CHAPTER 3: WORKS AND CONTRACT MANAGEMENT

3.1 Injudicious decision leading to avoidable/ wasteful expenditure

3.1.1 South Central Railway: Avoidable expenditure on doubling and electrification of a branch line

Injudicious decision of Railway to undertake the work of doubling and electrification of a branch line resulted in avoidable expenditure of Rs.87.29 crore

Samalkot – Kakinada Port branch line (15.6 km) emerging from Vijayawada – Visakhapatnam electrified route was an electrified single line. The charted and effective capacity of these lines was 16 trains and 14.4 trains per day respectively. Against this, the average traffic handled was 14 trains per day (seven goods and seven passenger trains).

Railway provided (October 2006) a crossing station at a cost of Rs.3.11 crore at Sarpavaram located between Kakinada Town and Samalkot on this branch line. As a result, the charted and effective line capacities became 23 trains and 20.7 trains per day respectively. Despite the availability of adequate spare line capacity, Railway Administration, in view of additional anticipated fertilizer traffic of 60 BCN wagons (1.5 rakes) per day, sanctioned (June 2007) the work of doubling of Samalkot – Kakinada Port branch line along with its electrification at an estimated cost of Rs.78.12 crore. The work was complete to the extent of 98 percent up to the end of August 2009 after incurring an expenditure of Rs.87.29 crore. The Commissioner of Railway Safety (CRS) had authorised (August 2009) the Railway to open the section to run trains with a speed of 60 kmph.

As the spare line capacity available on the branch line after the provision of crossing station at Sarpavaram was more than enough to meet the projected additional fertilizer traffic of 1.5 rakes per day, Railway Administration's decision to undertake the work for doubling and electrification of the branch line was injudicious resulting in an avoidable expenditure of Rs.87.29 crore.

When the matter was taken up with the Railway Administration (January 2009), they stated (October 2009) that 30 to 35 trains are running at present in this single line section. As such, the question of spare capacity did not arise. In order to deal with the present quantum of traffic and future increase in it, the proposal for doubling was taken up after due diligence and only after exploring other options. The reply is not acceptable as Audit analysis has revealed that the actual utilization of the section capacity during the year 2008-09 was 14.41 rakes per day whereas the effective line capacity available was 20.7 trains per day. Thus, the anticipated increase of 1.5 trains per day could have been taken care of within the existing line capacity.

3.1.2 North Western Railway: Idling of investment due to non utilization of converted track

Failure of the Railway Administration to utilise the newly converted Pipar Road – Bilara section resulted in idling of investment of Rs.45.59 crore besides loss of earnings of Rs.2.75 crore

In February 1997, Railway Administration submitted the project report and estimate of the gauge conversion of Pipar Road – Bilara section and construction of new Broad Guage (BG) line from Bilara to Bar. In the project report it was assessed that the project would yield a rate of return of 6.93 per cent. For Pipar Road –Bilara Section, a projection of 503 passengers per day each way (1996-97) and goods traffic of 834 wagons (2006-07) was made in the project report. The traffic was expected to fetch a net earning of Rs.2.75 crore per annum. The Railway Board sanctioned the detailed estimate of Pipar Road –Bilara gauge conversion project in July 2003. The sanction of Bilara – Bar new line project had, however, not been received till date (July 2009).

The work of gauge conversion of Pipar Road –Bilara Section commenced in December 2003 and was physically completed in February 2008. The section was inspected by Commissioner of Railway Safety (CRS) on 17 July 2008 and was authorised for opening for public carriage with effect from 21 July 2008. Audit observed that although the section was declared open for public carriage yet neither goods nor passenger traffic could be started till date even after a lapse of one year. The section was not even handed over to open line which was required to be done within a month of CRS's inspection. Initially, the Railway Administration had decided to operate one pair of passenger train on the section but later decided to ply two pairs of Rail bus. This decision was opposed by the local public and therefore the train services were not started despite issue of notification in September 2008. Although a firm approached the Railway Administration for offering of goods traffic and Ministry of Railways had also granted rail transport clearance (RTC) certificate to the firm for proposed siding at Bilara station, yet no efforts were made by the Railway Administration to open the section even for goods traffic and the section is still lying idle. The decision to ply two pairs of Rail bus with a capacity of 72 passengers each way was not prudent as it was inadequate to cater to the projected as well as the growing passenger traffic. Non opening of the section resulted in idling of investment of Rs.45.59 crore besides loss of earnings of Rs.2.75 crore from August 2008 to July 2009.

When the matter was taken up with the Railway Administration (March 2009); they stated (July 2009) that Rail bus service was already in existence between Merta Road and Merta City and was carrying on an average 794 passengers per day and hence estimated potential of 503 passengers on Pipar Road – Bilara section could be easily handled by Rail bus service. Further, projection of goods traffic of 834 wagons was based on RTC issued to a firm but later on the firm did not show any interest in goods traffic to be carried by rail and no communication was received from them. Moreover, the cost analysis of working expenses and gross earnings reveals that Railway

Administration was actually saving by not running passenger trains on Pipar Road – Bilara section.

The remarks are not tenable as the projected traffic of 503 passengers was based on the survey during the year 1996-97 and after passage of 13 years the quantum of passenger traffic would have substantially increased and as such justifying carrying the same quantum of traffic by Rail bus defies their own projection in the project report. Moreover, the two pairs of passenger train were proposed in the project report and on the basis of statistics provided therein the project was approved and executed. The subsequent imprudent decision to ply the Rail bus was in contravention to the original proposal itself. Further, the projection of goods traffic of 834 wagons was not based on RTC issued to a single firm as it was issued only recently in November 2008. In fact, the projected goods traffic was based on the prevalent as well as expected shifting of traffic from road by 11 industries other than those to whom RTC was issued. In respect of cost analysis it is stated that the loss on account of passenger services had already been considered/ taken into account while preparing the project report. The plying of goods traffic would have fetched substantial earnings as envisaged in the project report and would have compensated the loss on account of passenger services and thus the project and investment of Rs.45.59 crore made thereon as a whole would have been justified.

Thus, due to non opening of the Pipar Road – Bilara section, the investment worth Rs.45.59 crore is lying idle besides recurring loss of Rs.2.75 crore per annum.

3.1.3 Central Railway: Idling of investment in construction of a new line –Baramati to Lonand via Phaltan

The decision of the Railway to construct the line between Baramati and Lonand via Phaltan without ascertaining the availability of land as well as traffic prospects, has not only resulted in delay in completion but also likely to prove the entire investment (Rs.30.17 crore already spent) as redundant

In June 1997, Railway Board asked Central Railway to update the survey report for construction of a new line between Baramati and Lonand via Phaltan. Though the construction of line was not considered financially viable, Railway Board sanctioned the work in 1997-98 mainly on the ground of providing rail transport to the people and creating a shorter rail link between north and south for transportation of goods traffic. One of the objectives of this project was also to relieve pressure from Ghorpuri Yard. Though the project was initially planned to start from Baramati end, the Railway Board instructed Central Railway to take up Lonand –Phaltan section in Phase I. Detailed estimate of the work amounting to Rs.138.48 crore was sanctioned in November 2002.

Audit scrutiny of records revealed that though the process of land acquisition in Lonand – Phaltan section was initiated in October 2002, the actual possession was effected only after August 2007. In the meantime the work of construction of major and minor bridges was commenced in

September/October 2003. Despite incurring an expenditure of Rs.30.17 crore till March 2009, the physical progress of the work was only eight per cent and as of date no target date has been fixed for completion of phase I. The work in the remaining section viz Baramati to Phaltan has not commenced yet as Railway could not acquire land. In this connection the following audit comments arise:

- Main objective for construction of the line was to provide a shorter link for traffic coming from north of Daund and going towards south of Lonand. The new line was to save extra haulage of 65 Kms for each wagon. Audit, however, noticed that non-completion of the line has deprived the Railway the benefit of shorter route. Besides, the objective of relieving pressure on Ghorpuri Yard was also not achieved.
- While justifying the construction of this new line, Railway had observed that after opening of Konkan Railway and conversion of Miraj –Bangalore via Londa section, the traffic pattern was likely to change drastically rendering this section redundant. Since most of the goods traffic coming from North of Manmad which is expected to move via new link is already passing through alternative route via Konkan Railway, and another shorter route viz Daund-Kurdvadi-Miraj would be available on completion of gauge conversion of Kurdvadi –Miraj section, the new line is likely to prove a waste.
- Central Railway was aware that the area beyond dead end of Baramati station was heavily populated and as such it would be difficult to acquire the land. However, instead of first resolving the issue of acquisition of land for Baramati- Phaltan section, Railway commenced work in Lonand – Phaltan section. Even if the work on this section is completed the entire investment will remain unproductive till the link between Phaltan and Baramati is also established which in the present scenario, is a remote possibility.

Thus the decision of the Railway to construct the line between Baramati and Lonand via Phaltan without ascertaining the availability of land as well as traffic prospects, has not only resulted in delay in completion but is also likely to render the entire investment (Rs.30.17 crore already spent) redundant.

When the matter was taken up with the Railway Board (September 2009) they stated (December 2009) that it will be circuitous to move the traffic coming from north of Daund via Konkan Railway route and the route via Daund-Kurdwadi-Miraj is longer than Daund-Baramati-Lonand-Miraj. It was added that the Daund - Kurdwadi is already saturated. Therefore, new line will be beneficial as being short and less saturated They stated that the investment made in the Lonand Phalton section would be utilized as the survey to link this section with Pandharpur via Phaltan has already been carried out and efforts are being made to finalise the alignment of–Phalton section.

The reply is not acceptable because Railway has already been carrying most of the traffic via Konkan Railway and the route via Daund-Kurdwadi-Miraj is only 14 Km longer. Moreover, the issue of acquisition of land for Baramati –

Phalton section could not be resolved during the last seven years and the linking the Phalton section with Pandharpur will not serve the purpose for which the new line was sanctioned.

3.1.4 Northern Railway: Unproductive investment due to deficient project management

Additional Electric Multiple Unit/Main line Electric Multiple Unit (EMU/MEMU) Car Shed to supplement existing facilities at Ghaziabad remained incomplete due to deficient project planning

EMU/MEMU Car Shed at Ghaziabad (GZB) with its maintenance capacity of 300 coaches caters to the maintenance needs of EMU/MEMU coaches. The actual holding had subsequently risen to 318 coaches. In order to ease the over saturated existing EMU shed (GZB) and to minimize detention of EMU/MEMU coaches, it was proposed for setting up a second EMU/MEMU Car Shed at Saharanpur (SRE), where land was considered to be available.

