Court against the award. Also, this action was taken against the internal Legal advice.

---

[107] Claim No. 1 – ₹ 60.78 crore, Claim No. 2 – ₹ 67.37 crore and Claim No. 3 – Interest on claims at the rate of 24 *per cent* from the date of claim became due.

[108] Total award was for ₹ 108,53,40,969 (including refund of LD of ₹ 27,58,16,740 and price variation of ₹ 79,40,24,229 and ₹ 1.55 crore towards pile cap bottom level works). Interest @ 12 per cent per annum amounting to ₹ 28,23,81,887.

[109] For the period 4 January 2015 to 16 March 2017

3.1.16 Miscellaneous issues

3.1.16.1 Mobilisation Advance

As per provisions of contract, the firm is entitled to interest free Mobilisation advance in two equal instalments to the tune of total 10 *per cent* of the contract value. First Mobilisation advance (five *per cent*) is paid on submission of Performance Security and commencement of Mobilisation process. The second advance (five *per cent*) is paid on submission of preliminary design of alignment and field survey, design procedures and process for 90 *per cent* of the total length in the contract subject to the production of utilization certificate of the first instalment of Mobilisation advance. In terms of item No.14.2 (a) of FIDIC conditions of contract, the deduction shall be commenced, at the rate of 25 *per cent*[110] of the net amount of each Interim Payment Certificate[111] (IPC), when the total of all certified interim payments exceeds 10 *per cent* of the contract value.

Scrutiny of records relating to payment of Mobilisation revealed the following:

(a) Loss due to delay in recovery of Mobilisation advance

Interest free mobilisation advance of ₹ 238.18 crore was paid to contractor against CP-201 contract of Deen Dayal Upadhayaya -Bhaupur Section (EDFC). For initiating first recovery of 25 *per cent* of the advance paid, the firm was required to execute works to the tune of ₹ 241.67 crore[112].

As per the schedule of milestone required to be achieved by the contractor, full recovery of Mobilisation advance was to be completed by August 2017. Due to slow progress of work, the recovery of Mobilisation advance was, however, started from the 18th IPC (June 2017). Till November 2019, ₹ 186.30 crore i.e 78.22 *per cent* of the Mobilisation advance was recovered leaving unrealized Mobilisation advance of ₹ 51.88 crore. As a result, DFCCIL incurred loss of ₹ 26.51 crore towards interest due to delay in recovery of Mobilisation advance.

Similarly, in respect of civil contract CP-202, recovery of total Mobilisation advance of ₹266.40 crore was to be completed by August 2017. Audit observed that DFCCIL recovered ₹ 225.36 crore till December 2019 due to slow progress of work. This had also resulted in loss of interest of ₹ 29.24 crore.

---

[110] 15 *per cent* in case of Western Corridor.
[111] excluding the advance payment, deductions and repayment of retentions.
[112] 10 *per cent* of the contract value of ₹ 2416.68 crore.

In yet another contract CTP- 11 of JNPT-Vaitarana section of WDFC, Mobilisation advance of ₹ 275 crore was paid to the Contractor in two instalments in March 2017 and in March 2019. As per the Planned Construction Programme, the recovery of Mobilisation advance should have commenced from May 2018 onwards on achievement of 10 *per cent* physical progress. Accordingly, recovery should have been completed by November 2019 on attaining 77 *per cent* physical progress.

Audit observed that DFCCIL could not recover Mobilisation advance from the contractor till March 2020 due to slow progress of work. Based on the planned physical progress as per S-curve shown in the Monthly Progress Report (MPR) of DFCCIL, the recovery of the Mobilisation advance would be completed in August 2021, when 77 *per cent* physical progress is expected to be achieved.

The loan from JICA routed through MoR involves payment of interest at the rate of 7 *per cent* per annum in perpetuity with no principal re-payment. The delay in recovery of Mobilisation advance led to avoidable interest liability of ₹ 26.42 crore on DFCCIL.

DFCCIL contended (October 2021) that there was no provision of levying of interest in the contract due to delay in recovery of mobilisation advance. DFCCIL also contended that there was no loss of interest as interest free mobilisation advance was given to contractors.

In this connection, it is stated that DFCCIL could not recover full mobilisation advance from the contractors concerned within the specified period due to slow progress of works. Audit assessed the loss of interest beyond the specified period within which recovery of mobilisation advance should have been completed. The contention of DFCCIL was, therefore, not acceptable.

(b) Irregular release of moblisation advance

A civil contract (CP-201) for construction of embankment and laying of track in the section Deen Dayal Upadhayaya – Bhaupur section (EDFC) was awarded to a JV firm. A Joint Venture is an arrangement in which two or more parties agree to pool their resources for the purpose of a specific task or transaction. The co-ventures open a separate bank account for the venture transactions[113]. All Financial transactions are being carried out from this JV account.

Audit observed that the first Mobilisation advance of ₹ 120.84 crore was paid to the JV firm in June 2015. For releasing second advance, the JV firm produced utilization certificate in respect of expenditure incurred from an account other

[113] Companies Act, 2013 and the Limited Liability Partnership Act, 2008.

than JV firm's account. The DFCCIL raised objection over this transaction. PMC, however, accepted the utilization certificate and accorded its approval for release of second Mobilisation advance of ₹117.33 crore.

Audit further observed that the basis of acceptance of utilization certificate was not recorded by PMC. In absence any amendment to the policy and consequent change in the provision laid down in the contract, release of second Mobilisation advance was irregular and tantamount to undue favour to the JV firm.

DFCCIL stated (October 2021) that as per clause 14.2 of contract, second mobilisation advance may be granted on the satisfaction of engineer (PMC). DFCCIL stated that the second Mobilisation advance was released as per the approval of PMC.

Audit, however, observed that the clause 14.2 provides that second instalment of Mobilisation advance would be released after submission of details of utilization of first Mobilisation advance. PMC overruled DFCCIL's objection for releasing Mobilisation advance without recording reasons thereof.

3.1.16.2 Unfruitful expenditure towards WPC license for GSM-R spectrum

Spectrum on GSM-R technology is required for Mobile Train Radio Communication. DFCCIL decided (December 2017) to run Mobile Train Communication in entire Dedicated Freight Corridor. Accordingly, DFC/Jaipur applied (December 2017) for WPC license for frequency allocation from Department of Telecommunication for Rewari to Makarpura section of WDFC. DFC/Jaipur further applied (August 2018) for additional 73 BTS (Base Transceiver Station) sites of Rewari to Palanpur section within the same route of Rewari – Makarpura section.

Audit observed that BTS equipment had not been installed at sites till March 2021. WPC license for GSM-R services can only be utilised when actual train operation starts. It was also observed that DFCCIL paid Spectrum Charges of ₹28.88 crore (including ₹ 0.40 crore paid for belated payment of spectrum charges) for the period September 2018 to April 2021. The section Rewari-Makarpura[114] is targeted for commissioning by March 2022. Due to delay in commissioning of the section, the expenditure incurred for payment of spectrum charges was, therefore, premature and avoidable.

DFCCIL explained (October 2021) the reasons for requirement of WPC licence. DFCCIL's reply did not elaborate the reasons for not procuring BTS

[114] Rewari-Madar commissioned in January 2021

equipment till April 2021, which led to unfruitful expenditure towards payment of spectrum charges.

3.1.17 Monitoring of progress of DFC project

In August 2006, Cabinet directed that an Empowered Committee under the Chairmanship of Cabinet Secretary would be constituted to monitor the time bound implementation of the DFC Project. No such committee was formed till June 2009. A High Level Monitoring Committee comprising Chairman Railway Board (CRB), Finance Secretary, Foreign Secretary and Secretary of Department of Industrial Policy and Promotion[115] (**DIPP**) under the Chairmanship of Principal Secretary to Prime Minister was set up in June 2009 for monitoring the project.

In the first meeting (June 2009) of the Committee, it was decided that MOR should expedite the submission of the Cabinet Note for clearance of JICA loan and timeliness of final commissioning of both projects which would be expected in 2016-17, later the target for commissioning of DFC project was fixed as December 2016 in the meeting held in December 2011. It was decided that the CRB would comprehensively review the time-line of various components of both Western and Eastern DFC. It was specified that the results of review would be communicated to the Monitoring Committee with the approval of the Minister for Railways. Further, as desired by the Planning Commission, physical and financial targets for the year 2010-11 was finalised for monitoring on quarterly basis. In March 2010, Planning Commission intimated the Ministry of Railways that the achievement of targets would be reviewed and reported to the Prime Minister on quarterly basis. Since then, progress of DFC project was being monitored by the Planning Commission.

In the process of reporting the progress of project, there had been some occasional meeting by the MoR with DFCCIL. However, no recorded documents regarding the action taken by the MoR or DFCCIL on the basis of the decisions taken in the meeting could be made available to audit. From November-2014 onwards, communication between PMO and MoR regarding progress of DFC project was being uploaded on e-Samiksha on monthly basis.

Audit observed that DFCCIL had regularly submitted Monthly Progress Report (MPR) to MoR since June 2014. MoR's approach was, however, very casual. Regular review of the MPR of DFCCIL for addressing various issues of concern and monitoring timely implementation of project was not carried out.

[115] Renamed as the Department for Promotion of Industry and Internal Trade

3.1.18 Conclusion

Ministry of Railways envisioned construction of Dedicated Freight Corridors (DFC) as high speed, high axle load carrying corridors for freight movement. In view of the need of significant investment vis-a-vis the available resources, IR resorted to multilateral funding from JICA and World Bank. Audit observed that DFCCIL could not fully utilize the JICA fund resulting in payment of avoidable commitment charges to the tune of ₹16 crore. The relationship between the MoR and DFCCIL is governed by a Concession Agreement (CA). Audit observed that there was lack of functional independence as MoR is the sole customer. In deviation of the terms and conditions of the CA, no provision for return on equity was made for commercial sustainability of DFCCIL

The project suffered from several setbacks right from the planning stage to its execution. Audit observed several instances of planning deficiencies in respect of implementation of DFC between Sonnagar and Dankuni through PPP mode, maintenance of rolling stock of DFC, land acquisition, upgradation of feeder routes etc. Inaccurate assessment of land and delay in payment of compensation/award to project affected persons led to avoidable expenditure of ₹285.21 crore. The progress of the project was adversely affected mainly due to delay in awarding of contracts, delay in appointment of consultants, delay in handing over of land to the contractors and finalization of designs etc. Several extensions of time were granted for not achieving the milestones within the stipulated period. The target of commissioning of different phases/sections of the project had undergone repeated revisions. Due to slow progress of works, the consultancy contracts had to be extended, which resulted in extra expenditure of ₹98.27 crore.

The objective of formation of DFCCIL with 100 *per cent* equity of MoR to avoid any time or cost overrun and also to get the Eastern and Western DFCs positioned within five years of their commencement was defeated. Except a small stretch of 657 Km, the project remained incomplete till March 2021. Slow progress of works resulted in extra expenditure of ₹2234 crore towards price escalation besides ₹145.60 crore towards loss of interest on Mobilisation advance and others. Test check in audit revealed that the delay in commissioning burdened the project with avoidable expenditure of ₹2690 crore as against the total expenditure of ₹74,028 crore incurred on the project till March 2021. Delay in completion of project also deprived DFCCIL/Indian Railways of intended objective of creation of additional line capacity to increase freight traffic share.

3.1.19 Recommendations

Ministry of Railways may consider -

- ***Fixation of track access charges with provisions for return on equity in accordance with the terms and conditions of Concession Agreement with DFCCIL;***
- ***Expeditious upgradation of feeder routes and finalize strategy for maintenance of rolling stock of DFC;***
- ***Necessary action plan to ensure adherence to the target for progress of works and optimal utilization of borrowed fund to avoid payment of commitment charges; and***
- ***Initiating necessary action to monitor actively the progress of DFC works to avoid further slippage of targets and cost overrun.***

3.2 Blockade of fund: North Eastern Railway

Ministry of Railways (MoR) sanctioned a detailed estimate in July 2008 for construction of the new line project between Chhitauni – Tamkuhi Road under Varanasi Division of North Eastern Railway (NER). NER in violation of the instructions issued by the MoR entered into contractual liabilities with various agencies for execution of the new line project without ensuring acquisition of the land required for the project. MoR subsequently in September 2019 kept the project in abeyance. This resulted in blockade of fund to the tune of ₹ 115.10 crore invested on the project till date.