The above work was sanctioned by Railway Board (2000-2001). The detailed estimate for this work was sanctioned (October 2001) by the Chief Administrative Officer/Northern Railway Construction Organization (NRCO) at a cost of Rs.10.21 crore and it was to be completed by March 2006.

As per the layout plan total land required for the shed was assessed at 1,30,200 sqm. NRCO started (December 2002) the work as per approved layout plan. In January 2004, the Railway Administration got authenticated their ownership on 81251 sqm. area of land. Accordingly, Northern Railway requested (May 2008) the Railway Board to sanction the Material Modification (MM) of Rs.15.24 crore (which inter alia provided for acquisition of land at a cost of Rs.4.60 crore) as against the sanctioned estimate of Rs.10.21 crore. The provision for procurement of M&P required for MEMU car shed was not included even in the MM. Instead a separate proposal for procurement of M&P worth Rs.6.94 crore was initiated (May 2008) for inclusion in the M&P (2009-10). Board, however, did not approve the MM and directed (January 2009) Northern Railway to de-link the proposed MM from the main work and to process the proposal for additional works separately through regular/Supplementary Works Programme. Till November 2008, Railway had incurred an expenditure of Rs.11.53 crore.

Scrutiny of records revealed that till August 2006, NRCO could not complete the work of stabling line and turn table) and could partially commission the EMU/MEMU car shed at SRE. Due to works remaining incomplete, only minor maintenance schedules of EMU/MEMU rakes are being done in this shed and the same are being sent to EMU Car Shed, Ghaziabad for undertaking maintenance schedule, POH and major repair works.

In the above context, the following observations are made:-

(i) Due to non completion of EMU/MEMU car shed at SRE, Railway Administration had to run 99 'overdue POH' EMU/MEMU coaches for the period ranging from 1 to 6 months during April 2007 to March 2009. Besides overdue major schedule inspection 'EMU/MEMU coaches ranging up to 5 remained in operation in each month during the same period. This was not in the interest of safety of Railways' passengers.

(ii) Failure to ensure clear title of land earmarked for the EMU Car Shed entailed acquisition of land and consequential delay in completion of the project.

(iii) The provision of M&P in the estimate was omitted at the planning stage. This was antithetical to basic project planning principles.

(iv) Since August 2006 (i.e. partial commissioning of the shed) EMU/MEMU rakes are still being sent to EMU Car Shed, GZB for conducting POH and major repair works. The expenditure by the way of empty haulage cost during December 2006 to March 2009 works out to Rs.0.40 crore.

The matter was taken up with the Railway Administration in December 2008 and March 2009. In reply the Railway Administration stated (July 2009) that all the major works of MEMU car shed, Saharanpur i.e. repair bay, inspection shed, washing line, all service buildings and boundary wall (1200 m) have been completed in October 2006. Railway Administration reply is not tenable because the Railway has yet to acquire additional land to complete the works of stabling lines and boundary walls. Besides, required M&P needed for the shed has not yet been procured. As a result, the shed is unable to undertake the POH and Heavy repairs of EMU/MEMU coaches.

Thus, due to deficient project planning to set up additional maintenance facility of EMU/MEMU car shed involving investment of Rs.11.53 crore, the intended project benefits could not be fully realized.

3.1.5 South Central Railway: Injudicious creation of passenger amenities at railway stations

Injudicious creation of passenger amenities in excess of prescribed norms and execution of construction works unnecessarily resulted in an avoidable additional expenditure of Rs.9.99 crore

In order to fulfill the increased expectations of the Railway travelers in regard to passenger amenities at Railway stations, Railway Board issued (June 2003) comprehensive instructions/revised guidelines categorizing the Railway stations in six categories (A to F) on the basis of annual passenger earnings at the stations. Norms for level of amenities at various categories of stations were also prescribed.

On South Central Railway, passenger amenities viz. waiting halls, waiting rooms, high level platforms, cover over platforms and foot over bridges were provided in excess of prescribed norms at 59 stations (Guntur-11, Secunderabad-6, Hyderabad-12, Vijayawada-1 and Guntakal-29) where only passenger trains stop and annual earnings are less due to very limited number of passengers. This resulted in avoidable additional expenditure of Rs.9.39 crore.

Railway also created unnecessarily following assets at a total cost of Rs.0.60 crore:

- A large verandah, portico and a rest room on the first floor at Diguvametta station, where the level of traffic was 14 passengers per train, and a dormitory at Markapur station, which was never put to use. (Total cost Rs.0.14 crore)
- A new Booking office on southern side at Nandyal station in addition to the existing Booking office at a cost of Rs.0.07 crore which was closed due to poor usage.
- A foot–over- bridge (FOB) at a cost of Rs.0.39 crore at Nandyal station which was planned to connect the new Booking office with other platforms for the convenience of passengers entering the station from the south side. Construction of the FOB was started by the Railway after the closure of the new Booking office.

Thus injudicious creation of passenger amenities in excess of prescribed norms and execution of construction works unnecessarily resulted in an avoidable additional expenditure of Rs.9.99 crore.

When the matter was taken up (March 2009) with the Railway Administration, they stated (May/September 2009) that due to greater emphasis on provision of better passenger amenities, it became necessary to provide slightly higher level of amenities than the scale prescribed. The expenditure incurred by the Railway on these works at 'E' class stations was justified due to various reasons. Further, even if limited number of passengers utilize the FOB at Nandyal, it was required in view of safety. The reply is not acceptable because while framing the guidelines for prescribing the quantum of passenger amenities at Railway stations of six categories, Railway Board had already considered the increased expectations of the passengers. The criteria for fixing the scale for passenger amenities were the number of passengers dealt with at the stations and the annual earnings. As per the earnings of these 'E' class stations, there was no justification for the provision of facilities at higher scale. Further, a FOB connecting the platform No.1 and 2 was already available at Nandyal for the safety of the passengers. Its extension to new booking office, which had already been closed, was not regular.

3.1.6 South Central Railway: Wasteful expenditure on undertaking an un-warranted work

Railway's decision to replace bridge timbers with steel channel sleepers on a Meter Gauge section just before its closure for Gauge Conversion resulted in wasteful expenditure of Rs.1.44 crore

Railway Board's instructions (February 1992) stipulate that Railways should not make investment of any kind on up-gradation or development of any section slated for gauge conversion (GC).

Railway undertook GC work of Pakala- Dharmavaram Meter Gauge (MG) section to Broad Gauge (BG) section in two phases viz. Pakala to Madanapalli

(83.14 kms)-Phase I and Madanpalli to Dharmavaram (144.28 kms)-Phase II.. When the GC work was going on in Phase I, in view of proposed early closure of this MG section, General Manager instructed (August 2006) not to undertake the sanctioned complete track renewal (CTR) work and go for casual renewals on condition basis only.

In Phase II, Railway initiated (May 2006) action for award of contracts by inviting tenders for the strengthening of bridges to BG standards and awarded contracts for bridge No.998 and 989 in July and November 2006 respectively. But, Railway simultaneously issued Letter of Acceptance in June and August 2006 for the replacement of bridge timbers on MG bridges with modified steel channel sleepers in this section. The work against one contract was completed in January 2008 at a cost of Rs.1.18 crore. However, in view of Railway's decision to close the section for Phase II of GC w.e.f.10 March 2008, the work against another contract commenced in January 2008 was shelved in February 2008 without replacing bridge timbers on two major bridges.

Railway Administration, thus, neither followed Railway Board's instructions (February 1992) nor their own line of action adopted (August 2006) during GC in Phase I. Further, the life of bridge timber is 10 years. The bridge timbers which were replaced were in use for more than three to four decades. As such, Railway Administration who did not replace wooden sleepers for more than two decades beyond their normal service life decided to replace them just before discarding the MG track. After the replacement of bridge timbers, Railway could not achieve any benefit expected from the replacement of bridge timbers as the new track was to stabilise.

As the replaced steel channel sleepers were fabricated to MG standards, these were required to be removed during gauge conversion resulting in wasteful expenditure of Rs.1.44 crore.

The matter was taken up with the Railway Administration/ Railway Board in March 2009/October 2009. Railway Administration stated (March 2009) that the decision to replace bridge timbers was taken for running the trains safely on the existing track. The work was taken up purely on condition basis and causal renewal could not be planned due to ban on procurement of wooden sleepers.

Railway Board further added that the bridge timbers which had served more than 20-25 years became fully unserviceable due to ageing. As such, these were proposed to be replaced on few bridges, in view of safety.

The reply is not acceptable. Railway Administration took no prompt action to ensure safe running of trains on this track in spite of a mid-section derailment in 2002 and specific CRS recommendations thereafter. However, Railway decided to replace the bridge timbers in 2006 belatedly only to be discarded during GC works. Moreover, the bridge timbers on two major bridges were not replaced and trains were running on the existing bridge timbers up to the closure of the line. Further, although there are instructions that wooden sleepers more than five years old should be inspected thoroughly every year for judging their fitness, in the present case, bridge timbers in use for the last three to four decades remained in service without timely replacement.

3.1.7 North Western Railway: Extra expenditure on construction of a bridge

Injudicious decision to switch over from PSC girder to open web steel girder in construction of a major bridge resulted in extra expenditure of Rs.1.18 crore

In connection with the Ajmer-Chittaurgarh gauge conversion project involving 30 major bridges and 214 minor bridges, the Railway Administration invited a tender in December 2005 with a completion period of 11 months for 'Earth work in banks and cutting for formation, construction, strengthening of minor/ major bridges of span 0.45m to 30.5m including bridge no.232, casting, supplying and erecting etc' in Chanderia-Chittaurgarh (CNA-COR) section of the Ajmer-Chittaurgarh project at a cost of Rs.4.53 crore. The tender was opened in January 2006 and lowest eligible tenderer after negotiations withdrew his offer resulting in discharge of tender in April 2006. While considering (May 2006), the lone offer received after retendering, the Chief Engineer who was convener of Tender Committee (TC) informed that Member Engineering during his inspection in June 2006, had advised to use open web steel girders in lieu of 30.5 m PSC girders to expedite the commissioning of CNA -COR section. Decision for non-invitation of fresh tender was justified on the ground that lowest and only tenderer was the same in both discharged and existing tenders. The recommendations of the TC were accepted (September 2006) by deleting four items of schedule 'C' (costing Rs.1.12 crore) and work was awarded at a cost of Rs.4.59 crore.