Ministry of Railways (MoR) issued instructions from time to time with regard to entering into contractual liabilities before land acquisition. These instructions were re-iterated by the Ministry in July 2013 which stipulated that the Railways should not enter into contractual liabilities in case of the New Line Projects unless the land required for completion/ commissioning of project/ identified section of the project over at least 70 *per cent* of the linear alignment has been acquired.

MoR sanctioned (July 2008) a detailed estimate for construction of new line between Chhitauni - Tamkuhi Road (58.88 Km) under Varanasi Division of North Eastern Railway (NER) at a total cost of ₹ 236.50 crore.

Scrutiny of records revealed (March 2020) that for execution of the new line project, land measuring of 571.32 acre (190.19 acre in Uttar Pradesh and 381.13 acre in Bihar) was to be acquired. However, NER Administration acquired (till 2013) only 204.60 acre of land (Private land 151.40 acre and Government land 53.20 acre) out of total 381.13 acre in Bihar. Thereafter, no land was acquired in Bihar. For acquisition of land, an amount of ₹ 60.05 crore was deposited by the NER Administration with the Bihar Government. In

Uttar Pradesh, Railway Administration had not been able to acquire any land till date.

Audit also noticed that Paniyahwa – Chhitauni (3.7 km.) section of new rail line was completed in March 2012. However, the train operation was not feasible on this short distance section till completion of remaining new line between Chhitauni to Tamkuhi Road. Further, the work of 'Construction of well foundation/open foundation, pier/abutment, PSC/composite girders, retaining walls, diversion of road and approaches of proposed RoB on NH-28B between Paniyahwa - Chhitauni was awarded to the Contractor in March 2012 at a total cost of ₹ 20.59 crore. However, due to poor progress in execution of the work, the Agreement was rescinded in November 2016 under clause 62 of Standard General Conditions of Contract.

The NER Administration also entered into four other Contract Agreements with different contractors during January 2017 to March 2019 for execution of various works[116] of the Chhitauni - Tamkuhi road new line project at a total cost of ₹ 51.74 crore. The contracts were awarded despite acquisition of only 204.60 acre of land against the requirement of 571.32 acre (36 *per cent* of 571.32 acre). An amount of ₹ 55.05 crore was incurred on construction work till July 2021.

Further, due to non-acquisition of land, forest clearance, stiff local resistance and various other factors, MoR in September 2019 decided to keep six projects of NER in abeyance which included Chhitauni - Tamkuhi road project. MoR gave directions to the NER Administration not to incur any further expenditure on these projects. The overall expenditure incurred by the NER on the project works out to ₹ 115.10 crore till July 2021 which included ₹ 60.05 crore as cost of land.

Scrutiny further revealed that Station Building at Chhitauni was completed, the sub-structure of the RoB between Paniyahwa - Chhitauni was completed except pier caps as shown in photographs below:

[116] Linking of track, insertion/dismantling of points, loading/unloading of rail, sleepers, all type of fittings, earth work and blanketing formation, construction of RuB, minor bridges and other misc work, manufacturing, supplying and stacking of machines crushed track ballast and balance work of construction of well/open foundation, pier/abutment etc.

Thus, commencement of the work of new line project between Chhitauni - Tamkuhi road by NER Administration without ensuring acquisition of required land and subsequent decision of MoR to keep the project in abeyance led to blockade of fund to the tune of ₹ 115.10 crore due to non-execution of Infrastructure Project. Further, as the NER Administration have already incurred a sizeable expenditure on earthwork, blanketing, embankment etc., the possibility of damage to the same due to rain and other factors cannot be ruled out.

The matter was taken up with the General Manager, NER (November, 2020). The NER Administration, in their reply stated (August 2021) that the work had been kept in abeyance as per the direction of the Railway Board. As regard the construction of RoB, it was stated that the decision of Railways to construct RoB on National Highway was prudent one and once this new line will be operational, the road traffic will also increase due to subsequent development of the local areas. The RoB will provide smooth traffic movements in the interest of the public at large.

The reply is not acceptable as the NER Administration failed to comply with the instructions issued by the MoR from time to time with regard to entering into contractual liabilities before land acquisition.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

3.3 Unfruitful expenditure in construction of Grade Separator due to non- compliance of Railway Board's directives: Northern Railway

Ministry of Railways had issued instructions for ensuring clear sites of work before awarding the contracts. Northern Railway Construction Organization awarded the contracts for work of construction of Grade Separator without ensuring clear sites of work. There were encroachments in both the entry sides. Due to encroachments, the work could not be completed even after 10 years from its sanctioning. Capital expenditure of ₹ 71.50 crore incurred on the work till 31 March 2021 remained unfruitful.

Ministry of Railways (MoR) had issued the instructions (August 1980[117] and February 1985[118]) to all the Zonal Railways that before calling tenders, it may be ensured that the Railway is in a position to handover the site of work and supply the plan *etc*. to the contractor. Contract for execution of works should not be awarded unless site investigation have been completed, all plan drawings and estimates have been duly approved/sanctioned by the competent authority.

For ensuring uninterrupted/smooth movements of trains, work for construction of Rail Flyover (Grade Separator)[119] from Patel Nagar on Delhi Avoiding Line to Delhi Ambala Line was sanctioned in the Works Programme (1999-2000) at an estimated cost of ₹ 25.48 crore. However, the work was frozen in July 2001 by MoR till the completion of Gauge Conversion of Delhi-Rewari section. In May 2006, MoR, at the request of Northern Railway Administration, de-freezed the work of construction of Grade Separator. MoR sanctioned (June 2008) the Detailed Estimate of the work at ₹ 54.15 crore.

Northern Railway Construction Organization (NRCO) awarded (April 2009) the work[120] for the construction of Grade Separator to M/s Gangotri Enterprises Ltd./Lucknow at a cost of ₹ 48.02 crore with the date of completion within 15 months i.e. by July 2010. However, the work was not completed as yet mainly due to encroachments at both the approaches. During the currency of work, Detailed Estimate of the work was revised twice in July 2013 (from ₹ 54.15 crore to ₹ 156.65 crore) and in January 2016 (from

[117] MoR's letter No. 80/W2/3/33 dated 28/29 August 1980

[118] MoR's letter No. 85/W1/CT/9 dated 22 February 1985

[119] Grade separation is a method of aligning a junction of two or more surface transport axes at different heights (grades) so that they will not disrupt the traffic flow on other transit routes when they cross each other.

[120] Work of Construction of Dayabasti Grade Separator including earth work, blanketing, retaining wall, PSC, girders, bridges, RUB's Quarters *etc*. on Dayabasti-Azadpur Section through M/s Gangotri Enterprises Ltd. Lucknow (1st Agency)

₹ 156.65 crore to ₹ 196.17 crore) mainly due to inclusion of via-ducts[121] instead of earthen embankment.

Initially, the entire work of construction of Grade Separator was awarded to one Contractor. However, due to inclusion of viaducts, work of the first Contractor was reduced. For construction of viaduct with Pre-Stressed Concrete voided slabs/composite girders and construction of retaining wall *etc.* along with two more contracts[122] were awarded to M/s Sona Builders/Gujarat (October 2016) and M/s Jandu Construction Company/Hisar (December 2017) with the date of completion by April 2018 and December 2018, respectively. However, the work has not been completed as yet, and overall physical progress was 55 *per cent* (March 2021). Audit observed that there was one more hindrance i.e. existence of 66 KV Over Head Line of North Delhi Power Limited (NDPL) which infringed the work of Grade Separator. However, despite Estate Officer's order of July 2015 to vacate the pubic premises, NDPL had not shifted the Over Head Line and deposited the dues of Way Leave charges[123] to Railway Administration.

Audit observed that the matter regarding removal of encroachments was taken up by Northern Railway Administration with Delhi State Government since 2003; but no concerted efforts were taken by the Delhi State Government and Northern Railway Administration for removal of encroachments. As a result, work at the site remained held up. Northern Railway Administration incurred ₹ 71.50 crore[124] up to March 2021 on this work. The contract awarded to M/s Gangotri Enterprises Ltd. was terminated as the contractor failed to complete the work by the targeted date and also not applied for extension of completion period. The contract awarded to M/s Sona Builders was also curtailed due to encroachment and non-completion of

---

[121]Viaduct is a long bridge-like structure, typically a series of arches, carrying a road or railway across a valley or other low ground

[122] (i) Construction of Viaduct with PSC voided slab and composite girders from Ch. 1400.00 m to Ch.1600.00 m Bridge No.14 and composite girder bridge across Lawrence Road along with other related Civil works *etc*. to M/s Sona Builders/Gujarat and (ii) Construction of Retaining Wall between from Ch. 1768 to Ch. 2153 & Ch. 2450 to Ch. 2550 of Double Line track and other Misc. works to M/s Jandu Construction Company/ Hisar

[123] Way leave facilities/easement rights on railway land involve occasional or limited use of land by a party for a specified purpose like passage *etc.* without conferring upon the party any right of possession or occupation of the land and without in any way affecting the Railway's title, possession, control and use of the land. Way leave facility/easement right may be allowed after execution of proper Agreement. Way leave charges are to be paid by the party to Railway Administration.

[124] M/s Gangotri Enterprises (₹ 38.20 crore), M/s Sona Builders (₹ 28.10 crore), M/s Jandu Construction Co. (₹ 5.20 crore)

connected work by M/s Gangotri Enterprises Ltd. and the work of Grade Separator was kept on hold until encroachment is removed.

Thus, despite clear directives[125] of MoR, NRCO awarded the contract(s) for construction of Grade Separator without clearing/removing the encroachments at the sites of the work. NRCO accepted (March 2017 and December 2017) that encroachment was a major cause for non-completion of the project. As the construction of Grade Separator has not been completed, the intended benefits i.e. uninterrupted/smooth movements of trains could not be achieved. The Civic Authority i.e. Delhi Urban Shelter Improvement Board (DUSIB)[126] has assessed the cost of Rehabilitation and Resettlement (R&R) at ₹ 10 lakh per Unit (Jhuggi). A sum of ₹ 168 crore would be required for removal of 1,680 Jhuggis from the work sites. The cost of work[127] has increased to ₹ 358.97 crore and Material Modification Estimate of the work, sent by NRCO to MoR in May 2019, was pending for approval. As the encroachment has not been removed, possibility of completion of work of Grade Separator in near future is remote.

Matter was taken up with Northern Railway Administration in November 2020. In reply, they stated (March 2021) that out of total length (area) of 3 km for construction of Grade Separator, 2 km area was available and one km area was occupied by Jhuggies. Contracts were awarded and work started in the encroachment free area of 2 km. No tender has been invited on both the entry sides and will be processed after removal of encroachments which is being followed up with the State Government as per R & R policy. After shifting of Jhuggies, work for the balance length of Grade Separator will be taken up.

Reply of Zonal Railway Administration is not acceptable. Despite MoR's instructions for awarding contracts only after having clear sites, NRCO awarded the contracts without ensuring clear sites of work/removing encroachments. Capital expenditure of ₹ 71.50 crore incurred so far on the work has been unfruitful.

The matter was referred to MoR in October 2021; no reply was received (November 2021).

---

[125] for awarding the contract only after ensuring that Railway is in position to handover the sites to the contractor along with the approved plans/drawings, soil test reports *etc.*

[126] Delhi Urban Shelter Improvement Board (DUSIB) created under DUSIB Act, 2010 passed by Legislative Assembly of National Capital Territory of Delhi

[127] due to revision of provision of funds for removal of Jhuggis

3.4 Injudicious decision of Railway Administration resulted in underutilization of Asset and idling of investment: Western Railway

Creation of Routine Overhaul facilities for 300 Box wagons per month at Shambhupura Depot of Ratlam Division by overestimating the work load, has resulted in gross underutilization of facilities created at an estimated cost of ₹ 32.80 crore.

Ministry of Railways (MoR) sanctioned (November 2011) a proposal to set up Routine Over Hauling Depot with a capacity for ROH of 300 BCNHL wagons per month at Shambhupura, at a cost of ₹ 29.64 crore.

The proposal was based on anticipated increase in arrival of wagons on account of upcoming cement sidings in nearby area at Shambhupura (SMP) of Ratlam (RTM) Division. It envisaged availability of wagons in ROH cycle of one day as against the existing cycle of 5.5 days and thus an annual saving of ₹ 24.29 crore.

While according finance concurrence for inclusion of the said work in PWP 2012-13, FA & CAO suggested (03 November 2011) that 'considering existing ROH Depots at Vatva (VTA), Sabarmati (SBI), Ratlam (RTM), Pratapnagar (PRTN) and upcoming Gandhidham (GIM) Depot, a perspective plan should be prepared to close Ratlam and Vatva Depots and redeploy the resultant surplus Machinery and Manpower to avoid sub-optimal utilization of resources provided in these Depots. Further, initial capacity of ROH Depot can be pegged lower at 150 wagons per month, to be increased subsequently as per need and prune down capital cost proportionately.

In response to the observations of FA & CAO, the then Chief Mechanical Engineer, Churchgate agreed (04 November 2011) for closure of Down yard[128] Depot at Ratlam only but expressed optimism that once commissioned, the Depot at Shambhupura would operate on full capacity load.

Thereafter, detailed Estimate of ₹ 32.80 crore for this work was prepared by CAO/C/CCG in December 2013. The ROH Depot, SMP planned to be commissioned in October 2016 was finally commissioned on 07 February 2018. The total cost booked against this work as of May 2021 is ₹ 31.52[129] crore.

[128]ROH Depot is situated adjacent to the Dn line of Ratlam-Mumbai Section.

[129]Completion Report is yet to be drawn of this project.

Audit also observed that the Shambhupura Depot was operating at only 17 *per cent* of its rated capacity. Against the planned turnaround cycle of one day, the overhaul on an average took extra 3.13 days per wagon. Also, contrary to the original plan to close the Down Yard, Ratlam Depot after Shambhupura Depot was commissioned, it still continued.

Audit further observed that against the installed capacity for routine overhauling of 300 wagons every month, Shambhupura Depot on an average, overhauled only 81 wagons per month during the period February 2018 to June 2021 The capacity utilisation had increased only marginally from 17 *per cent* (June 2019) to 27 *per cent* (June 2021). Audit also observed that on an average, overhauling of each wagon took extra 2.76 days against the projected turnaround time of one day per wagon.

Further, the planned capacity at Shambhupura did not take into consideration other factors which could impact its capacity utilisation i.e.

- Commissioning (December 2016) of Phulera[130] Depot of North Western Railway with a rated capacity of 85 wagons per month and;
- Non closure of the Vatava Depot;
- Transfer of 50 *per cent* of Shambhupura based Padmini rakes to Gandhidham[131] also affected arising of wagons for ROH at Shambhupura.

Thus, decision to create facilties for ROH of 300 BCNHL wagons per month at SMP Depot was injudicious considering that infrastructure created is underutilized with consequent idling of investment of ₹ 31.52 crore made on setting up of this ROH facility (May 2021).

The matter was taken up with Ministry of Railways in August 2021. In their reply, MoR stated (October 2021) that facilities for the wagon Depot Sambhupura were planned as per Major Depot. As per para 1104 of Wagon Maintenance manual, the Major Depot is categorized with ROH capacity of 125- 250 wagons per month. Depot of ROH capacity 250-500 wagons per month comes under Mega Depot. The ROH wagon Depot at Sambhupura (SMP) is a Major Depot with Maintenance and Practices and other facilities are in commensuration with the category of 125-250 ROH per month.

It further stated that Wagon ROH activity at DN Yard Ratlam Depot was gradually decreased and shifted to Sambhupura in phased manner to avoid

[130] located at a distance of 277 Kms from Shambhupura.

[131] Commissioned in April 2017.

transit problems & ultimately stopped on 18.09.2019. Complete staff of ROH activity of Down Yard RTM has been transferred to Wagon Depot SMP. ROH of wagons is now being done at SMP only. The facility of 300 ROH wagons per month is required looking into the present wagon ROH arising of almost 215 per month, which is further increased to peak with the implementation of Mission 2024 MT loading by year 2024. All required machinery and Plant have been shifted to SMP.

The reply was not acceptable. As per sanctioned detailed estimate, Sambhupura Depot was planned and constructed for capacity of ROH of 300 wagons per month. Therefore, as per Para No. 1104 of Chapter 11 of the Wagon Maintenance Manual, this Depot would fall under the category of Mega Depot (250 to 500 wagons per month). Wagon ROH activity at DN Yard Ratlam Depot was stopped in September 2019 (i.e. after 20 months after commissioning of ROH Depot Sambhupura). However, six M&P and four T&P equipment are yet to be shifted to Sambhupura ROH Depot even though more than two years have elapsed after closure of Wagon ROH activity at DN Yard Ratlam Depot.

Railway Administration has not taken concrete steps for providing required manpower in the Shambhupura ROH Depot.

3.5 Non-recovery of cost of Commercial staff posted in the siding: Central Railway

Central Railway Administration due to weak internal control failed to recover the cost of commercial railway staff posted in private sidings from 35 siding owners (including 13 private parties). The outstanding recovery of ₹ 23.92 crore pertained to intermittent periods during August 2008 to March 2020.

Ministry of Railways (MoR) issued (March 2005) Liberalized Siding Rules related to setting up and functioning of sidings. Under these rules, in all the private sidings[132], (excluding 'Engine-on-Load' scheme) barring the cost of one commercial staff per shift, Railway was required to bear the cost of all other railway staff. MoR in August 2016 reiterated that the siding party shall bear the cost of one commercial staff per shift.

Further, as per Para 1141 of Indian Railway Code for the Accounts Department (Volume-I), it is the duty of Accounts Officer that the bills for services rendered were promptly made out and issued to the party. The

[132]A private siding is a siding constructed to serve a Government Department, a factory, mill, industry, mine or other private party.

Accounts Officer should advise the Executive Head of the Office, the position of the outstanding bills every month and also report the position every quarter to the Financial Adviser and Chief Accounts Officer.

During review of records of sidings (excluding cases pertaining to EOL scheme) of four Divisions of Central Railway viz., Mumbai, Pune, Nagpur and Bhusawal, Audit observed the following:

- Staff cost amounting to ₹ 23.92 crore[133] pertaining to intermittent periods during August 2008 to March 2020 was outstanding for recovery in respect of 35 sidings[134].
- Out of the total outstanding amount of staff cost, ₹ 7.02 crore pertained to 13 sidings owned by private parties.
- The remaining amount of staff cost, ₹ 16.90 crore pertained to 22 Government/Public Sector Undertakings sidings for the period October 2013 to March 2020.
- Out of the 35 sidings, two sidings[135] (one siding owned by private party and one PSU siding) were closed in 2017-18 and January 2019. Staff cost of ₹ 1.04 crore was outstanding for recovery from these sidings. Details are given in **Annexure 3.5.**

Audit noted that even though the staff cost bills were preferred by the Accounts Department of the concerned Divisions against the siding owners, the same remained outstanding for recovery till date. Outstanding staff cost pertaining to seven sidings[136] for the period up to March 2014 reported earlier through Audit Report No. 24 of 2015 (Railways)-Volume-I were still outstanding for recovery.

Audit further noted that in Mumbai Division, staff cost bills for the intermittent periods (ranging from three months to 54 months) during April 2013 to March

[133](Mumbai Division - ₹ 21.06 crore from 22 sidings, Pune Division - ₹ 1.00 crore from three sidings, Nagpur Division - ₹ 0.54 crore from five sidings and Bhusawal Division-₹ 1.32 crore from five sidings)

[134] Out of 35 sidings, no siding was Engine-on-Load siding. Hence, cost of staff was recoverable from these sidings.

[135] One Private Siding in Pune Division was closed in 2017-18. Staff cost amounting to ₹ 0.68 crore was outstanding for recovery. One PSU Siding in Bhusawal Division was closed in November 2019. Staff cost amounting to ₹ 0.36 crore was outstanding for recovery.

[136](i) Bharat Petroleum Corporation, Uran, (ii) Indian Oil Tanking Ltd. Siding, Jasai Chirle (iii) Rashtriya Chemicals & Fertilizers siding, Thal, (iv) Tata Thermal Power Station, Trombay (v) Food Corporation of India Ltd., Kalamboli (vi) Bulk Cement Corporation Ltd., Kalamboli (vii) JSW Steel Ltd., Vasind

2020 were not preferred by the Railway Administration against the nine sidings (six Private sidings and three Government/PSU sidings). The Additional Divisional Finance Manager/Mumbai stated (April 2021) that certain bills could not be raised as the same were not received from the Personnel Department.

The Divisional Commercial Manager/Bhusawal stated (August 2021) that one siding namely Central Warehousing Corporation (CWC)/Khandwa is reluctant to pay the outstanding dues since no traffic has been dealt at the siding for the last four years. They have submitted proposal for closure of the siding. This issue has been taken up with the Chief Managing Director of CWC. No reply was received from Divisional Authorities of Nagpur.

The huge outstanding dues towards recovery from the siding owners indicate weak internal control system and inadequate monitoring mechanism at the Divisional levels. There was lack of co-ordination between the Personnel and Accounts Departments in Mumbai Division. The dues were outstanding for recovery for the last 12 years (oldest pertaining to December 2008-Mumbai Division). Railway Administration failed to vigorously pursue and recover the outstanding dues from the siding owners.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

3.6 Injudicious decision for the execution of Panel Interlocking work instead of Electronic Interlocking work resulted in unfruitful expenditure: Eastern Railway

Eastern Railway carried out Panel Interlocking work in a section which was simultaneously sanctioned for doubling work which entails Electronic Interlocking. On completion of Panel Interlocking work, the Doubling of the section was carried out with Electronic Interlocking resulting in unfruitful expenditure of ₹ 11.42 crore incurred on panel interlocking work.

Ministry of Railways (July 2011) advised all Zonal Railways that the estimate from Panel Interlocking (PI) to Electronic Interlocking (EI) can be revised without resorting to material modification. These works can be sanctioned as per delegation of powers.

Ministry of Railways observed (June 2011) that many replacement works are still in progress which were sanctioned under Plan Head (Signalling and Telecommunications) in 2004-05. These works are still in progress as they were linked to works with other plan heads like Doubling, Gauge Conversion and Traffic Facilities. Zonal Railways were advised to complete these replacement works as per the existing lay out using EI so that modification later on can be carried out with lesser effort and minimum duration of non-interlocking (NI) period.

Ministry of Railways sanctioned (2011-12 and 2012-13) the works for replacement of Mechanical Interlocking at Sujnipara, Jangipur Road, Dhulian Ganga and Nimtita stations of Eastern Railways by PI.

Review of records carried out by Audit revealed that Eastern Railway Administration awarded contracts for the panel interlocking in December 2013 at a cost of ₹ 4.25 crore. The work was completed at a cost of ₹ 3.90 crore and in addition stores/ establishment charges for ₹ 7.52 crore were also incurred. Thus, an amount of ₹ 11.42 crore was spent towards the PI work. The date of commissioning[137] of panel interlocking works in these four stations were between October 2015 and September 2017.

Ministry of Railway sanctioned Doubling work between Monigram and Nimtita (containing Sujnipara, Jangipur Road and Nimtita stations) in 2012-13. The detailed estimate for the work was sanctioned by the Ministry of Railways in December 2013 for ₹ 259.23 crore (S&T[138] cost was ₹ 25.10 crore). Ministry of Railways sanctioned (2015-16) a Doubling work between Nimtita- New Farakka covering Dhulian Ganga station with estimated cost of ₹ 32.84 crore for S&T works alone. The S&T works in the above four stations were of Electronic Interlocking[139] in nature.

Signalling contract for the above two doubling works was awarded to M/s Param Enterprises in February 2018 at a cost of ₹ 42.43 crore. The work covered stations of Sujnipara, Jangipur Road, Nimtita and Dhulian Ganga. The Electronic Interlocking work was commissioned during the period November 2018-July 2019.

Audit observed that with the commissioning of the Doubling work with EI, the system of panel Interlocking became useless as the works of panel interlocking and electronic interlocking are different in nature. The Eastern Railway Administration before awarding the contract for PI had scope for revising the estimate from PI to EI. This must have been adhered to as per MoR directives of July 2011.

---

[137] Jangipur Road (11 Oct 2015), Sujinipara (20 May 2017), Nimtita (03 July 2017) and Dhulian Ganga (11 Sep 2017)

[138] The original S&T cost was revised to ₹ 46.19 crore

[139] Electronic Interlocking system is a microprocessor based interlocking equipment. The system is alternate to the conventional Relay Interlocking system (Panel Interlocking and Route Relay Interlocking)

General Manager, Eastern Railway in his inspection on 23 December 2015 at Jangipur Road, remarked that the new panel has been commissioned on 11 October 2015. Even though Doubling of the section has been taken up, the panel do not have provision for double line. When doubling will be commissioned, complete interlocking including panel will have to be replaced incurring additional expenditure.