Audit scrutiny revealed that the purpose of expediency and economy as claimed while switching over to open web steel girders could not be fulfilled and on the contrary the completion of the work was delayed by more than one year resulting in an extra expenditure of Rs.1.18 crore.

When the matter was taken up with the Railway Authorities (March 2007); they stated (April/ July 2007) that the decision to switch over to steel girder was taken as a matter of expediency and economy which resulted in saving of Rs.0.98 crore. It was further opined that subsequent correction to the original scheme was a regular phenomena in the execution of all the major projects.

The contentions of the Railway are not acceptable as the work was eventually completed after a delay of more than a year and entailed overall excess expenditure of Rs.1.18 crore. As regards saving, if any, claimed by Railway Administration, no derails have been furnished for validation.

Thus, the decision to construct the bridge on open web steel girder claiming economy and expedience proved to be imprudent and consequently resulted in extra expenditure of Rs.1.18 crore.

The matter was again taken up with the Railway Administration (January 2009); their reply has not been received (December 2009).

3.2 Improper planning leading to blocking up/ idling of investment/ avoidable expenditure

3.2.1 North Central Railway: Blocking of funds

Award of contract for construction of road over bridges before obtaining clear possession of land resulted in blocking of fund to the tune of Rs.7.44 crore

Railway Board (Board) issued instructions (August 1980) to all Zonal Railways that contracts for works should not be awarded unless soil tests, site investigations had been completed, all plans drawings and estimates duly approved/sanctioned by competent authority and there was no hitch in handing over the site to the contractor.

Contract for construction of two Road over bridges (ROB) on National Highway-3 at chainage 2534 and on the Agra-Shamsabad Road at chainage 16866 in connection with Agra Cantonment Junction to Etawah Junction new broad gauge line, was awarded to M/s Sona Builders in September 2003 at a cost of Rs.6.85 crore to be completed by May 2005.

The contractor could not complete the work mainly due to non-handing over land required for road diversion in the case of the NH-3 ROB and for approaches in case of Agra-Shamsabad ROB. To complete the work, the contractor was granted extension upto 31 August 2006. Even after expiry of the first extension period, the land relating to Agra-Shamsabad ROB could not be handed over and a second extension was granted upto 31 March 2007.

In February 2007 the contractor requested the Railway Administration to close the contract as the land had not been handed over to him till then. Subsequently, in April 2007, the contractor requested for extension up to 31 May 2007 and simultaneously also asked for closure of the contract. The request for closure of the contract was acceded to by the Railway Administration in July 2007. The contract was closed at a cost Rs.4.65 crore.

Two separate contracts for the balance work on the NH-3 and Agra-Shamsabad roads were awarded in August 2008 and December 2008 for Rs.6.43 crore and Rs.2.24 crore respectively. In the case of the Agra-Shamsabad ROB, though the land was acquired by the Railway Administration in July 2008 permission for cutting of trees had not been obtained as yet (March 2009). Hence, no progress could be made. In the case of the ROB on NH-3, Rs.2.79 crore was paid upto February 2009 for work done and the progress of work was 75 percent.

When the matter was taken up with the Railway Administration in March 2009, they stated (May 2009) that the land for approaches in both the cases was pursued actively and possession obtained in March 2005 in case of NH-3 ROB. They added that it was not anticipated by them that the State would take so much time in making available the piece of land for the approaches of Agra-Shamsabad ROB lying in forest area. The reply is not tenable. Had the Railway Administration ensured the possession of clear site before awarding the contract, the blocking of funds to the tune of Rs.7.44 crore could have been avoided.

Thus, failure to follow the instructions of the Board in awarding of contracts without having possession of clear sites resulted in delay in execution of the contract.

3.2.2 Eastern Railway: Injudicious award of a contract

Failure to observe the Railway Board's instructions to complete pre-requisites before awarding a contract led to extra expenditure of Rs.4.60 crore

Railway Board had reiterated (October 2006) that either the contracts for works should not be awarded without completion of prerequisites such as site clearance, soil tests and preparation of all plans, drawings or in case such an action was warranted for expeditious completion of the work, the requisite works should be completed in time to hand over the same to contractor immediately so that the progress of work was not hampered.

The Railway Board's instructions were not followed at the time of awarding a tender (Tender No.03 of 1999-2000) that led to extra expenditure of Rs.4.60 crore due to rise in price of steel and cement. The Tender Notice was published on 03 July 1999 and the letter of acceptance was issued in favour of M/s. CCAP Limited in January 2001 after a delay of one and half years with the date of completion (DOC) as 17 July 2003.

Scrutiny of records of progress of work revealed that the land and approved drawings were not immediately handed over to the contractor despite his requests (February 2001). Part of the drawings and land was handed over to the contractor only in March 2001 and the work was started in April 2001. The work was hampered further due to following reasons:

(i) Although the work was to be completed by 17 July 2003 the Railway Administration was not in receipt of physical possession of 1.194 hectare of land required for the work even in May 2007 (i.e.46 months beyond the DOC).

(ii) As of May 2004, the drawings of 17 bridges out of the total 40 to be constructed were not delivered. In respect of 5 bridges drawings were made available but the Railway Administration either could not hand over the land for their construction or could not fix the locations of those bridges. Ten drawings remained un-issued till June 2006 (i.e., even after 36 months beyond the DOC).

(iii) There was delay in removal of infringement (H.T. line of the Bihar State Electricity Board) that obstructed the progress of work in patches and such patches could not be handed over to the contractor as of September 2007.

As a consequence of these delays the contractor expressed (February 2007) his unwillingness to continue with the project on the ground that only truncated payments towards variation of prices due to escalation were being made to him whereas his quotation was on the basis of prices prevailing in July 1999. Finally the contract was closed in November 2007 without any liability on either side.

To complete the residual work a fresh contract at a much higher rate was awarded (August 2008). The difference in price of steel and cement alone amounted to Rs.4.60 crore.

When the matter was taken up (August 2009) with Railway Board, they stated (November 2009) that Railway had already applied for acquisition of land and had continuously been pursuing the State Government for handing over the same. Had the Railways waited till entire acquisition of land before tendering, the tender would have in any case been finalised after May 2007 i.e. at current rate and Railway have benefitted as 60 per cent of the work was completed by awarding contract at market rate of 2001.

The reply is not acceptable and does not follow the intent of Railway Board's instructions. Board's argument/claim that savings were achieved by getting a portion of work done at old rates also does not hold good in view of the fact that financial viability of a project largely depends on its timely completion. The Railway Reforms Committee in its Report of April 1982 observed that "the financial return of the project is greatly dependent on the schedule of investment; the return of the project falls with the increase in the period of completion even if there is no escalation in the cost". They also observed that "with the increase in the period of completion, the net gain of the project drops down heavily and the position gets aggravated with inflation. The lingering of the projects increases their costs and makes it difficult to monitor their physical progress. The establishment once created has to be continued without sufficient workload, and the projects remain unproductive for an unduly long period".

3.2.3 Western Railway: Idling of assets due to improper planning

Improper planning of construction of loop line coupled with indecision of the Railway Administration resulted in idling of investment of Rs.3.23 crore

The work of providing a directional up side loop line at Vaitarna station of Western Railway was sanctioned in the year 2001-02 at a cost of Rs.2.59 crore. The construction of this loop line was justified on the ground of smooth passage to trains going toward Mumbai and annual saving of Rs.1.09 crore on account of avoidable detention to trains. As the station was having steep gradients, the points and crossings of the proposed loop line were planned in grades steeper than 1:260 and this required the permission of Railway Board.

The work of providing the loop line as per approved plan was commenced in 2003-04. While processing the proposal for approval of the provision of gradients of steeper than the permissible limits, the Chief Transportation and Planning Manager (CTPM) desired that the changes in plan should be made as points and turn-outs can not be provided at a gradient of 1 in 150 and 1 in 210. After considering all implications of changes, the General Manager decided (August 2005) to prepare a revised plan with flatter gradient of 1:400 or flatter and to stop the work till final decision was taken. By this time, 90 per cent of the work at a cost of Rs.3.23 crore had already been completed. Thereafter, the Railway could not decide the right course of action as the revised plan with flatter gradient of 1:400 or flatter required lifting of both Up and Dn main lines, construction of Dn loop line etc. However, neither the proposal to revise the gradient was accepted nor the Railway Board was approached for approving the construction of loop line with grades more than the permissible limits. Subsequently in March 2009, the General Manager approved the proposal of lowering the Up loop line by dismantling of track and dredging of formation at an approximate cost of Rs.0.15 crore to Rs.0.20 crore. The work has, however, not been carried out so far and the entire investment of Rs.3.23 crore is lying idle for the last more than four years.

When the matter was taken up with the local Railway authorities (November 2007), they stated (April 2009) that the original plan to provide gradient steeper than 1:260 was very much feasible but required condoning by Railway Board. However, instead of approaching the Railway Board, decision was taken to revise the plan. They added that the proposal to connect the loop line by lowering the track has been approved (March 2009) and the paper work connecting the Up loop line to the main line is in process. The reply is not tenable because the gradient planned initially was defective as connection of the same with main line was not possible and required lowering involving infructuous expenditure. Moreover, Railway Administration could not take decision for almost four years with the result the entire investment is likely to remain idle till the loop line is commissioned.

Thus, improper planning of construction of loop line coupled with indecision of the Railway Administration in non-achievement of the intended benefit of avoiding detention to train besides idling of investment of Rs.3.23 crore.

The matter was taken up with the Railway Administration (January 2009), their reply is still awaited (September 2009).

3.2.4 Eastern Railway: Avoidable expenditure due to delay in finalisation of drawings

Failure to observe Railway Board's directives on preliminary works before award of contract resulted in avoidable extra expenditure of Rs.1.91 crore

As per Railway Board orders (August 1980), contracts for works should not be awarded unless soil tests and site investigations are complete, all plans, drawings are approved by the competent Authority.