Audit observed that the Eastern Railway Administration had not followed the directives of the General Manager and the other three stations were commissioned during the period May 2017 to September 2017.

The entire expenditure of ₹ 11.42 crore became infructuous as the panel interlocking was changed subsequently to EI during the period November 2018 to July 2019.

The matter was brought to the notice of Ministry of Railways in July 2021. In their reply (October 2021), it was stated that Ministry vide letter of 2011 did not advise to adopt EI in place of PI for replacement work. It further stated that the PI system has not become useless, as the outdoor gear, signaling cables have already been reused in EI doubling work.

The reply of MoR was not acceptable as before awarding the contract of PI work in December 2013, there was every scope of revising the estimate from PI to EI. Further, Deputy Chief Signal and Telecommunication Engineer (Construction), MLDT has stated (September 2020) that no material used for PI in single line section was utilized for commissioning of EI in connection with doubling work.

3.7 Loss due to non-recovery of damage and deficiency cost of wagons from siding owners: East Coast Railway

East Coast Railway (ECoR) formulated a Joint Procedure Order (JPO) for half yearly joint inspection in sidings to assess average Damage and Deficiency (D&D) of wagons and recovery of D&D cost on total number of wagons handled in the siding. Audit noted that for private sidings of Khurda Road Division, bills related to D&D and repair charges of damaged wagons were not prepared. This resulted in non-realisation of D&D charges of ₹ 9.68 crore during the period 2017-18 to 2019-20.

Ministry of Railways (Railway Board) directed[140] Zonal Railways to step up action to effectively curb damage of wagons during loading/ unloading activities. Consequently, East Coast Railway (ECoR) issued a Joint

[140] MoR's letter of 11 April 2014.

Procedure Order (JPO) in June 2014 for assessment of damage and deficiencies of wagons in the private sidings. The JPO *inter alia* prescribed scheduled joint check[141] by Railway officials and Siding owners to record cost of damages to wagons inside the siding. The average cost of damage would be calculated and Damage and Deficiency (D&D) charges[142] would be recovered from siding owner for all the wagons handled in the siding during next six months. Further, the JPO authorised the division to recover the cost of damage to wagons on case to case basis where unusual damages are detected well over the average cost per wagon.

In ECoR, the heavily damaged wagons were sent to Waltair Division for major repairs. Minor repairs are dealt in the Division itself.

Scrutiny by Audit of Sambalpur Division and Khurda Road Division during the period 2017-18 to 2019-20 revealed the following:

In Sambalpur Division, in respect of a private siding viz. M/s Vedanta Aluminium Limited, Ambodala (MVAA), three types of bills (D&D, cost of minor repair and heavily damaged wagons) were raised. However, MVAA paid only the D&D Bills and objected to the other two kinds of bills. It was stated by MVAA that siding was not responsible for all the damages to wagons. ECoR recovered the minor repair bills in February 2021. However, the bills for major repair of wagons for ₹ 3.34 crore for the period 2017-18 to 2019-20 are still outstanding.

In Khurda Road Division, 1611 heavily damaged wagons were sent to Waltair Division for major repair during 2017-18 to 2019-20 without any joint inspection. Despite repairing those wagons, Waltair Division did not raise any bills against any sidings of Khurda Road Division. The reason for non-preparation of bills was due to non-maintenance of records and inability of Railway Administrations to identify the party responsible for heavy damages to wagons.

Khurda Road Division had not implemented the JPO for joint inspection in sidings of Mahanandi Coal Field, Talcher (MCL/TLHR) till August 2020. In MCL/TLHR sidings, total 43,764 rakes were handled during 2017-18 to 2019-

[141] Joint check in the siding for seven continuous days (subject to a minimum of 5 *per cent* of the total rakes unloaded in a month) at an interval not later than 6 months for both incoming and outgoing wagons.

[142] Calculation of D&D charge will include loss of earning capacity of wagons due to damages in addition to Prime cost (cost of materials and labour cost) and shop and general on cost (clause 3.4).

20 without any periodical joint inspection. Audit worked out loss of ₹ 0.85 crore during 2017-18 to 2019-20 on account of non-recovery of D&D charges.

Further, In Pardeep Port Trust (PPT) sidings of Khurda Road division 45,682 numbers of rakes were handled during 2017-18 to 2019-20. D&D bills worth ₹ 11.07 crore were raised against the siding. Out of that, an amount of ₹ 5.58 crore was recovered and ₹ 5.49 crore was still outstanding as on March 2021.

The above instances indicate lack of uniformity in assessment, billing and collection of D&D charges and cost of damages to wagons from sidings of ECoR. This resulted in non-realisation of D&D bills of ₹ 9.68 crore (₹ 3.34 crore in respect of MVAA siding of Sambalpur Division and ₹ 6.34 crore[143] in respect of MCL/TLHR and PPT sidings of Khurda Road Division) during the period 2017-18 to 2019-20.

The matter was brought to the notice of ECoR Administration in July 2020. In their reply (November 2020) it was stated that Minor repairing bills against MVAA siding were regularly raised as per the JPO and Waltair Division had also raised total bill of ₹ 4.04 crore against the repairing of damaged wagons received from MVAA siding as the last unloading point. Several reminders had been sent to the siding to clear the outstanding amount.

In respect of non-maintenance of records by Khurda Road Division, it was stated that damaged wagons are being sent for major repair to Waltair Division as per the prevailing practice. However, the exact location of siding could not be ascertained where wagons were actually damaged as rakes move in all over Indian Railways.

In MCL/TLHR, joint inspection was not being done as per the earlier practice, as it was only loading point and chances of wagon damages was very less. However, in the current year, joint inspection was conducted in August 2020 and average D&D cost of ₹65.48 per rake was assessed at MCL/TLHR.

The reply of Railway Administration is not acceptable as Senior Divisional Mechanical Engineer/Sambalpur intimated (June 2021) that the bills raised for ₹ 4.04 crore by Waltair Division were treated as null & void based on opinion of Principal Chief Mechanical Engineer/ECoR. This is in contradiction to Railway Administration's reply to the Draft Para (November 2020).

[143] ₹ 0.85 crore in respect of MCL/ Tarcher (+) ₹ 5.49 crore in respect of Paradeep Port Trust, Paradeep.

Further, Para No.3.4 of Railway Board's letter[144] of 2015 states that to identify the exact location of damage, the movement history of the rake should be monitored through Freight Operation Information System (FOIS).

Although JPO was issued for joint inspection of sidings to ascertain D&D cost in 2014, in MCL/TLHR of Khurda Road Division, the joint inspection was conducted in the month of August 2020 after issuance of audit objection (July 2020).

Thus, the JPO formulated for assessment of D&D charges was not followed uniformly in ECoR. This resulted in non-realisation of D&D charges of ₹ 9.68 crore during the period 2017-18 to 2019-20.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

3.8 Non-recovery of Repair and Maintenance Charges from Private Sidings: South Western Railway

South Western Railway (SWR) Administration failed to comply with the codal provisions and specific clauses of Private Siding Agreement issued by Ministry of Railways in July 2005. This resulted in non-recovery of ₹ 8.84 crore towards Repair and Maintenance charges from 11 Private Sidings of Bangalore (SBC) Division.

As per provision 1827 (b) of Indian Railway Code for Engineering Department, the payment of Repair and Maintenance Charges would ordinarily cover the maintenance by the Railway of the works paid for by the applicant outside his premises. Further, Ministry of Railways (MoR) issued (July 2005) instructions with regard to revised standard form of Agreement for Private Sidings. According to Para 8 (a) of the Agreement, the applicant would also pay to the Railway Administration towards the ordinary maintenance of the said siding within Railway boundary *viz*., the permanent way, sub-grade work etc. at such rates as may be fixed by the Railway Administration from time to time. MoR, in supersession of all its previous orders, fixed (February 2015) the annual maintenance charges at ₹ 10,92,000 per kilometre.

Review of records (January to March 2019) of Engineering Department of SBC Division revealed that the Repair and Maintenance Charges from 11 Private Sidings of Bangalore (SBC) Division of SWR, where the length of the

---

[144] Ministry of Railways letter No.2010/TT-IV/9/1, dated 18 September 2015.

track within Railway premises ranged from 80 meter to 2600 meter, were neither assessed nor recovered by the Railway Administration for 12 serving stations. Audit assessed the amount of ₹ 8.84 crore **(Annexure 3.6)** towards Repair and Maintenance Charges for the period from August 2005 (the next month of issue of instructions by MoR i.e. July 2005) to September 2020 which was not recovered from 11 Private Sidings. The reasons for non-recovery of Repair and Maintenance Charges were also not found in the record of Engineering Department of SBC Division.

The matter was brought to the notice of MoR in July 2021. In their reply (October 2021), the MoR has accepted the facts and stated that one of the siding owners viz, Birla Bulk Cement have paid all their dues while the rest have agreed to pay their dues. The MoR further stated that continuous efforts are being made to realise the dues and wherever feasible, the dues are being collected by way of adjustment against Demurrage/Wharfage refunds.

3.9 Improper planning for setting up of Mid-Life Rehabilitation Workshop of coaches at Anara led to unproductive expenditure: South Eastern Railway

Ministry of Railways approved (February 2010) setting up a Mid Life Rehabilitation workshop at Anara in SER zone. The project was however dropped (September 2017) by Railway Board due to absence of committed funds. As a result, preliminary expenditure of ₹ 8.42 crore on the project was rendered unproductive.

Mid-Life Rehabilitation (MLR) of coaches is required for improvement of quality and reliability of the residual service life of the coaches[145].

The MLR of coaches are being done at Coach Rehabilitation Workshop (CRWS)/Bhopal, the only MLR workshop of Indian Railways. In view of the capacity shortage of the Bhopal Workshop, Ministry of Railways decided (February 2010) to set up a new MLR Workshop at Anara in Adra (ADA) division of South Eastern Railway (SER) with an annual capacity of 250 coaches.

Accordingly, SER Administration assessed the estimated cost of the project at ₹ 273.32 crore. In the Estimated Benefits/Financial Justification, the annual

[145]Mid-life Rehabilitation of Coaches is an essential mainstream activity which breathes life into old coaches and contributes immensely to improving not only the residual service life but also rejuvenates the interior.

savings due to MLR of 250 coaches was projected at ₹ 51.50 crore. Railway Board (RB) approved (September 2010) the project for ₹ 184.70 crore[146].

Initially, the Workshop Projects Organization (WPO)/Patna was entrusted (October 2010) to execute the project on a turnkey basis. The Government of West Bengal approved (November/ December 2011) handing over 119 hectares of land to SER on payment of ₹ 0.84 crore towards value of forest produce.

Subsequently, RB decided (April 2012) that WPO/Patna would carry out only the preparatory works for the project such as survey, tree cutting, earth cutting/filling, construction of boundary wall, approach roads etc. and the balance work would be executed by Rail Vikas Nigam Limited (RVNL) on turnkey basis. The work was planned to be completed by November 2014.

Examination of records of the SER Zone revealed that expenditure of ₹ 8.42 crore was incurred on Geo-Technical and Topographical survey of the land and trees (₹ 3.69 crore) and earth work cutting and filling, boundary wall and site office construction, cutting and disposal of trees etc. (₹ 4.73 crore).

Audit however noted that due to insufficient allotment of funds[147] from the RB, RVNL intimated (March 2013) SER Administration that they were not in a position to proceed further in the MLR project. They also refused to take over the site of MLR Workshop, Anara.

Thereafter, the project was shelved and the Divisional Railway Manager, Adra (DRM/ADA) proposed (April 2017) for shifting of the project from Anara to Bhojudih[148]. However, the proposal was not processed further. Finally, RB deleted the works related to the MLR Workshop at Anara in September 2017 on the recommendations of the Member, Rolling Stock. The reasons for the deletion of the work were however not made available to Audit.

Audit also noted that inadequate availability of water at Anara site was stated as one of the major constraint in implementation of the project. In the Abstract Estimate, ₹ 10 crore was provided for water supply arrangement from the existing water pipeline at Raghunathpur. However, no progress was made with regard to the water supply work.

---

[146]Deleted some items, through the Supplementary Demands for Grants 2010-11 (Item No. 65). The work appeared as Item No. 401 of Pink Book for 2011-12.
[147] ₹ 0.97 crore was allotted in the Railway Budget 2013-14
[148]In view of availability of necessary land and water at Bhojudih.