To enhance the safety of Railway system a work of re-girdering two Road Over Bridges (No. S-1 and S-3) and one Railway bridge (No. S-26) in Sealdah-Diamond Harbour Section was awarded (August 2005) to a firm at a cost of Rs.4.72 crore for completion by February 2007 subsequently extended upto February 2008. Review of records, however, revealed that there were abnormal delays in finalisation of drawings due to frequent changes/modifications in the original plan as enumerated below:

During processing of the plan, some technical complications had arisen as such the work of strengthening the foundation of the bridge No. S-1 had to be dropped and the Over Head Equipment clearance was also found to be inadequate. Difficulties were also experienced in finalisation of drawings of another two bridges (S-3 and S-26). The drawings in respect of one Bridge No. S-3 were finalised in May 2007. Therefore, contractor could not start the work and requested for closure of the contract. The contract was finally terminated (July 2007) at the risk and cost of the contractor. A risk cost tender opened in August 2007 was subsequently discharged due to quotation of high rates. The contractor submitted (30 August 2007) a representation against risk and cost, highlighting the Railway's lapses in this case. The Railway Administration admitted that the contractor could not be held solely responsible for non-performance and decided to close the contract without any liability on either side. The contract was subsequently awarded (18 January 2008) to a joint venture firm at a cost of Rs.6.63 crore with the stipulation to complete the work within 6 months (17^{th} July 2008). The work in respect of bridge No. S-26 is, however, yet to be completed (May 2009).

When the matter was taken up with the Railway Administration in February 2009, they stated (May 2009) that had the tender been called after finalisation of all drawings, the completion date of these urgent safety works would have been deferred for a much longer period imposing safety threat to running of trains. Further, the reasons for delay in finalisation of drawings were unforeseen and beyond control of Railway Administration. The reply is not tenable as the Railway Board's instructions were violated in the instant case. The Railway Administration should have finalised drawings prior to awarding of the contract as per existing orders. Moreover, Railway Administration could not complete the work even two years after the scheduled date of completion (February 2007) in spite of the urgency of the work involving safety.

3.2.5 West Central Railway: Delay in construction of staff quarters resulting in avoidable expenditure on leasing of accommodation and blockade of capital

The Railway Administration's failure to get the site cleared of all infringements before award of contract for construction of quarters has not only blocked the capital of Rs.1.68 crore but also delayed the construction with the result an expenditure of Rs.0.14 crore was incurred on leasing of accommodation

In terms of Railway Board's instructions of August 1980, no contract for work should be awarded till all the plans and drawings have been approved and the site is clear in every respect for handing over to the contractor.

Consequent upon formation of West Central Railway in April 2003, land measuring 52 acre was taken on lease (March 2004) for construction of staff quarters. As this land was earlier occupied by a company which had not removed their scrap material, machinery and structures from the land, it was decided (October 2004) in a meeting held between representatives of Madhya Pradesh Government and the Railway that the latter would remove and dispose of the assets of the company and the deposit the cost with State Government after deducting the expenditure incurred for removal and disposal from the sale proceeds.. Railway assessed the value of the assets at Rs.2.77 crore.

Audit scrutiny of records revealed that Railway prepared the lots of loose material and auctioned the same for Rs.0.70 crore but took no action for removal of structure and other fixed assets. A contract for construction of 107 quarters of various types and one bungalow for General Manager at a cost of 7.46 crore was awarded in April 2005. The work was to be completed within a period of 15 months from the date of issue of letter of acceptance. However, as the progress of the work was not satisfactory, the contract was terminated in November 2006 after incurring an expenditure of Rs.1.07 crore. To complete the balance work, another contract was awarded at a cost of Rs.8.05 crore entailing an extra expenditure of Rs.1.66 crore. This contract was also terminated in September 2008 as the documents furnished by the contractor were found fake. By then the contractor had done work of Rs.0.61 crore. The tender for the balance work has not been finalized so far and the work could not be completed even after four years of its commencement and expenditure of Rs.1.68 crore being incurred. As a result of non-completion of the work of construction of quarters, the staff have been accommodated in the leased houses which included Rs.0.14 crore during the period from August 2006 to March 2009.

In this connection following comments arise:

- Railway awarded the contract for construction of quarters without ensuring availability of a clean site. Due to the infringements and delay in handing over the requisite drawings, the contractor could not carry out the work smoothly as a result of which the contract was terminated after incurring an expenditure of Rs.1.07 crore.
- Railway failed to verify the authenticity of the documents furnished by the contractor to whom the left over work was awarded. As a result the contract was terminated (September 2008) after incurring an expenditure of Rs.0.61 crore.
- The balance work has not yet been awarded to any one (September 2009). Non award of balance work would not only delay the completion further but also result in continued leasing of accommodation on which an expenditure of Rs.0.14 crore has already been incurred.

When the matter was taken up with the Railway Administration (March 2009), they stated (July 2009) that the layout drawings were made available to the contractor in June 2005 but he took up the work of foundations of Type IV quarters alone and abandoned the site in April 2006. As regards the second contract, they added that the credentials were duly verified from the document issuing authorities. They further stated that the notice for recovery of risk and cost charges of Rs.1.53 crore was issued to the defaulting contractor in August 2008 but he has not deposited the amount and on his request the case has been handed over to the Arbitrator. They also added that the completion of construction of quarters and leasing of accommodation for staff are two distinct issues and the leasing of accommodation to staff is permitted under rules.

The reply is not tenable as the first contractor could not do the work mainly because of non-availability of clear site and drawings. Moreover, the accommodation had to be leased because Railway could not complete the construction of quarters as per schedule. Due to delay in handing over clear site and drawings, on the part of Railways, recovery of dues at risk and cost is not achieved.

Thus the Railway Administration's failure to ensure free site before award of contract for construction of quarters has not only blocked the capital of Rs.1.68 crore but also delayed the construction with the result an expenditure of Rs.0.14 crore was incurred on leasing of accommodation.

3.2.6 Western Railway Infructuous expenditure of Rs.1.42 crore due to improper planning

Improper assessment and planning of the work of provision of MG pit line and sick line facilities at Mhow has resulted in infructuous expenditure of Rs.1.42 crore

The work of provision of Meter Gauge (MG) pit line and sick line facilities at Mhow station of Western Railway was sanctioned (June 2006) as a material modification to Neemuch- Ratlam gauge conversion project. This work was justified on the grounds that with the conversion of MG section between Neemuch and Ratlam into Broad Gauge, the coaches required for running of trains in the remaining MG section would be maintained at Mhow and holding of coaches would go up from existing 100 to 250.

Audit scrutiny of records revealed that construction organization awarded two contracts for construction of covering shed 63m x16m along with two inspection pits of 25 m long and construction of two washing pits, office building, transportation of P. way material and dismantling of MG track for provision of additional MG pit line and sick line facilities at Mhow at a cost of Rs.1.12 crore and Rs.1.58 crore in October and November 2006 respectively. When these works were being carried out, the General Manager during his inspection in February 2008, observed that in view of the approval of the gauge conversion of Ratlam–Mhow-Khandwa section during the year 2008-09, the works in connection with provision of pit line and sick line facilities at Mhow be reviewed and closed. The construction organization, however, closed only the work of construction of pit line and the work of construction of covered shed was continued on the ground that the shed would be utilized for maintenance of BG coaches after gauge conversion work is completed. By this time an expenditure of Rs.1.42 crore had already been incurred on these works. In this connection the following audit comments are made:

- Though in pursuance of Railway's policy of Unigauge System on Indian Railways, the gauge conversion of the entire section of Ratlam –Mhow – Khandwa was under consideration, Western Railway proposed the work of provision of MG pit line and sick line facilities in June 2006 without making proper assessment for its future requirement with the result one of the works was abandoned after incurring an expenditure of Rs.0.80 crore.

- Though Western Railway was aware that the work of creation of examination-cum-washing pit line and associated sick line facilities at Indore (situated at 21 kms from Mhow) had already been sanctioned (February 2006) and was being carried out for maintenance of BG Coaches, they continued the work of construction of covered shed at Mhow. As the BG Coaches will be maintained at Indore, the prospects of utilization of the shed are remote thereby rendering the entire expenditure (Rs.0.61 crore already incurred) infructuous.

When the matter was taken up with the Railway Board (October 2009) they admitted (December 2009) that though the proposal for gauge conversion of Ratlam-Mhow –Khandwa section was in process it was not known as to when the work would be sanctioned. They added that the expenditure incurred for the construction of MG pit line and sick line facilities at Mhow would not go waste as the same would be utilized in BG. It was also added that the complete gauge conversion of Ratlam-Mhow-Khandwa-Aklo section would take 5 to 7 years and the facilities would be utilized for maintenance during this period. The reply is not acceptable because Railway has already abandoned the work midway ruling out the possibility of utilizing the facilities for maintenance of MG stock. In case, the facilities are to be utilized for maintenance of BG stock, the complete lay out would require overhauling as the MG tracks cannot be commensurate with BG stock. Moreover, for maintenance of BG stock, Railway has created facilities at Indore which is merely 21 kms from Mhow.

Thus improper assessment and planning of the work of provision of MG pit line and sick line facilities at Mhow has resulted in infructuous expenditure of Rs.1.42 crore

3.2.7 East Coast Railway: Idling of assets

Improper planning led to non-completion of work and non-utilisation of new pit line resulting in blockage of capital amounting to Rs.1.07 crore

The coaching depot at Sambalpur carries out the primary maintenance of passenger trains. A proposal for construction of one new integrated washing cum pit line of 400 meter (18 coaches) length adjacent to the existing two pits cum washing lines along with other infrastructure was approved (April 2003) so as to remove the operational constraints arising out of inadequate berthing space in the existing pit lines. The contract for the work was awarded in March 2004.

Scrutiny of records revealed that the work could not be completed within the targeted date i.e. January 2005. The work was closed midway (October 2006) on administrative grounds after execution of almost 339.535 meter of pit line (15 coaches length) against 18 coaches length. Subsequently the contractor was paid a reduced agreemental value of Rs.0.90 crore. The value of the Railway stores (P.Way materials) utilised in the construction of the new pit line was assessed in audit at Rs.0.16 crore. The reasons for delay in execution and non-completion of the washing cum pit line with adequate length (400 m.) were as under:-

(i) Flaws detected in the structure during execution of the work as per the approved drawing.

(ii) Non-shifting/dismantling of the existing overhead water tank coming in the alignment of the washing cum pit line.

Further, the new pit line could not be put to use after its completion since the same was not connected with the yard line for feeding the rakes due to its linkage with the ongoing works of yard remodeling and Route Relay Interlocking (RRI). Therefore the asset created (new pit line) with an investment of Rs.1.07 crore remained unutilised and incomplete for more than two years.

When the matter was taken up (March 2009) with the Railway Administration, they stated (June 2009) that the work of pit line for balance 3 coach length and yard remodeling with RRI work, are targeted for completion by June 2009. Hence, the new washing-cum-pit line will be utilised after commissioning along with yard remodeling with RRI work. The reply is not tenable. The work of new line was not executed as per the original plan. Therefore, another contract had to be awarded for balance 3 coach length. Further, the line could not be utilised immediately on completion due to operational constraints and subsequent linkage with yard remodeling and RRI work which clearly indicates that the work was not planned properly resulting in idling of assets. Moreover, there is no chance of commissioning of the pit line before December 2009 as the date of completion of one of the works linked with the commissioning of pit line has been extended upto December 2009.

3.2.8 East Coast Railway: Poor assessment of site/soil condition

Railway's failure to properly assess site/soil conditions before awarding of work led to short-closure of contracts and avoidable expenditure of Rs.0.85 crore

Review of the two contract cases of Construction Organisation at Bhubaneswar and Vishakhapatnam revealed poor assessment of site conditions before awarding of the work that led to short closure of contracts and avoidable expenditure of Rs.0.85 crore as detailed below:

(A) The works for execution of earthwork, minor bridges, and other allied works between Km.464.800 and 471.300 were awarded in July 2004 with target date of completion as 29 October 2005. During execution of the work, the contractor informed (March and July 2005) about the adverse site condition between Km.467.200 and 470.480 due to water logging and requested a rate Rs.300/- per cum. for the earthwork. Railway after inspection of site assessed an additional requirement of about 24000 cum. of earthwork at the rate of Rs.161 per cum to bring the formation above the water level. Instead of negotiating with the existing contractor, part of the contract from Km.467.100 to Km.471.300 was rescinded (22 August 2005) at the risk and cost. The contractor executed the balance work at a cost of Rs.0.90 crore and the contract was finally closed (April 2009) without any liability on either side.

In December 2005, the left over work was awarded to another contractor for completion by June 2006 by incorporating new items for execution of earthwork in the water logged area at a basic value of Rs.161/- per cum plus TI of 13 per cent as non-risk cost items. Audit noticed that the rate adopted for other schedules of the work was much higher than the previously accepted rate resulting in extra expenditure of Rs.0.61 crore mainly due to inadequate assessment of site conditions despite failure of two earlier contracts in the same chainages since 2001.

When the matter was taken up (April 2009) with the Railway Administration, they stated (July 2009) that due to demand of contractor for higher rates for carrying out earthwork in water logged area, the contract was terminated. They added that site conditions had already been considered by the Tender Committee for arriving at the reasonableness of rates. The reply is not tenable because the work was ultimately awarded at higher rates and as such conducting negotiation with the existing contractor would have been desirable.

(B) The existing Bridges No.313 and 303 between Borraguhalu and Karakavalasa stations on Waltair division were found insufficient to discharge the heavy inflow of water during flood of 1990 causing damage to the track. In order to provide additional waterways, the work of both the bridges was awarded to a contractor. In the first instance, the casting of boxes and pushing them under Bridge No.313 was taken up (12 August 2003) to observe the eventualities, if any. Though a number of problems such as existence of large boulders in the formation was noticed, the work of Bridge No.303 was also commenced without waiting for the results of work of Bridge No.313. While the work of Bridge No. 313 was completed in five years (i.e. in July 2008), the contractor executed only the design of Box and casting of the Thrust bed in respect of Bridge No.303 and stopped the work thereafter on account of similar problems faced in respect of earlier bridge. The contract was finally closed on 03 January 2007 without repercussions on either side. However, the work has not been resumed till March 2009 while expenditure of Rs.24 crore has been incurred without result.

When the matter was taken up (April 2009) with the Railway Administration, they stated (July 2009) that the execution of the works in Bridge-303 was not possible without including the new items of works such as soil stabilisation along with new methodology developed after the experience of Bridge-313. The experience of box pushing in Bridge-313 was utilised in framing the schedule for the new tender for Bridge-303. The future work of Box pushing, when taken up, shall utilize the existing thrust bed. The reply is not tenable because the soil test should have been done before awarding of the contracts so that appropriate steps or improved method, as required, could have been taken up to complete the work. Non completion of the work taken up as safety measure is a matter of concern.

3.3 Deficiencies in contract management

3.3.1 South Western Railway: Loss due to delayed finalization of risk and cost tenders

Railway's failure in finalising two risk and cost tenders with in the prescribed time limit resulted in loss of risk and cost totaling Rs.4.79 crore.

When a contract is terminated at the risk and cost of a defaulting contractor, risk and cost clause of the contract agreement is invoked for recovering the differential cost. For establishing Railway's claim, the contract for the left over work should be awarded within six months.

Construction Organisation awarded (June 2004) a contract for 'Earthwork in embankment, construction of minor bridges/roads and protective works etc.' at a cost of Rs.2.79 crore. Contractor could not commence the work and the contract was terminated (February 2005) at his risk and cost. Railway floated the risk and cost tender (March 2005). Tender Committee (TC) conducted negotiations with the lowest tenderer and observed the negotiated offer of Rs.4.61 crore on higher side. Railway discharged the tender and invited new tenders (September 2005) against which the lowest offer for Rs.3.53 crore was received. TC felt that the rates quoted for certain items were on higher side and recommended (February 2006) counter offer. Lowest tenderer, however, withdrew his offer and this tender was also discharged (March 2006). Railway Administration invited (March 2006) the tenders again and awarded finally the contract (September 2006) at a cost of Rs.5.01 crore.

Another contract for 'Earthwork and construction of minor bridges in Hirisave – Shravanabellagola section' awarded (March 2005) at a cost of Rs.4.69 crore was terminated (December 2005) at the risk and cost of the contractor as he could not commence the work. Railway floated the risk and cost tender (February 2006) and lowest offer for Rs.6.58 crore was received. TC considered this value to be on higher side and held negotiations with the tenderer who did not agree to reduce the cost. Railway discharged the tender and invited fresh tenders (June 2006). Contract was finally awarded (November 2006) for Rs.7.22 crore.

After the termination of contracts at the risk and cost of the defaulting contractors, Railway Administration took 19 and 11 months respectively in finalising the risk and cost tenders. As a result, Railway's chances for the recovery of risk and cost assessed at Rs.4.79 crore (Rs.2.26 crore + Rs.2.53 crore) are remote as same is not enforceable.

When the matter was taken up with the Railway Administration (September 2007/August 2007), it was stated (November 2008) in respect of first work that risk and cost is enforceable on the defaulting contractor as Railway has called and finalised three tenders in 17 months. The reply is not tenable as six months time has been prescribed for calling and finalising the risk and cost tender.

When the matter was taken up (August 2009) with the Railway Board, they stated (November 2009) quoting Railway Board orders of August 1988 that the time of six months cannot be sacrosanct limit, since from the legal point of view, it does not make any difference so afar as imposition of recovery is concerned. Railway Board's contention is not acceptable as these orders pertain to the initiation of recovery proceedings from the defaulting contractor, whereas in present case, the recovery of risk and cost amount itself is in doubt as the risk and cost tender has not been finalized within six months, it is quite pertinent to mention that in a similar case, honourable arbitrators had rejected the counter claim of Railways for risk and cost amount from the defaulting contractor on the grounds that the risk tender was not finalized within six months. Further, apart from withholding the Security Deposit and Earnest money Deposits, Railway Administration has not so far been able to recover any amount towards risk and cost in either case.

3.3.2 Northern Railway: Avoidable expenditure due to poor contract management

Railways failure to ensure timely availability of approved drawing and design of works and supply of requisite items of material resulted in avoidable expenditure of Rs.4.48 crore

Central Organization for Railway Electrification, Allahabad (CORE) awarded (February 2003) a contract to M/s Ranjit & Company, Ranchi at a cost of Rs.13.68 crore with date of completion (DOC) of work by (August 2004).

Scrutiny of records of CORE revealed that the Railway had to terminate the contract without financial repercussions on either side instead of terminating the contract at contractor's risk and cost mainly due to delay in approving design, non-completion of remodeling work and non-supply of some material. Till then, the contractor had been paid Rs.4.56 crore for the value of work done (Rs.0.50 crore) and material (Rs.4.06 crore) supplied by him.

In order to complete the balance work of Najibabad-Harthala section (after excluding electrification work of MB Yard), another contract was awarded (7 June 2006) to M/s ECE Industries Ltd., Chennai at a cost of Rs.11.31 crore (including cost of material worth Rs.4.06 crore purchased from first contractor and now to be supplied by Railway) with DOC of the work by 6 July 2007. The DOC of the work was extended thrice up to 31 August 2008 while contractor's request for fourth extension upto 30 November 2008 was pending as of February 2009.

In the above context the following audit observations are made:-

(1) Had CORE ensured timely availability of approved design and drawings and wiring plans and supplied the requisite materials, the first contractor would have completed the work within the stipulated DOC and the extra expenditure (Rs.3.22 crore) incurred on account of termination of contract 'without financial repercussions on either side' could have been avoided.

(2) The Railway had to incur a sum of Rs.1.26 crore on hiring, operation and maintenance of 10 KVA DG sets for ensuring un-interrupted power supply for Colour Light Signaling System (CLS) during June 2006 to October 2008. Had the OHE work been completed in time by the first contractor, the avoidable expenditure of Rs.1.26 crore could have been saved.

In reply the Railway Administration stated (June 2009) that extra expenditure can not be termed as loss to the Railways as no capital was invested for the extra expenditure in the present contract. The work of colour light signaling is a requirement for 25 KV charging of the OHE. In the non electrified OHE sections, when colour light is provided, provision of DG sets is essential as a standby source. The contention of CORE is not tenable for the reason that had the CORE ensured timely availability of D&D of works, wiring plans, supply of requisite material etc. to the contractor, either the completion of the work could have been ensured at contractor's risk and cost as the work was terminated at contractor's risk and cost.

As per CORE's reply DG sets is essentially required as a standby source till OHE is charged at 25 KV supply for supply of power to the colour light signaling system through auxiliary transformers. As such, Audit has correctly concluded that in case OHE works were completed prior to completion of CLS, the expenditure on hiring DG sets could have been avoided.