Thus, in view of the deletion of the project by RB, the expenditure of ₹ 8.42 crore incurred on the project proved to be unproductive. Besides, SER also failed to achieve the anticipated savings on MLR.

The matter was brought to the notice of Railway Administration in August 2019. Railway Administration in reply stated (January 2020) that the work did not progress further in absence of commitment of sufficient fund by the RB and availability of water was not the main issue. It further stated that a work proposal for development of infrastructure for integrated maintenance of MEMU, DEMU and other Coaching Stock at Anara was in the process of approval and the work done during MLR project shall be used for the new project.

Railway Administration's reply was not acceptable. The possibility of gainfully utilizing works, such as, preliminary land and geo-technical survey and other works related to an entirely different project to be undertaken in future was quite impracticable and remote.

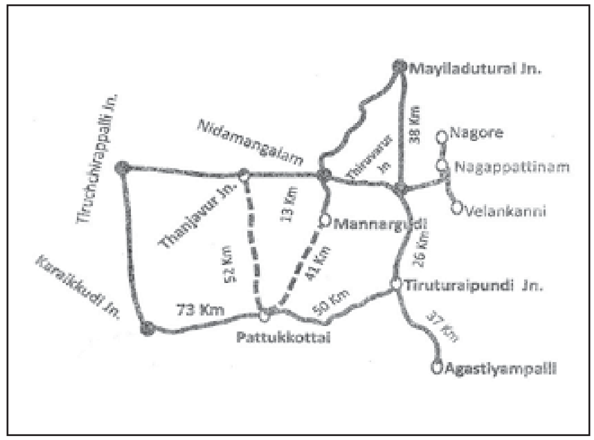
The matter was referred to the MoR in September 2021; no reply was received (November 2021).

3.10 Hasty investment in a new line project without assessing its feasibility of execution resulted in unfruitful expenditure: Southern Railway

Southern Railway Administration proposed a new line between Mannargudi and Pattukottai stating that there was popular demand from public. However, there was strong public protest against the project. The co-operation from the State Government for the project was not forthcoming and no land was acquired so far. Taking up of a project without assessing the feasibility of its execution resulted in unfruitful expenditure of ₹8.26 crore without any tangible benefits.

Ministry of Railways issued instructions [149](July 1993) that in construction of a New Line project involving acquisition of land both forest and non-forest, tenders should be floated and contracts awarded only after land acquisition have been completed.

[149] Ministry of Railways letter No. F(X)II-93/Contracts/1 dated 15-07-1993 regarding awarding of contracts.



In terms of Para 266 of IR code for the Engineering Department, the Railways should supply a copy of the new line project report to the Local Government or Administration concerned and they should be asked to express their views on alignment, waterways, roadways over important bridges, etc. which, on receipt should be forwarded to the Railway Board. Further, as per Para No.710, part detailed estimates for bridge works could be sanctioned where the survey has been completed and alignment determined.

The Southern Railway (SR) Administration proposed (August 2010) a new line from Mannargudi to Pattukottai (41 Kms) justifying that there has been a popular demand from the general public, local MLA/MP and also from local chamber of commerce for connecting Mannargudi an important town in Thiruvarur district to the existing rail heads at Nidamangalam and Pattukkottai.

Ministry of Railways (MoR) approved (September 2010) construction of the new line between Mannargudi and Pattukkottai as a Material Modification to Mayiladuthurai (MV) – Tiruvarur (TVR) – Karaikudi (KKDI) and Tiruturaipundi – Agastiyampalli Gauge conversion and restoration of Needamanglam-Mannargudi line project at a cost of ₹215.59 crore. While approving the New line project, MoR stated that the detailed estimate for this work may be prepared after completion of Final Location Survey.

For construction of the new line, a part detailed estimate of ₹0.66 crore for conducting Final Location Survey (FLS) was sanctioned by SR Administration (December 2010) and contract was awarded (November 2011) for carrying out the FLS. There was protest (January 2012) by public in Pattukottai area against the new line project when the preliminary survey works were carried out. Public in Pattukottai and adjacent areas formed a ‘Opposition committee’ against the new line project. They represented (April 2012) that this line was neither demanded by them nor by any clubs such as Rotary or Lions club. Further, it was stated that the new line project will cause enormous hardships, since this will involve acquisition of cultivable land and demolition of built-up areas. Peoples’ representatives also expressed their apprehension for the new line project.

The matter regarding opposition for the execution of the project was taken up with MoR by SR Administration during March 2012 and April 2012. However, MoR advised (July 2012) that the new line should be executed as per Railway's plan. Further, MoR sanctioned (August 2012) a part Detailed Estimate for ₹19.03 crore for construction of major bridges in Mannargudi – Pattukottai section.

Meanwhile, ignoring the opposition to land acquisition, a contract was awarded (February 2013) for construction of a major bridge across Paminiyar river at a cost of ₹ 6.70 crore. The construction of sub-structure was completed (January 2017) by firm. The construction of superstructure of the bridge was not taken up by the firm due to increase of cost of work/quantity and the contract was foreclosed (April 2018). Further, there was no progress in land acquisition and construction of other major bridges.

The matter was referred to MoR in August 2021. The Ministry in its reply stated (October 2021) that the survey sanctioned by the Railway Board was examined for feasibility by the Zonal Railway and a Reconnaissance Engineering cum Traffic Survey was conducted and survey report prepared. Further, process of land acquisition was also under progress. As such the project was live and not shelved. The asset created (i.e., the bridge) would be a part of the original alignment. The balance works on the bridge would be taken up later and put to use on completion of the line. The bridge would remain an asset of Railways and thus the expenditure incurred on the bridge could not be termed as unfruitful.

The reply of Ministry was not tenable. Land to the extent of 484.12 acres was to be acquired for the new line project. So far, no land for the new line has been acquired. Thus, MoR in clear violation of its own instructions of 1993 floated the tender and awarded contract before ensuring availability of land. The detailed estimate had also not been sanctioned by the MoR till date. The execution of the new line project is unlikely to materialise as there is a strong public protest against the project and land was also not acquired so far.

Thus, the decision of SR Administration to take up the project without assessing the feasibility of its execution had resulted in unfruitful expenditure of ₹8.26[150] crore.

[150] Works Register Master (For Works Grants) dated 21-10-2019 for ₹8.66 crore, ₹0.40 crore paid towards Final Location Survey work has not been included as the contract for the work was awarded before public protest started (January 2012)

3.11 Failure to implement Ministry of Railway's orders resulted in damage to railway cables: South Eastern Railway and West Central Railway

South Eastern Railway and West Central Railway Administrations failed to ensure the conditions stipulated in Joint Procedure Order related to digging work in vicinity of Signalling, Electrical & Telecommunication Cable. As a result, the Zonal Administrations could not impose penalty amounting to ₹7.11 crore on contractors in 537 cases of cable cut.

Ministry of Railways (Railway Board) issued (June 2013) a Joint Procedure Order (JPO) on "Procedure for undertaking of digging work in the vicinity of Signalling, Electrical & Telecommunication Cable". The JPO was issued with the objective of controlling and minimising the instances of cable cut. As per the JPO, a contractor was liable to pay penalty for damaging cable. However, the penalty imposition on contractor was subject to the following conditions:

(i) Provisioning of detailed cable route plan by Railways.
(ii) Alignment of cable tallies with the information provided to the contractor.
(iii) Depth of cable to be not less than 800 mm from normal ground level.
(iv) A representative of Signal and Telecommunication department/ Rail Tel has to be available at the site.

South Eastern Railway (SER)

Review of records (March 2017 to March 2020) revealed instances of cable cut in 223 locations. The details are furnished in **Table 3.16.**

Table 3.16

Division	No. of locations of cable cut	Penalty for cable cut ₹ in lakh	Remarks
Chakradharpur (CKP)	104	111.50	In CKP and KGP Divisions, S&T Staff conducted joint survey with the concerned department and contractor for showing the cable route plan. However, Senior Divisional Signal and Telecommunication Engineer, CKP/KGP did not furnish any Joint Survey Report stating that no documents are available with them. Audit could not ascertain the joint survey exercise, as claimed by the Department.
Kharagpur (KGP)	24	29.50	
Ranchi (RNC)	74	84.50	In RNC Division no cable survey was done by the Executive Department before starting the work.
Adra (ADA)	21	23.50	In ADA Division, necessary permission from S&T Department was not sought for by the Executive Department before starting the digging work.
Total	**223**	**₹ 2.49 crore**	

Thus, in the above cable cut instances at 223 locations, SER Administration did not fulfil the pre-conditions mentioned in the JPO before handing over the site to the contractor for digging work. Audit further noted that despite the provision of penalty clause in the JPO, SER Administration in above all cases failed to include a suitable penal clause in the work orders of the contractors. Thus, failure of the SER Administration to meet the conditions of JPO resulted in a situation where penalty of ₹ 2.49 crore for cable cuts could not be imposed on contractors.

The matter was referred to SER Administration (December 2020); reply was not received (November 2021).

West Central Railway (WCR)

Review of records (2014-15 to 2019-20) revealed instances of cable cut in 314 locations. The details are furnished in **Table 3.17.**

Table 3.17

Division	No. of locations of cable cut	Penalty for cable cut (₹ in lakh)	Remarks
Jabalpur	182	456.60	No prior information to S&T Department was furnished before commencement of work.
Kota	81		
Bhopal	46		
Kota	4	4.25	WCR Administration failed to provide the marking of the cable to the contractor before the digging work. Also S&T officials were not present at the site during the digging work.
Kota	1	1.00	Cable route plan was not made available to contractor by WCR Administration.
Total	**314**	**₹ 4.62 crore**	

Thus, WCR Administration in 314 locations of cable cut did not meet the JPO conditions. As a result, the WCR Administration could not impose penalty amounting to ₹4.62 crore on contractors.

The matter was brought to the notice of WCR Administration in August 2020. Railway Administration in their reply (December 2020) accepted the objections raised by audit and issued instructions to ensure verification of cable route plan at site before starting the work.

The matter was referred to MoR in September 2021; no reply was received (November 2021).

3.12 Non-execution of Land License Agreement on occupation of railway land for commercial use resulting in non-recovery of licence fee: Northeast Frontier Railway

Northeast Frontier Railway Administration failed to enter into land licence agreement with a private firm for 6.55 acre of railway land occupied during June 1992 to January 2016 for commercial use. This resulted in non-recovery of licence fee amounting to ₹ 7.11 crore.

As per the Indian Railway Code for the Engineering Department[151], Railway land should be managed on commercial lines and each Railway Administration should endeavour to put to profitable use, any areas in its occupation which, though not eligible for disposal are lying idle. To enable management on commercial lines, Railway Administration are permitted to lease land under a licence to outsiders for purposes whether or not connected with Railway working.

In this regard, Railway Board issued (August 1995)[152] instructions stating that in each case of licensing, proper Agreement must be executed between the Railway Administration and the Licensee before the Licensee is given possession of the land/plot.

In 1992, Northeast Frontier Railway (NFR) executed an agreement[153] with M/s Punam Chand Mittal (PCM) for setting up a factory in Katihar Division, for manufacture and supply of mono-block concrete sleepers. For this, NFR leased out (June 1992) 3.09 acre of Railway land to M/s PCM for an annual rent of ₹ 1000/-.

Audit noted that the land licence agreement of 3.09 acre land had expired in June 2015 and the same has not been renewed till date (August 2021). Audit further noted that an additional plot of 1.26 acre land adjacent to the Concrete Sleeper factory was under occupation of the firm since June 2006. However, the licence agreement for 1.26 acre of railway land could not be entered till date (August 2021) i.e., even after more than 15 years of occupying the land. As a result, the licence fee amounting to ₹ 0.55 crore related the additional plot of land is due from the private firm.

Railway Administration cited (April 2021) administrative difficulties including lack of communication between Division and Headquarter as the reason for the inordinate delay in entering into a land licence agreement with the firm for

---

[151] Para 1008 and 1013 of the Revised Edition, 1982 (Fourth Re-print) 2012.

[152] RB's Letter No: 83/W2/LM/18/87 dated 29.08.1995.

[153] Agreement No: C/E/47 dated 11.02.1992.

the additional land. It further stated that the Division has been advised to process this licensing proposal of the additional land afresh at the earliest.

Audit further noted that Zonal Railway Administration during a joint survey with the representative of the private firm found (April 2016) that the private firm was in occupation of 10.725 acre (7.725 acre within the sleeper plant and 3 acre outside sleeper plant) of railway land.