Thus, CORE's failure to ensure timely availability of approved drawing and design of works for execution and supply of requisite items of material resulted in avoidable expenditure of Rs.4.48 crore.

3.3.3 Northeast Frontier Railway: Loss due to non-recovery of risk and cost from a defaulting contractor and payments of unjustified rates to another contractor

Non-recovery of risk and cost amount from a defaulting contractor and repeated payments of high rates to another contractor for supply of ballast resulted in loss of Rs.3.53 crore

In August 2006 Ministry of Railways (Railway Board) sanctioned the estimates for gauge conversion of Haibargaon to Mairabari and Senchoa Junction to Silghat Junction from Metre Gauge (MG) to Broad Gauge (BG). Accordingly, the Construction Organisation executed six contract agreements for supply of ballast with three contractors. It was noticed in audit that Railway Board vide their letter of 2 August 2005 had banned the business dealing with one of these contractors on all Indian Railways. However, the Construction Organisation entered into a contract with the contractor on 8 August 2005 for supply of ballast and continued to indulge in correspondence with him to show progress of work till it was finally rescinded on 24 January 2006 due to 'nil' progress of work. Though the risk and cost tender was invited thereafter and a fresh contract was entered (October 2006) with another working contractor at an exorbitantly high rate, the Construction

Organisation could not recover the risk and cost amount of Rs.1.85 crore from the defaulting contractor till date. Besides, awarding the risk and cost contract at high rate also resulted in further loss of Rs.1.68 crore to the Railways.

When the matter was taken up with the Railway Administration (February 2009); they stated (June 2009) that the banning of business dealing with the defaulting contractor was received on 16 August 2005 and the CA was executed on 8 August 2005, i.e. prior to receipt of the letter. Further, the awarded rates are based on facts duly considering the site condition of the project and therefore no loss has been incurred on account of higher rates.

The reply of the Railway Administration is not tenable because although the letter regarding banning of the business with the contractor was received on 16 August 2005, the Railway Administration should have taken immediate cognizance of the Railway Board's instructions for cancellation of the contract agreement with the banned contractor in terms of the Clause 61 (1) and 62 of General Conditions of Contract and Special Conditions of Contract, 1998. The acceptance of exorbitant rate as recommended by the TC was unreasonable because at the initial minutes of the meeting, the TC had admitted that there was scope for reduction of rate due to quoting of exorbitant rate which was 119.67 per cent higher than the estimated rate. Further, as per minutes of the meeting of the TC, the issue of long stretch having no proper approaches did not figure in the recommendations for acceptance of the exorbitant rate. The issue was considered only during negotiation stage in order to justify the acceptance of exorbitant rate. Moreover, as per rule, the risk and cost tender should be finalised within six months from the date of termination of the previous contract; otherwise the risk and cost amount could not be claimed against the defaulting contractor.

Thus, due to non-recovery of risk and cost amount from the defaulting contractor and payment of exorbitant rates to another contractor for supply of ballast, Railway suffered a loss of Rs.3.53 crore (Rs.1.85 crore due to non-recovery of risk and cost amount and Rs.1.68 crore on account of payment at exorbitant rates).

3.3.4 Eastern Railway: Poor contract management

Railway's failure in lodging claims on defaulting contractors within six months as well as change in scope of work deprived them of the recovery of Rs.3.00 crore

As per General Conditions of Contract (GCC), when a contractor fails to execute a work or effect supply, the Railway Administration, after issue of due notice, can terminate the contract and fix a fresh agency for execution of the left over work or for procurement of balance quantity of materials at the risk and cost of the defaulting contractor. Further, as per instructions issued by the Railway Board in July 1988, risk purchase action should be completed within six months, and where it was not possible to do so, a provisional claim for risk and cost charges be lodged with the defaulting contractor within six months.

Scrutiny in audit revealed that contracts for earthwork to form embankments and other ancillary works in connection with the section Singur-Nalikul were awarded in two parts.

(i) A contract (costing Rs.2.03 crore) for the portion between Singur-Kamarkundu and from Bridge No.30 (CH 14817) to Nalikul (NKL) yard was awarded to M/s Triupati Engineers in January 2003 for completion by July 2004. The progress of the work was unsatisfactory from the beginning and ultimately after granting extensions repeatedly, the contract was finally terminated in April 2006. A risk and cost contract for residual work awarded to M/s Bhaskar Enterprise (August 2006) was also terminated in April 2007 due to poor progress of work.

(ii) A contract (costing Rs.1.87 crore) for the portion between Singur-Nalikul (CH 13693 to CH 14800) was awarded to Sri Dilip Kumar Dutta at a cost of Rs.1.87 crore in February 2005 for completion by May 2006. However, this contract as well as risk and cost contract awarded to M/s PMC-BEC PL-JV for residual work was terminated in November 2005 and May 2007 respectively due to poor progress of work.

Thereafter a fresh contract for the residual work (valuing Rs.3.93 crore) for the entire section (after clubbing the residual works of both the parts) was awarded (August 2007) to M/s CIVTECT (INDIA) at a total cost of Rs.5.59 crore. In this case too, the work could not be completed within the scheduled date of completion (January 2008) which was extended upto 28 March 2009. The risk cost amount recoverable from the two original contractors (M/s Triupati Engineers and Sri Dilip Kumar Dutta) was however worked out in January 2009 and demand notices for a sum of Rs.1.34 crore were served during February and March 2009. Since Railway had failed to lodge a claim for risk and cost charges within six months, the chances of recovery from them are remote. Further, the Railway’s action to award the fresh contract after clubbing the two residual works had changed the scope of the work. Resultantly the Railway had now no right to claim the additional expenditure of Rs.1.66 crore (Rs.5.59 crore- Rs.3.93 crore) as risk cost charges from the defaulting contractors (M/s Bhaskar Enterprise and M/s PMC-BEC PL-JV).

Thus, Railway’s failure in lodging claims within six months as well as change in scope of work deprived them of recovery of Rs.3.00 crore from defaulting contractors towards risk and cost charges.

When the matter was taken up (February 2009), the Railway Administration stated (June 2009) that though there was some initial delay for making claim, the demand notice had already been served to the defaulting contractors. They further added that clubbing of the residual works was indispensable for selection of a good contractor for expeditious completion of the work. The Railway’s contention is not tenable. They had not terminated the contracts within reasonable time and had gone on granting extensions repeatedly. Due to delay caused by repeated extensions and in processing/finalising risk and cost tenders, the matter had become complicated, resulting into rise in land value and cost of work. As a result, two residual works were clubbed resulting in change of scope of the work and thus Railway lost their right to claim the additional expenditure as risk and cost charges.

3.3.5 East Coast, Northern,: South Eastern and South Central Railways — *Non-realisation of penalty charges from contractors*

Non-implementation of Railway Board's orders resulted in non-realisation of penalty charges worth Rs.2.99 crore from contractors for damaging cables during execution of works

For executing the work in the vicinity of underground signaling, electrical and telcom cables, a Joint Procedure Order (JPO) was issued (December 2004) by the Railway Board indicating therein broad guidelines in order to avoid damage to the underground cables.

In May 2007, Railway Board reiterated that the JPO referred to above should be strictly adhered to and also decided for imposition of a flat penalty of Rupees one lakh per cut on pilot basis upto march 2008. The position was to be reviewed thereafter on imposition of penalty or otherwise. No further instructions were, however, issued for the period beyond March 2008.

Scrutiny of records of Signal and Telcom Department Khurda Road, revealed that during the period from December 2006 to April 2007, cables were found cut/damaged at 22 locations by the private contractors engaged by the executing departments for undertaking digging works. As such the necessary debits amounting to Rs.0.04 crore were raised on the concerned departments for recovery from contractor's bills. Further, debits for Rs.0.42 crore were raised for the period from May 2007 to March 2008 as per Board's instruction of May 2007. Thus, a total amount of Rs.0.46 crore was recoverable from the defaulting contractors towards cost of damages due to failure to observe the following provisions of the JPO referred to above.

(i) Necessary permission from competent authority of the concerned section was not obtained by the Engineering Officials before taking up any digging activity.

(ii) No specific clause of penalty for default to safeguard the cables was incorporated in the agreement.

(iii) Signal and Telecommunication Department (S&T) had only informed the concerned departments for recovery. However no follow up action was taken to recover the amount so far indicative of lack of co-ordination among them.

When the matter was taken up (January 2009) the Railway Administration stated (May 2009) that:-

(i) the amount raised by S&T department was unilateral without establishing the facts and fixing responsibility.

(ii) inclusion of specific clause in the agreement for deduction of penalty (e.g. deduction of Rupees One lakh from contactors' bill for each cable cut) is not logical in case of low value of contracts and might lead to complicacy in contract management.

(iii) existing clause 24 of GCC safeguards loss and damage to Railway property hence no specific clause in this respect was included.

The reply is not tenable. The determination of facts and responsibility better co-ordination among the departments concerned to ensure recovery of cost of damages to cables from the contractors. The difficulty in imposing the penalty as per Board's instructions in case of low value contracts was not brought to the notice of the Railway Board for their decision. Moreover, this contention does not hold good in case of high value contracts. Further clause 24 of GCC was also not resorted to for recovery of actual cost of repair/replacement of damaged cables.

A similar review conducted on the other two Divisions (Sambalpur and Waltair) revealed that a debit of Rs.0.10 crore was raised against Engineering Department for recovery from contractors towards damages to cables in Sambalpur and no debit was being raised for the cables damaged in Waltair division.

Further review on other three Railways (Northern, South Eastern and South Central) revealed the similar position of non-recovery of amounts from the defaulting contractors due to cutting of cables during execution of works which was as follows:

Divisions	**Railway**	**Period**	**No. of cases**	**Amount (Rs. in crore)**
Ambala, Ferozpur Lucknow	Northern	August 07 to February 08	10 19 8	0.10 0.19 0.08
Chakradharpur (const.) Chakradharpur (open line)	South Eastern	9 May 07 to March 08	74 33	0.74 0.33
Secunderabad Guntakal Vijayawada Nanded Hyderabad	South Central	April 06 to March 08	61 6 33 9 8	0.52 0.06 0.24 0.09 0.08
Total				**2.43**

Thus, due to non-observance of the procedure laid down in the JPO for safeguarding the cables during execution of engineering works and lack of co-ordination between the Departments, Railway Administration failed to realise an amount of Rs.2.99 crore from the defaulting contractors as penalty towards cost of damage to the cables.

3.3.6 Central Railway: Extra expenditure due to improper planning and poor contract management

Non-compliance of Railway Board's instruction for awarding contract has besides delay in completion of the POH facilities hampering the work, has resulted in extra expenditure of Rs.2.47 crore

As per extant instructions (1980), no contract should be awarded unless necessary tests and site investigations are completed and all plans, drawings have been approved and there is no hitch in handing over the clear site to the contractor. Further Para 1108 of the Engineering Code stipulates that all works should be carried out as expeditiously as possible.

The work of creation of 'facilities for periodical overhauling (POH) of 25 BG non-AC Coaches per month' was approved in the Works Programme (2004-05 and 2005-06) at an estimated cost of Rs.19.95 crore comprising mechanical works (Rs.11.08 crore), civil works (Rs.7.83 crore) and electrical works (Rs.1.04 crore).

Audit scrutiny of records related to execution of the above work revealed that while mechanical department has procured and commissioned most of the plants and machines except for one EOT crane (Rs.0.57 crore) and one spring load testing machine (Rs.0.14 crore), the progress of civil works was only 30 per cent to the end of May 2009 owing to inadequate planning and poor contract management. Audit observed that a contract for 'construction of RCC framed structure building (G+1) industrial flooring, other miscellaneous work and P.Way work was awarded in July 2006 at a cost of Rs.2.34 crore. The work was to be completed within 15 months from the date of issue of acceptance letter. It was, however, noticed that though the General Administrative Drawings (GAD) were handed over to the contractor in July 2006 itself, the working drawings for foundations and RCC details were given after six to eight months i.e. in January 2007 and March 2007. The site of the work was also not handed over immediately and as a result the contractor raised certain disputes and did not give satisfactory progress. The contract was, therefore, terminated in July 2007 after completion of ten per cent work. The balance work was awarded to another contractor in June 2008 at a cost of Rs.4.56 crore entailing extra expenditure of Rs.2.47 crore. Though the second contractor is supposed to complete the work in September 2009, the physical progress was only 30 per cent as of May 2009. Non-completion of the work has therefore, hampered the periodical overhauling of the coaches which are detained for more than the prescribed time.

When the matter was taken up with the Railway Board (September 2009) they accepted (December 2009) the facts but contended that the GAD of the work given to contractor in July 2006 contained all details and on the basis of these drawings, the contractor could have executed 77 per cent work. They, therefore, put the entire blame for slow progress on the contractor and stated that notice for recovery of the risk and cost charges has been sent to the contractor. They added that an amount of 0.08 crore has already been recovered by en-cashing the BG and forfeiting the security deposit. As regards demand of arbitration, they stated that the arbitrator has not yet been appointed and that Railway will put forth their point to prove the contractor's fault. The reply is not tenable. Railway has been able to recover only 0.05 crore against their claim of Rs.2.47 crores. Since the Railway has admitted the delay in making available the work drawings, the claim for recovery of risk and cost amount from the defaulting contractor is doubtful.

Thus non-compliance of Railway Board's instruction for awarding contract besides delay in completion of the POH facilities hampering the work has resulted in extra expenditure of Rs.2.42 crore.

3.3.7 East Coast Railway: Non-return of excess materials

Non-recovery of cost of materials issued to the contractors in excess of requirement and missing fittings resulted in loss of Rs.1.95 crore

As per clause 45 (C) of additional special conditions of contract, materials should be issued to the contractor as per actual requirements of the work. Excess material issued, if any, should be returned by the contractor in acceptable condition to the Railway. If the contractor failed to do so, the cost thereof should be recovered from him at issue rates plus other charges at the rates fixed by the Railway. To this would be added an increase of 100 per cent.

A contract was awarded in November 2002 (Contract Agreement No.40/CE (C)-I/BBS/SER/2002) for execution of Permanent Way Linking, and other miscellaneous works in connection with DKB Rail Link.

Scrutiny of records revealed that the Railway Administration had extended the completion date (May 2003) in the above contract up to 30 September 2007 mainly to provide watch and ward staff to the track till handing over of the section to Open Line. The contractor after completion of the work had not returned railway track materials issued in excess of requirement. The contractor was also held responsible for Permanent Way fittings valuing Rs.0.003 crore found missing from the track during handing over of the section to Open Line (18 September 2007). The contractor did not make good the missing fittings and return the balance Permanent Way materials not used in the work to the Railway Store depot despite asked (December 2007 and June 2008) to do so. As assessed in audit as per clause 45 (c) of the contract the total amount recoverable from the contractor works out to Rs.1.88 crore. The contractor was paid Rs.1.55 crore up to CC-13 and on A/c bill dated 4 May 2007. The final bills have not yet been prepared.

Records revealed that the contractor's dues of Rs.0.30 crore as per final variation statement and Security Deposit (SD) of Rs.0.03 crore only are available with the Railways, which are insufficient to adjust the cost of non-returned materials. Even after adjustment an amount of Rs.1.55 crore will remain un-recovered from the contractor.

A similar review of two more completed Contract Agreements in connection with DKB Rail Link Project revealed that the balance materials were not returned by the contractor after completion of the work. As assessed by audit an amount of Rs.0.35 crore and Rs.0.44 crore is recoverable from M/s Vishram Varu and Co. (Agt. No.11 of 2003) and M/s. Vaishno Devi Construction (Agt. No.38 of 2002) respectively towards the cost of materials whereas dues of only Rs.0.18 crore (including SD of Rs.3 lakh) and Rs.0.22 crore (including SD of Rs.3 lakh) respectively are available with Railways as per the final variation statement.

Thus, failure of the Railway Administration to maintain strict watch on issue and utilization of materials resulted in non-recovery of Rs.1.95 crore from the contractors towards the cost of materials.

When the matter was taken up (April 2009) with the Railway Administration, they while accepting the excess issue of material, stated (June 2009) that the contractors were to return the unused materials which they had not done. They also added that in addition to the final bill dues of the contractors, an amount of Rs.0.51 crore is lying with the Railway as SD under different agreements for adjustments. The reply is not tenable as Railway Administration failed to assess the exact quantity and the cost of the surplus materials as well as missing fittings two years after completion of work. Since the final bills of other contracts of the contractor have not been prepared, it is not possible to verify whether any excess amount is available after recovery of necessary dues against that contract. Hence, the delay in preparation of final bills clearly indicates slackness on the part of Railway Administration in recovering their dues.

3.3.8 West Central Railway: Non-recovery of risk cost charges due to improper contract management

The failure of the Railway Administration to verify the credential and past performance of the contractors coupled with non-maintenance of requisite records for monitoring the recovery from the defaulting contractors has resulted in non-recovery of Rs.1.75 crore

Indian Railways standard conditions of contract provide that when a contractor fails to deliver the stores within the period fixed for such delivery, the purchaser, without prejudice to his other rights may recover from the contractor as agreed liquidated damages or cancel the contract and authorize purchase of similar stores at the risk and cost of the contractor.

Consequent upon the reporting of cases of non-recovery of risk and cost by Comptroller and Auditor General of India, the Railway Board issued instructions in September 1990 and asked the zonal Railways to effectively monitor the recovery of extra expenditure by maintaining proper registers and also to ensure that action to recover the risk and cost charges was initiated in time.

Audit scrutiny of records of West Central Railway revealed the following:

- Registers required to monitoring the recovery of risk and cost charges were not maintained; as a result the follow up of recovery was not effective.
- In 15 contracts though railway had incurred extra expenditure of Rs.1.75 crore, the demand notices were issued after delay of eight days to five months. No recovery has been effected as yet (December 2009).

Audit also observed the following deficiencies in tendering and awarding of risk and cost contracts after cancellation of contracts of defaulting contractors:

- A contract for supply of 1000 units 'Bolster Spring Inner' was placed on M/S Conventry Spring & Engineering Co.Ltd., Nagpur on 5 April 2004 with delivery period up to 12 August 2004. Though the supplier had not supplied a single piece another contract for supply of 20825 units of 'Bolster Spring Inner' was awarded to the same supplier. The failure of the contractor to supply against the earlier contract was totally ignored. It has also been observed that ICICI Bank had filed a petition in Calcutta High Court in 2003 and the High Court had ordered winding up of the company. It is thus clear that besides lapses in verifying the contractor's credentials, Railway overlooked the performance of contractor in the previous contract.
- Three contracts for supply of 288 sets of 'Stainless Steel Lav Inlay' were placed on M/S Seema Enterprises between June 2005 and March 2006. The contractor after supplying 140 sets, requested Railway that keeping in view heavy increase in the prices of steel, he would be able to supply the remaining material on increased price. The probable increase per set was to the extent of Rs.15000. Railway without considering the overall market trend rejected the contractor's demand and initiated risk purchase action. The balance quantity was purchased at 60 per cent higher rates as against 28 per cent higher demanded by the existing contractor. This resulted in extra expenditure of Rs.0.12 crore.

Thus failure of the Railway Administration to verify the credentials and past performance of the contractors coupled with non-maintenance of requisite records for monitoring the recovery from the defaulting contractors has resulted in non-recovery of Rs.1.75 crore.

When the matter was taken up with the Railway Board (August 2009), they stated (October 2009) that registers had since been opened and monitoring of recovery was being done. They added that an amount of Rs.0.23 crore had been recovered from the defaulting contractors and that two contractors from whom Rs.1.04 crore were recoverable had gone to court while another one had become bankrupt. They also stated that efforts were being made to recover the balance of Rs.0.44 crore. The reply is not acceptable because Railway had not maintained the requisite records for monitoring the risk purchase cases which led to non-recovery of Rs.1.75 crore and chances of its recovery are very remote. Moreover, non-verification of past performance and credentials of a contractor is a serious deficiency in contract management.

3.3.9 East Central Railway: Blockage of funds due to poor contract management

Lack of co-ordination between Engineering and Electrical Departments for execution of work led to blockage of funds to the tune of Rs.1.17 crore

Rules provide that no work should be awarded to a contractor before the site is ready for handing over and estimate, plan and drawings have been framed and sanctioned by competent authority. It follows therefrom that all concerned departments of Railway should work in tandem towards the execution of projects.