Railway Administration stated (April 2021) that other plots measuring 5.29 acre[154] was unauthorisedly occupied by the firm and the Division failed to take action as per the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. Out of total 5.29 acre of land, 3.62 acre was vacated by the private firm, after January 2021, leaving 1.67 acre still under their occupation.

Audit noted that the unauthorisedly occupied railway land of 5.29 acre had four different plots occupied at different time periods. The details of these four plots and licence fee due from these are mentioned in **Table 3.18**

Table no. 3.18		
Plot area (In acre)	**Unauthorised Railway Land occupation date**	**Unrecovered Licence fee**
1.11	June 1992	
0.87	June 2006	
1.39	December 2014	
1.92	May 2015	
5.29	**Total**	**₹ 6.56 crore**

Thus, in contravention of the extant provisions non-execution of Land License Agreement for the additional 6.55 acres occupied by the private firm NFR Administration resulted in non-realization of ₹ 7.11 crore (till March 2021) towards Land License Fee. Additionally, government taxes (service tax and GST) amounting ₹ 1.10 crore on the outstanding licence fee could also not be realized.

The matter was referred to MoR in September 2021; no reply was received (November 2021).

[154] 10.725 acre – 3.09 acre original licensed plot- 1.26 acre additional land -1.08 acre land later found to be not under occupation of the private firm

3.13 Infructuous expenditure on capital infrastructure: South Western Railway

South Western Railway administration without ensuring availability of land for the approach roads from the State Government entered into a contractual obligation for construction of a four lane RoB. This resulted in infructuous expenditure amounting to ₹ 16.84 crore (Railway share ₹ 7.06 crore) on creation of RoB without availability of land for approach roads.

Road over Bridges (RoBs) are constructed to eliminate Level Crossings (LCs) in order to improve the efficiency of Railway operations and to ensure safety of public.

At LCs, where the traffic density is one lakh Train Vehicle Units (TVUs) per day or more, Railways and the State Government concerned share the cost of constructions of RoBs in lieu of LCs.

Ministry of Railways (MoR) periodically reiterated instructions that Railways should not enter into contractual liabilities unless land has been acquired, site is clear of all obstructions and all other formalities like finalization of plans and drawings have been completed. Further, MoR instructed (October 2009) that the State Governments shall make available to Railways land free from encroachments/ encumbrance and free of cost for the construction of the complete RoB including approaches.

Examination of records of Construction Wing of South Western Railway (SWR) revealed that construction of a RoB in lieu of LC No. 11 between Chennasandra and Yelahanka Stations near Jakkur was sanctioned in May 2012. The project was sanctioned on a cost sharing basis between Railways and Bruhat Bangalore Mahanagara Palike (BBMP), Government of Karnataka (GoK) at a total estimated cost of ₹ 13.72 crore.

The tender was invited for two lane RoB and SWR entered (January 2013) into a contract agreement for construction of two lane RoB with RCC sub-way and approach roads with M/s Sri Ganesh Engineering Works, Bangalore. The project was to be completed at a total cost of ₹ 13.27 crore with a completion period of 18 months i.e. by July 2014.

Audit, however, noted that SWR administration entered into a contractual obligation for construction of two lane RoB without ensuring the availability of land (3804.96 sq.m.) for the approach roads for the RoB.

Subsequently, based on the request of the State Government, the project was converted (April 2013) from two lanes to four lanes RoB. Owing to the changed plan, the requirement of land for approach roads increased by 2746.62 sq.m. thus taking the total land requirement to 6551.58 sq.m.

Audit noted that despite the non-availability of the land for the approach roads, the two lane project was converted into four lanes by the SWR Administration. The changed plan led to increase in the scope of work and revised estimate was sanctioned with a total cost of ₹ 26.17 crore.

A total expenditure of ₹ 16.84 crore (BBMP share ₹ 9.78 crore and Railways share ₹ 7.06 crore) has been incurred till date. Audit noted that the four lane RoB work remained incomplete (July 2021) as the State Government could not provide land to Railways for the approach roads. Due to non-availability of land from State government, Railways finally foreclosed (November 2019) the contract and the Performance Bank Guarantee of the Contractor was released in January 2020.

Thus, failure of SWR Administration to acquire encumbrance free land from BBMP for the project and non-adherence to MoR instructions before entering into contractual liabilities resulted in non-completion of RoB even after a lapse of seven years from the scheduled date of completion of work. The expenditure of ₹ 7.06 crore incurred by Railways on project was infructuous and the capital infrastructure created was un-utilisable.

SWR Administration accepted the audit findings and stated (June 2021) that the work for bridge structure (RoB) was taken up on assurance from State Government that the land would be acquired expeditiously. However, in spite of several reminders to BBMP on the land issue, the required land was not handed over at all, leading to foreclosure of the agreement to avoid any litigation.

The reply of SWR was not acceptable as SWR in contravention to RB's instructions, entered into contractual obligations with the contractor without acquiring the land. This has led to a situation where the asset created could not be used for the desired safety purpose of eliminating LCs apart from the infructuous expenditure incurred amounting to ₹ 7.06 crore.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

3.14 Wrong interpretation of Ministry of Railways Guidelines on utilization of funds resulted in irregular expenditure: East Coast Railway

As per Constitutional Provisions, all 'voted' expenditure must receive Parliament's prior approval. Moreover, Ministry of Railways in March 2002/ April 2006 introduced a scheme of distribution of Survey and Inspection charges. The scheme was exclusively meant for funding creation of additional infrastructure in private sidings. However, ECoR Administration, incurred capital expenditure of ₹ 6.22 crore on construction of office building by utilizing this fund in violation of Ministry of Railways guidelines and budget approval process.

As per Para 1829 of the Engineering code for the Railways, when the work of survey and construction of a private siding is allowed to be carried by the party through an approved Consultant, Survey and Inspection charges at the rate of two *per cent*[155] of the estimated cost of the project are to be recovered by Railway. In addition, 2 *per cent* of the cost of project is recoverable during Final Inspection and approval of the completed works.

Ministry of Railways (MoR) in March 2002, November 2003, October 2004 and in April 2006 introduced a scheme of distribution of Survey and Inspection charges. The scheme was exclusively meant for survey and construction of private sidings. As per the guidelines, 51 *per cent* of the deposits given by the approved consultants/ the siding applicants will be credited to earning of the Railways and 49 *per cent* of the deposit will be utilized for creation of the additional infrastructure of the siding.

During a special investigation (June 2019) Audit observed that, ECoR Administration decided (January 2018) to construct 2040 sqm of office building on 2nd and 3rd floor in North Block (East Side) of Rail Sadan[156]. Accordingly, a detailed estimate of ₹ 7.16 crore was approved by the competent authority in February 2018. A contract for this work was awarded at a cost of ₹ 7.04 crore in May 2018. The work was executed and final bill for ₹ 6.22 crore was passed in June 2019.

It was observed that the existing building of Rail sadan was built through budgetary fund provision, but for further construction of 2040 sqm of office building on 2ndand 3rd floor of Rail Sadan, no regular budget was sought.

[155] Of the estimated cost of the project at the stage of approval of survey plan and estimate.

[156] East Coast Railway Headquarters office-Rail Sadan building was constructed and inaugurated in January 2009 for which Railway Board had sanctioned ₹92.98 Crore of funds through budgetary provision sourced from Capital, DF-II and DF-III.

Moreover, in contravention to MoR's Guidelines of April 2006, ECoR Administration utilized the amount of ₹ 6.22 crore from survey and construction charges of private sidings to construct office building.

The matter was referred to the Ministry in August 2021. In their reply (October 2021) it has been stated that the contention of the audit that the scheme was exclusively meant for funding creation of additional infrastructure in private sidings is not laid down. It is expressly clear that this 49 *per cent* element can be utilized towards creation of Railway Infrastructure and not Siding Infrastructure. It is to mention here that the letters of Ministry of Railways (MOR) in March 2002, November 2003, October 2004 and finally in April 2006 is for creation of fund from the sidings i.e. at the rate 2 *per cent* (Survey Inspection charges deposited for approval of plan and estimate) of the estimated cost of the project and another 2 *per cent* of the cost of the project recoverable during Final Inspection and passing charges for approval of the completed works. Out of which 51 *per cent* of the cost is to be deposited for Railway earnings and 49 *per cent* of the cost is to be utilized for creation of additional infrastructure only.

The reply of Railway Board was not acceptable. Para 401 of Indian Railways Finance Code Volume I stipulate that 'Railway Budget is an instrument of Parliamentary Financial Control. For securing the Parliamentary Financial Control, all 'voted' expenditure must receive Parliament's prior approval and there is system of reporting back to it through the Pubic Accounts Committee, the actual expenditure incurred against the Grants voted by Parliament and Appropriations sanctioned by the President'. Further, Railway Board intimated (12 April 2021) that as no reference was made to any particular additional infrastructure vide Board's letter of 26 April 2006, it is understood that additional infrastructure in the letters referred only to the subject matter i.e. for siding purpose only.

Thus, the 49 *per cent* of the deposits given by approved consultant/ the siding applicants will be utilized for creation of additional infrastructure of the siding only and not for other infrastructure of Railway. Capital expenditure of ₹6.22 crores on construction of office building by utilizing the codal charges without seeking budget from parliament was in violation of Railway Boards guidelines and budget approval process.

Audit never objected the need of creation of infrastructure in Rail Sadan. The Audit observation is on not-following the laid down procedure of seeking budget from parliament for creation of infrastructure.

3.15 Non-adherence to the codal provisions resulted in short realization of land license fee: South East Central Railway

Non-revision of land value led to less fixation of land license fee of the Railway land licensed to a private siding. This resulted in short realization of land license fee to the tune of ₹ 5.93 crore.

Para 1024 of the Indian Railway Code for the Engineering Department stipulates that 'A quinquennial[157] revision of rent for railway land licensed to private parties should be made in large towns and commercial centers. At other locations, rent should be revised at interval of 10 years only. The exact location at which 5 yearly revisions should be applied is to be decided by the Railway Administration in consultation with their Financial Adviser and Chief Accounts Officers (FA&CAOs). In all relevant agreements, provision should exist for such periodical revision of rent and recovery of enhanced rent with retrospective effect.

A private siding was constructed on Railway land near Railway Stores Depot (RSD), Raipur to cater to the need of Steel Plant of M/s SKS Ispat and Power limited (SKS). Railway land measuring 63223.3 sqm was licensed to SKS in April 2008[158]. The land was licensed to the siding owner in accordance with Master Circular of 10 February 2005 on Policy on "Licensing of Railway Land for commercial plots etc.". As per the policy, the land was initially licensed for five years on recommendation of a three member Heads of the Department (HOD) committee[159].

The committee in its report stated (February 2008) that "RSD/Raipur is not a remote area and therefore land will be licensed to them for a period of 5 years". Para 2 of land license agreement executed with the party also stipulated that 'the provision of periodic revision of land license fee by Administration. It was also mentioned that for revision of license fee, cost of getting the valuation of the premises by the State Revenue Authorities shall be recoverable from the licensee'.

As per codal provision and HOD committee's report, land rate should have been revised every five years in a city like Raipur for fixation of the land license fee. However, Audit noticed that the land value was not revised for fixation of land license fee after five years in the year 2013-14 in contravention

[157] Occurring once every five years or over a period of five years.

[158] Licence Agreement Dated 3 April 2008

[159] HOD committee members- Chief Engineer, Chief Commercial Manager & Financial Advisor & Chief Accounts Officer.

to the Rules[160]. The land license fee continued to be fixed on the land rate of 2007-08 by increasing the land value at the rate of seven *per cent* over the previous years' land value instead of current land rate.

It was also noticed that the land value increased twice[161] in 2013-14 and 2018-19. However, Railway Administration did not recover the land license fee as per the land rate of 2013-14 and 2018-19. Moreover, the land value was also not increased after interval of every five year. This has resulted in short realization of land license fee amounting to ₹ 5.93 crore for the period from 2013-14 to 2019-20 (except from 1 April 2018 to 5 August 2018[162]) on the land rate fixed by the District Authority from time to time.

The matter was brought to the notice of Railway Administration in November 2020. Railway Administration in their reply (January 2021) stated that "land rate was calculated as per Railway Board's Master Circular of 10 February 2005. As per the policy, land value shall be increased at the rate of seven *per cent* every year over the previous year's value to cater to the enhancement of market value of land. The policy doesn't state to revise license fee periodically based on market value of land of City like Raipur".

Railway Administration's reply was not acceptable because Raipur is the capital city of Chhattisgarh and the licensed land was in the middle of the city. The land was licensed to the SKS siding quoting para 1024 of the code initially for five years as RSD/Raipur Yard not being a remote area. After five years from 2008-09, revision of licence fee in the year 2013-14 and 2018-19 should have been done based on current market rate of land as per Para No 1024 of the Engineering Code as well as recommendation of HOD Committee.

Thus, non-revision of land value as per codal provisions led to less fixation of land license fee of the Railway land licensed to the siding. This resulted in short realization of land license fee amounting to ₹ 5.93 crore.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

---

[160] Para 1024 of the Indian Railway Code for the Engineering Department.

[161] Land value in 2007-08 was ₹1419 per square meter. In 2013-14 the land value was fixed as ₹4040 per square meter and from 2017-18 the land value was fixed as ₹4500 per square meter by the State Revenue Authority, Raipur.

[162] The period of restrictions imposed by COM for which recovery of land license fee is subjudice. CCM/SECR office letter dated 6 August 2018.

3.16 Non maintenance of records led to non recovery of siding charges in respect of three sidings: Eastern Railway

Eastern Railway Administration failed to maintain records in respect of three goods sheds which were situated beyond the station limits. Non maintenance of records led to non recovery of siding charges in respect of three sidings amounting to ₹ 5.68 crore. In addition, interest, maintenance and depreciation charges could not be assessed and levied due to failure of the Engineering and Accounts Departments to maintain the required details in respect of these three sidings.

Ministry of Railways (July 2012) advised all Chief Commercial Managers of Indian Railways that if a goods shed is located within station limits, it should be treated as a part of station. In case where a goods shed is laid at a distance from the main station, i.e outside the station limits, such goods shed should separately be notified by the zonal railways as public sidings. In such cases, siding charges will accrue and get accounted for in accordance with instructions[163] already stipulated.

Ministry of Railways (September 2014) issued a Rates Master Circular on the subject consolidating all guidelines. Para 2 of the ibid circular stated that the system of charging freight on through distance basis is not followed in the following circumstances:

(i) When the inward rake coming on electric power upto the serving station are subsequently taken by diesel power into the siding
(ii) When outward rake moved by diesel power upto the serving station from the siding are subsequently moved by electric power
(iii) In case of piecemeal traffic, which are other than block rakes.

Ministry of Railways clarified (January 1979) to all the General Managers of All Indian Railways that siding charges have to be fixed after taking the elements of interest, maintenance and depreciation charges.

Indian Railway Code[164] for Traffic (Commercial) department also stipulate that the user of the siding have to pay to the Railway a siding charge. The siding charges are to be fixed by the Railway Administration from time to time for every wagon, whether loaded or empty, hauled over the siding in each direction.

Audit observed that three goods sheds viz Chitpur, Budge Budge and Bhadreswar Ghat over Eastern Railway (ER) were situated beyond station limits. Audit further noticed that, siding charges were not raised and collected by the Railway Administration. In case of these three sidings, direct reception

[163] Para 2523 of Indian Railways Commercial Manual Vol II-
[164] Para 1805 of Indian Railway Code for Traffic (Commercial) Department

and dispatch of trains were not done. Instead, a change locomotive was needed due to change of power from electrical to diesel. These sidings being non-electrified, the inward rakes arrived with electric power upto the serving station and then taken by diesel power. Similarly, the outward rakes come with diesel power up to the serving stations and then taken by electric power.

Audit assessed the loss of revenue of ₹ 5.68 crore to the ER Administration on account of non levy of siding charges (excluding the element of Interest, Maintenance and Depreciation charges) during the period April 2012 to October 2020.

The matter was referred to MoR in July 2021. In their reply (September 2021), it was stated that "the three goods sheds Chitpur, Budge Budge and Bhadreswar Ghat are independent stations open for handling of goods traffic since long and are not sidings. Accordingly, levy of interest, maintenance and depreciation charges were not applicable therein. Chitpur, Budge Budge and Bhadreswar Ghat are goods handling points where freight traffic is dealt".

The reply of Ministry of Railways was not acceptable as Ministry itself in it's order of July 2012 on chargeable distance of Goods Shed, had clarified that 'in case where a Goods Shed is laid at a distance from the main station, the same should separately be notified by Zonal Railways as Public Sidings. Further, ER had already admitted that Chitpur, Budge Budge and Bhadreswar Ghat Goods Sheds were situated beyond station limits and they have taken initiatives to ascertain interest, maintenance and depreciation charges on these Sidings for fixation of leviable Siding Charges. However, they failed to fix it due to non-availability of records.

3.17 Non-retrieval of Railway land given to Maharashtra State Government under Grow More Food Scheme and non-recovery of license fee: Central Railway

Surplus railway land measuring 922.43 acres was handed over to State Government of Maharashtra in year 1949. The State Government allotted this land for cultivation to adjacent farmers under Grow More Food (GMF) Scheme. In October 1984, Ministry of Railways decided to take back the railway land handed over to the State Governments under the GMF Scheme. However, the railway land worth ₹ 27.84 crore handed over to State Government of Maharashtra could not be retrieved even after more than three decades. Also, the license fee amounting to ₹ 4.94 crore pertaining to period from April 1958 to March 2021 was outstanding for recovery.

Under the Grow More Food (GMF) Scheme, surplus railway lands were temporarily licensed to nearby farmers through the State Governments to augment food production after independence.

In October 1984, Ministry of Railways (MoR) decided that railway land handed over to the State Governments in connection with GMF Scheme should be taken back from them after expiry of existing license term and utilized for afforestation. The MoR issued instructions to General Managers of all Zonal Railways to start dialogue with the State Governments for release of railway land and pursue the matter vigorously till possession is given back to the Railways.

Land measuring 922.43 acres was acquired by the then Barshi Light Railway (now Central Railway) for the proposed Pandharpur-Lonand Railway Line in year 1929. As the project did not materialize at that time, the surplus land was handed over to the State Government of Maharashtra in year 1949. The State Government allotted this land for cultivation to adjacent farmers on Ek Sali (per year) basis under GMF Scheme.

Divisional Railway Administration/Solapur of Central Railway approached (July 1998) the Divisional Commissioner/Pune for arranging to return the above Railway land. However, the land has not been returned to the Railway till date. Land license fee was fixed at ₹ 25 per acre per year initially, which was revised from time to time[165]. However, no license fee was recovered from the State Government. Divisional Railway Administration/Solapur worked out the arrears of license fee at ₹ 4.94 crore, due from the State Government for the period from April 1958 to March 2021.

The Public Accounts Committee, in its 94th Report (1982-83) had expressed concern over inability of the MoR in collecting license fee for the GMF land from State Governments (and cultivators). The Estimates Committee of Parliament, in its Report (1992-93)[166], had also mentioned that despite various measures taken by the MoR to take back land given under GMF Scheme, 6,000 hectares of land was still with the State Governments. The Estimates Committee strongly urged the MoR to deal with various State Governments at the highest possible level and expedite the return of railway land still under their possession.

Audit observed that the Divisional Railway Administration/Solapur repeatedly requested[167] the Divisional Commissioner/Pune for remittance of license fee

---

[165] License fee to be collected for the land given under GMF scheme was revised from time to time. Last revision was made in April 2010 and license fee was fixed at ₹ 4,050 per acre.

[166] Estimates Committee (1992-93), Railway Lands and Land Use Policy-Ministry of Railways (Presented to Lok Sabha on 29th April 1993)

[167] Vide letter No. U/W/278/Genl dated 17 July 1998, 24 November 1998, 10 December 1998, 15 July 1999, 27 October 1999, 09 August 2000 and SUR/W/3744/LM dated 10 July 2007, 28 April 2008, 18 February 2010, 30 November 2010, 13 March 2013, 14 June 2014, 31 October 2014, 02 June 2016, 10 April 2017, 06 April 2018, 04 April 2019

and returning the railway land (worth ₹ 27.84 crore assessed in Audit). The Chief Engineer (General)/Central Railway/CSMT though pursued (January 2015) the matter with the Principal Secretary/Maharashtra State Government for returning of railway land and remittance of the land license fee, State Government neither returned the land to railway nor remitted the license fee.

Audit reviewed the status of railway land and enquired the matter from Solapur Divisional Authorities of Central Railway in January 2013. In reply, Senior Divisional Finance Manager/Solapur stated (September 2019) that there was little scope at divisional level to deal with the issue and it should be dealt with at Headquarters level.

From the records, it could not be ascertained whether any meeting, dialogue or correspondence was made by General Manager/Central Railway to the Chief Secretary or Revenue Department of Maharashtra State Government. Correspondences with Divisional Commissioner of Pune was not yielding any result and no further action by the Zonal Railway authorities to get back the land and dues was seen on record. Thus, failure of Central Railway Administration to pursue the matter at the highest level resulted in non-recovery of license fee amounting to ₹ 4.94 crore as well as non-retrieval of railway land worth ₹ 27.84 crore even after more than three decades.

Matter was taken up with the Central Railway Administration in April 2020. In reply, they stated (July 2021) that

- Central Railway is pursuing issues related to land with the Government of Maharashtra from time to time at different levels and subject matter was raised in various meetings with the State Government. Solapur Division had made various correspondences in past with Collector, Solapur & Satara for clearing the outstanding dues and relinquishing 922.43 acres of land from the State Government.
- Collector, Solapur & Satara insisted for the 7/12 extracts[168] as well as acquisition documents before they could deal further. Efforts are being made to get the acquisition documents and 7/12 extracts from concerned Revenue Authority by the Division.

[168] 7/12 Extract (Record of Rights) is the extract from the Land Records Register held by the Revenue Department (Government of Maharashtra). 7/12 Extracts contain complete information about land property in rural areas and is an important indicator of the legal status of the property (agriculture land).

- Latest reference in this connection has been made at Headquarter level to the Principal Secretary (Revenue & Forest Department)/Government of Maharashtra on 19 April 2021.

The fact remains that the railway land (admeasuring 922.43 acres) given to the State Government of Maharashtra could not be retrieved even after more than three decades of MoR' decision for taking back the land given to the State Governments under the GMF Scheme. Even the license fee of ₹ 4.94 crore pertaining to period 1958-59 to 2020-21 was yet to be recovered from the State Government of Maharashtra.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

Railway Public Sector Undertakings

3.18 Imprudent decision of opting for Freight Advance Scheme resulted into loss of interest: Container Corporation of India Limited (CONCOR)

CONCOR India Limited opted for Freight Advance Scheme of Ministry of Railway and paid an advance of ₹ 3,000 crore to the Railways without properly evaluating benefits accruing to the Company. For payment of the advance, the Company encashed Fixed Deposits of ₹ 2,300 crore and took a working capital loan of ₹ 700 crore at the interest rate of 8.45 *per cent per annum*. Subsequently, the Company opted out of the Scheme. This resulted into loss of interest amounting to ₹ 85.69 crore to the Company.

Ministry of Railways (MoR) issued (March 2019) guidelines regarding Freight Advance Scheme (Scheme). The Scheme provided a facility to major freight customers to avail tariff certainty against payment of advance freight to Indian Railways. As per guidelines, the customers who agreed to pay Freight Advance to cover their estimated freight for the subsequent financial year will have the benefit of fixed base freight rate and class of commodity.

Under the Scheme the customers were required to approach the Railways during the last quarter of a calendar year to avail the fixed freight rate and class benefit during the next financial year.

Container Corporation of India Limited (the Company) decided (March 2019) to opt for the Scheme as it was eligible[169] for the Scheme. The Company assessed that due to the growth of business, the estimated payment of freight

[169] Payment of Rail Freight (haulage) charges was more than ₹ 500 crore during calendar year 2018-19

(haulage) charges to Railways, in financial year 2019-20,would be around ₹ 4,500 crore.

Accordingly, the Company entered (March 2019) into an agreement with Northern Railway for availing the Freight Advance Scheme. It deposited first instalment of ₹ 3,000 crore with Northern Railways on 28th March 2019 and decided to pay the second instalment of ₹ 1,500 crore by 30 September 2019. For payment of the first instalment of ₹ 3,000 crore, the Company encashed the Fixed Deposits (FDs) amounting to ₹ 2300 crore[170] and also took a working capital loan of ₹ 700 crore at an interest rate of 8.45 *per cent per annum.*

Subsequently, the Company decided (November 2019) not to pay the second instalment as there was no increase in freight (haulage) charges. Consequently, the agreement (March 2019) was terminated.

Audit observed that the Company did not conduct proper Cost – Benefit analysis before deciding (February/ March 2019) to opt for the Freight Advance Scheme offered by the Railways as explained below:

➢ During the last five years, the rates of freight (haulage) charges for movement of containers had been increased only on two occasions i.e. in December 2014 and October 2018. Thus, the assumption that the Scheme will provide stability of freight was misplaced. Further, the analysis of rail freight paid by the Company during last five years was as given in **Table 3.19.**

Table 3.19

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Rail freight expenses (₹ crore)	3,644	3,338	3522	3731	3498
Per cent increase over previous year.	-	(-)8.40	5.51	5.95	(-) 6.24

The trend of payment of rail freight expenses during last five years also indicated that the total rail freight expenses of the Company was not fluctuating widely to impact freight stability. Thus, the projections of Freight Advance exceeding ₹ 4,500 crore was incorrect.

➢ The BoD of the Company had already discussed (February 2019) about requirement to pay an advance of ₹ 2,000 crore to the Indian Railways even though the Scheme was launched in March 2019. A nominee director had even stated that “since the demand was from Indian Railways, their views are already covered in the demand.” The BoD subsequently revised the

[170] ₹ 2137 crore from Fixed Deposit Receipt pre-maturity (₹ 2064 crore Principal + ₹ 73 crore interest) and ₹ 163 crore from flexi deposit.

advance to ₹ 4,500 crore. On both the occasions the cost benefit analysis of the Scheme were not discussed.

➢ As per para 4.1.2 of the Scheme, the freight advance committed can be either in one or maximum two instalments each of minimum 40 *per cent* of total advance committed. However, the Company paid 66.67 *per cent* (₹ 3,000 crore) as the first instalment. There was nothing on record to justify payment of first instalment of advance in excess of the minimum prescribed level under the Scheme guidelines. More so, when the advance payments were met out of borrowed funds and after prematurely terminating the Fixed Deposits.

➢ The decision of the Company put a tremendous stress on the cash reserves of the Company as was clear from the details given in **Table 3.20**.

(₹ in crore)

Table 3.20

Financial Year	Current Assets		Non-Current Assets	Total Cash and Bank Balances	Short Term working capital loan
	Cash & Cash Equivalents	Other Bank balances	Other bank balances		
	1	2	3	4 =1+2+3	5
2014-15	134.58	2453.35	0	2587.93	0
2015-16	157.10	642.75	1570	2369.85	0
2016-17	103.73	310.72	1482	1896.45	0
2017-18	177.38	1804.32	30.09	2011.79	0
2018-19	**115.29**	**55.13**	**12.5**	**182.92**	**700**
2019-20	56.32	2112.27	0	2168.59	0

Audit further noted that the Company incurred a loss of ₹ 85.69 crore **(Annexure 3.7)** during March 2019 to March 2020 on account of payment of interest on working capital loan (₹ 6.18 crore) and loss of interest on encashing the FDs (₹ 79.51 crore).

The Ministry in its reply stated (October 2021) that it participated in the Freight Advance Scheme to stabilise the dynamism in haulage charges. This Scheme could offer price stability to the consumers and attract more volumes or retain the customers. The Management also stated that it faced stiff competition from road transportation and other private train operators. By offering price stability, the Company tried to be competitive to road transportation and shift traffic from road to rail. It also stated that advance freight with Indian Railways was a Government to Government transaction and amount paid to Indian Railways was a direct contribution to Government exchequer.

The reply of the MoR was not tenable as the decision to participate in the Scheme was arbitrary and taken without conducting any due diligence. The Company is a listed company working as a separate legal entity; therefore, the financial interest of the Company were required to be ensured while taking the decision to participate in the Freight Advance Scheme.

Thus, imprudent decision of opting for Freight Advance Scheme without properly evaluating the benefits resulted into loss of ₹ 85.69 crore to the Company.

3.19 Unauthorised payment of additional increments to employees: CONCOR

CONCOR awarded two additional increments to their employees without Presidential Directives or approval of Administrative Ministry/ Department of Public Enterprises which resulted in unauthorised payment ₹ 41.93 crore.

Board of Directors (BoD) of Container Corporation of India (Company) in their 192nd meeting (September 2017) decided to grant two annual increments to the employees. The grant of two annual increments was justified on the grounds that proposed pay scales of the Company w.e.f 1st January 2017 were not at par with several Maharatna and Navratna CPSEs. Moreover, two increments were granted in order to attract, retain and motivate manpower in highly competitive talent market. The two increments were granted to the employees on revised pay scales w.e.f January 2017.

As per laid down provisions[171], the BoD of each CPSE is required to consider the proposal of pay revision based on their affordability to pay and submit the same to the Administrative Ministry for approval. The Administrative Ministry concerned will issue the Presidential directive with the concurrence of its Financial Adviser in respect of each CPSE separately.

The Company approached (September 2017) Ministry of Railways with the proposal for revision of Pay and Allowances with effect from 01 January 2017. However, the Company did not seek approval regarding issue of grant of two additional increments in the proposal of pay revision. The Ministry of Railways issued the Presidential Directive in November 2017, for the pay revision based on the Company's proposal. The Ministry issued the Presidential Directive for the pay revision however Audit noted that the Company did not seek specific approval for grant of two additional increments in the proposal of pay revision.

Audit observed that the Company had unauthorisedly granted additional increments to its employees w.e.f 1st January 2017. This had resulted in

[171] Clause 18 of Office Memorandum dated 3 August 2017 issued by Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises

unauthorised payment of ₹ 41.93 crore during the period from January 2017 to March 2020.

The issue was raised with MoR (October 2021). The MoR in its reply (November 2021) stated that two additional increments were given only after obtaining due approval from the BoD of the Company. Further, the grant of increments was not in the nature of revision of pay scales and BoD was empowered to decide about the remuneration/ award to the employees.

The reply of MoR was not acceptable as the laid down provisions provide that the proposals of pay revisions should have concurrence of the Administrative Ministry. The mere approval of the BoD instead of the Administrative Ministry was not provided in the laid down provisions.

Thus, grant of additional increments to the employees of the Company without any Presidential Directives or approval of Administrative Ministry/DPE resulted in unauthorised payment of ₹ 41.93 crore.

3.20 Avoidable expenditure in violation of Department of Public Enterprises Guidelines: Rail Vikas Nigam Limited

Rail Vikas Nigam Limited incurred avoidable expenditure of ₹ 14.19 crore on account of irregular payment of ex-gratia/bonus to deputationists from Railways / other Government Departments in violation of DPE Guidelines.

As per the Department of Public Enterprises (DPE) Guidelines (November 1997) on Wage Policies and Related Matters, the payment of bonus/ ex gratia to employees of public sector enterprises was to be regulated under the provision of Payment of Bonus Act, 1965.

Vide amendment of 2015 in Payment of Bonus Act, 1965, the eligibility limit for entitlement of bonus was fixed to salary/ wage not exceeding ₹ 21,000/- per month.

Examination of records of Rail Vikas Nigam Limited (Company) revealed that the Company was paying bonus to all its employees on deputation since 2009-10. The annual approval of payment of bonus to the deputationists was obtained from the Board of Directors of the Company. Audit noted that during the 2015-2020 the Company paid ₹ 14.19 crore, as bonus to the employees on deputation despite the fact that their monthly salary exceeded the prescribed limit of ₹ 21,000/-.

Audit noted that the payment of bonus to employees on deputation to the Company was irregular as it was in contravention of the DPE Guidelines.

The Management in its reply (February 2020) stated that “payment of ex-gratia/ bonus as reward for the hard work put in by the employees does not infringe upon any extant instructions of the Government as far as pay and allowances payable to deputationists are concerned. Further, the ex-gratia/bonus payment was paid to the employees after due approval of the Board of Directors of the Company with a view to motivate them for higher productivity and to ensure that the targets are achieved. Board of Directors in CPSEs are competent to approve the payment of ex-gratia as reward to the employees for their hard work and devotion to duties and such payment does not infringe upon any DPE guidelines."

The Management reply was not acceptable in view of the fact that the payment of ex-gratia to deputationists was against the instructions of DPE. Moreover, the DPE instructions did not contain any provision where the BoD of the Company was empowered to approve payment of ex-gratia /bonus for the employees not covered under the Payment of Bonus Act, 1965.

Thus, payment of ex-gratia amounting to ₹ 14.19 crore to the unentitled employees, under the provisions of the Payment of Bonus Act/ DPE instructions, was irregular.

The matter was referred to MoR in August 2021; no reply was received (November 2021).

3.21 Infructuous payment of spectrum charges: RailTel

RailTel made a payment of ₹ 13.82 crore to Ministry of Communications during the period October 2006 to September 2018 towards royalty charges for the spectrum allocated. However, RailTel did not utilise the Spectrum allotted as no rollout plan existed for utilization of the spectrum. As the spectrum alloted had been surrendered without its utilisation, royalty paid amounting to ₹ 13.82 crore had become infructuous.

RailTel Corporation of India Ltd., (the Company) was set up in September 2000 to modernize Railway's train control, operation, safety systems and network. The objective of the Company is to plan, build, develop, operate and maintain a nationwide broadband telecom and multimedia network of international quality. The Company uses 2.4 GHz unlicensed band with (free for all providers) for its nationwide telecommunication and multimedia network requirements.

With a view to establish wireless connectivity on RF network throughout India, the Company obtained (October 2006) licence for spectrum frequency in

2.839 GHz from Wireless Planning Commission (WPC), Ministry of Communication and Information Technology.

As per the licence, the Company was to make payment of royalty of ₹ 1,44,000 per year per Base Transceiver Station (BTS)[172] and licence fee of ₹ 1,000 per year per customer. In 2012, the royalty rates were revised to ₹ 3,60,000 per year per BTS and licence fee of ₹ 1,000 per year per customer. The Company renewed this licence periodically by making payment for the spectrum charges from time to time.

Audit observed that the Company did not use the alloted spectrum frequency (2.839 GHz) since the date of allotment. No equipment was procured to enable deployment at any of the 43 sites to enable use of the alloted frequency. Consequently, the spectrum was surrendered and finally accepted by the Ministry in August 2018.

During the period from October 2006 to September 2018, the Company made payment of spectrum charges amounting to ₹ 13.82 crore to WPC as per the licence.

Audit further noted that the Ministry of Communications raised (October 2019) a fresh demand on account of outstanding spectrum charges including penalty and late fees amounting to ₹ 4.33 crore on Rail Tel. This amount was yet to be settled by the company.

The issue was raised with Ministry in August 2021. The Ministry of Railways in its reply stated (November 2021) that the cost of radios in frequency band of 2839 MHz was on the higher side since they were manufactured for RailTel. As such retaining and utilising the Licensed Frequency band had become unviable.

The above reply of the Ministry vindicates audit observation that the payment of spectrum charges of ₹ 13.82 crore without utilisation of the licensed frequency (2.839 GHz for) for more than a decade was infructous.

[172] A Base Transceiver Station (BTS) is a fixed radio transceiver in any mobile network. The BTS connects mobile devices to the network. It sends and receives radio signals to mobile devices and converts them to digital signals that it passes on the network to route to other terminals in the network or to the Internet.

3.22 Irregular payment of allowances: RITES Limited

Irregular payment of allowances amounting to ₹ 9.01 crore to employees on deputation to the Company in contravention of DoPT/MoR guidelines.

Para 7.6 (a) of the Department of Personal & Training (DoPT) instructions issued (June 2010) contained instructions for admissibility of allowances and benefits of employees while on deputation/Foreign Service. As per the instructions "such allowances as are not admissible to regular employees of corresponding status in the borrowing organisations shall not be admissible to the officer on deputation/foreign service, even if they were admissible in parent organisation". Ministry of Railways endorsed (July 2010) the above instructions mutatis –mutandis for Railway employees.

During the period from 2015-16 to 2019-20, RITES Limited (Company) paid ₹ 9.01 crore towards 'Expert Professional Allowance' to employees on deputation to the Company. Audit observed that the Company was paying 'Expert Professional Allowance' to all its employees on deputation. However, the same was not paid to the regular employees of RITES Limited. Thus, payment of 'Expert Professional Allowance' to employees on deputation to the Company was in violation of above instructions of DoPT.

The matter was referred to MoR in August 2021. MoR in its reply stated (November 2021) that the Company has moved a proposal for discontinuing the existing practice of payment of Expertise Allowance.

Thus, the payment of 'Expert Professional Allowance' amounting to ₹ 9.01 crore to the employees on deputation to Company was irregular.