Audit scrutiny of three contracts awarded by Mughalsarai Division however, revealed the following position:

A. The work of electrification of a pilgrim siding and its associated cross over/turn out at Gaya was taken up to reduce the operating cost by replacing diesel engines with electric engines to receive trains/rakes at the siding. Accordingly a contract (KA-VI/OT/08/CO/TO/GYA/05-06) was awarded (17 February 2006) at a cost of Rs.0.56 crore for execution of the above work and the target date of completion was 14 August 2006. The work included supply of materials and erection of mast. In April 2007, the contractor informed the Railway that the work was held up as the Railway had failed in providing the foundation marking as well as some of the items included in the schedule of work. A payment of Rs.0.52 crore was made (upto September 2009) to the contractor towards 90 per cent of value of work done which mainly constituted supply of materials. Extension of time had not been allowed after 31 December 2007 as the site for work was still not cleared by the Engineering Department. Hence the contract had been closed on administrative ground.

B. In similar case a contract (KA-VI/OT/2/PSI/13/05-06) was awarded (25 November 2005) for replacement of power supply installation equipments at a cost of Rs.0.81 crore. It was seen that the work was not yet completed (February 2009) although the target date for completion of the work was 24 May 2006 and the extension of time was allowed upto 31 October 2008 on administrative grounds and further upto 31 December 2009 with liquidated damages. The contractor was paid Rs.0.42 crore towards 90 per cent of the value of work (upto September 2009). The main reason for the inordinate delay in completion of the work was non-availability of required site by the Engineering Department and power block.

C. A contract (KA-VI/OT/09/CO/TO/SEB/05-06) was awarded (09 March 2006) for wiring of one cross over and four turnouts at SEB Yard as part of SEB-MGS III line electrification at a cost of Rs.0.38 crore. The target date for completion was 180 days ending 5 September 2006 but it was extended upto 30 April 2009 on administrative ground. The contractor was paid an amount of Rs.0.23 crore till August 2007 as 90 per cent of the value of work done. The above work could not be completed as the site has not been cleared by Engineering Department.

Following comments arise in this connection:-

(1) Although it was stipulated in the Agreements (clause-3) that 'time was essence of the contract', the Railway kept on extending the date of completion of the works on administrative grounds. These grounds were invoked on account of Railway's deficient internal co-ordination with departments concerned.

(2) The inordinate delay had belied the justification put forth to get the works sanctioned on urgent basis. The electrification of pilgrim siding at Gaya was projected to improve traffic efficiency by use of electrical engine in an electrified route/section in place of diesel thereby reducing operational cost.

On the matter being taken up by Audit (February 2008), Sr. Divisional Electrical Engineer stated (March 2008) that the Engineering Department did not make available the sites in readiness. Therefore, these works could not be completed.

Thus the Electrical and Engineering Departments failed to work in proper co-ordination with each other so as to provide the work site in readiness to the contractor, thereby locking funds to the tune of Rs.1.17 crore and intended benefits not being realized.

The matter was taken up (March 2009) with the Railway Administration; no reply has been received (December 2009).

3.3.10 Central Railway: Non-recovery of risk purchase cost

The failure of the Railway Administration to follow the instructions issued by Railway Board for monitoring of the risk and cost purchase cases has resulted in non-recovery of risk and cost charges of Rs.0.48 crore

As per provisions in the Indian Railway Code for the Store Department, in case of any default by the supplier, the Railways has the authority to purchase the balance quantity of stores at the risk and cost and recover the extra expenditure, if any, incurred from the defaulting firm. Keeping in view the increasing trend in the cases of non-recovery of such amounts pointed out by Comptroller and Auditor General of India, Railway Board had issued instructions in September 1990 to all zonal Railways stipulating that all cases of recovery of risk and cost should be noted in a register and simultaneously intimated to the respective Accounts Department.

Audit scrutiny of records of Central Railway revealed that 62 purchase orders pertaining to the period from September 2002 to September 2008 were cancelled at the risk and cost of the defaulting firms. Though Railway had issued notices for recovery of risk and cost (in 16 cases notices were issued only after these were pointed out by Audit), the amount of Rs.0.51 crore could not be recovered mainly because either the cases were not entered in the register meant for watching the progress of recovery or demand notices were not issued to the firms. In nine cases, Rs.0.04 crore were not recovered from the pending bills of the firms despite the fact that the recovery particulars were known to the Accounts Department and pending bills were paid.

When the matter was taken up with the Railway Board (September 2009) they reiterated the reply furnished by Railway Administration (April 2009). Railway Board accepted that an amount of 0.50 crore was recoverable on account of risk and cost and general damages and out of this Rs.0.02 crore had been recovered. They added that action is being taken to ensure that remaining amount on account of risk and cost charges is recovered from the defaulting firms by keeping a strict watch on the recovery register. They also stated that the cases where the firms have no further dealing with the Railway are being advised to other zonal railways for withholding the amount from the pending bills of defaulting contractors. The reply is not acceptable because there was lack of coordination between the Stores and Accounts Departments and proper records were not maintained as a result of which an amount of Rs.0.48 crore is still recoverable and chances of its recovery are remote as most of the firms have no dealing with the Railways.

Thus the failure of the Railway Administration to follow the instruction issued by Railway Board for monitoring of the risk and cost purchase cases has resulted in non-recovery of risk and cost charges of Rs.0.48 crore.

3.4 Miscellaneous

3.4.1 South Central Railway: Avoidable payment of interest due to delay in opening of newly laid lines for passenger traffic

Railway's failure to create, in time, the posts of staff for the maintenance of newly laid lines resulted in avoidable payment of interest (Rs.22.50 crore) besides non-fulfillment of the objectives of undertaking projects

Provision of adequate man-power for the maintenance of track is required for the safety of running trains. As per Para 1608 (viii)-E, a new line should not be considered fit for opening without adequate arrangement for the maintenance of track. Railway Board has directed (March 1991) that posts of the maintenance staff should be created and man-power posted before the opening of section. Railway should initiate action six months in advance from the intended opening of section.

After the completion of Gauge Conversion of Hingoli – Akola section (cost-Rs.552.47 crore) and doubling of Krishna Canal – Mangalagiri (cost-Rs.25.16 crore) and Pullampet – Hastavaram sections (cost Rs.29.62 crore), the Railway Administration submitted between March 2008 and May 2008 the opening documents to Commissioner of Railway Safety (CRS) for conducting inspection. Till then, Railway had not initiated any action for the creation of posts of staff required for maintenance. Railway Administration initiated action only when the CRS insisted (July 2008) on the sanction of required posts prior to the inspection. As Railway decided to outsource some of the maintenance activities, the CRS asked Railway Administration (August 2008) to furnish a copy of Railway's instructions duly approved by the Railway Board for the implementation of outsourcing along with details of activities identified for outsourcing. The Railway Administration failed to furnish the required information (March 2009) though the position of creation of some posts and activities identified for outsourcing was intimated.

The CRS, however, inspected Hingoli - Akola section and the line was opened for Goods and Passenger traffic in November 2008. However, Krishna Canal – Mangalagiri section and Pullampet – Hastavaram section had not been opened even for Goods traffic (March 2009).

Railway failed in timely initiating the action to post maintenance staff to the satisfaction of CRS before opening of these sections. This resulted in blocking of capital valued Rs.607.25 crore for six to eleven months resulting in avoidable payment of interest to the extent of Rs.22.50 crore on blocked capital besides non-fulfillment of objectives of undertaking these projects.

When the matter was taken (March 2009) with the Railway Administration they stated (May 2009/September 2009) that a decision was taken for outsourcing of identified activities for the maintenance of sections. There was some delay in complying with the observations of the CRS as the maintenance activities to be outsourced were to identified. The reply is not acceptable as the action to create posts for the maintenance of track was to be taken six months before the scheduled dates of intended opening of these lines.

3.4.2 North Eastern Railway: Infructuous expenditure on creation of traffic facilities at halt stations

Railway Administration's faulty decision to convert halt stations into crossing stations led to infructuous expenditure of Rs.2.90 crore

Railway Administration decided (2003-04) to provide three line crossing stations in place of existing two halt stations at Nonapur and Ahilyapur on Gorakhpur-Chhapra section at an estimate cost of Rs.7.88 crore. Accordingly two contract agreements were executed in December 2003 at a cost of Rs.1.50 crore for construction of railway quarters including renovation of old quarters, S&T building, rail level platform, track linking and other miscellaneous works in connection with providing the facilities of crossing stations.

Scrutiny of records in Audit revealed that the Railway Administration decided (March 2006) to stop further works in respect of above stations since Gorakhpur-Chhapra section was included in doubling project during the year 2006-07 and these two stations were planned to continue as halt stations after doubling. Subsequently these contracts were closed in September 2007 and at that time the progress of works was 70 percent and 85 per cent at Nonapur and Ahilyapur stations respectively. The total expenditure incurred (January 2008) on creation of three line crossing facilities at these stations was assessed at Rs.6.54 crore. It was seen that amount of the quantum of stores and the works executed through contracts likely to be utilized against doubling works at these stations worked out to Rs.3.64 crore only. Thus, the balance expenditure of Rs.2.90 crore incurred on providing the facilities of crossing stations became infructuous.

When the matter was taken up (January 2009), the Railway Administration stated (August 2009) that there was no proposal in 2003 for doubling of

Gorakhpur-Chhapra section. Hence, a decision for conversion of these halt stations to three line crossing stations was taken up. Moreover, the facilities created for crossing stations would be utilised after the completion of doubling work of the section which is under progress.

The Railway's reply is not acceptable as the proposal of BG doubling for Gorakhpur-Chhapra section was already in their knowledge since 1991-92. The Railway Administration was well aware of the proposed doubling of Barabanki-Gorakhpur-Chhapra sections as they had conducted the survey of the same in 1989 and proposal was included in the PWP way back in 1991-92. The Railway Board had already sanctioned doubling of Barabanki to Chhapra section in phases. As such the facilities should have been created to commensurate with doubling requirements. Moreover, the working of halt stations is managed by contractor (Halt agent); as such the posting of railway official is not needed. The facilities of railway quarters, S&T building, rail level platform, track linking work and other miscellaneous works meant for crossing stations became redundant. These facilities would also not be adjusted against doubling works as these stations would remain now only halt stations as decided by Railway Administration.

Thus, due to faulty decision to convert halt stations into crossing station led to infructuous expenditure of Rs.2.90 crore.

3.4.3 West Central Railway: Extra expenditure due to award of work at higher rates

The failure of Railway Administration to ascertain the rates of items before award of the contract and ensure proper testing of the material during execution has besides use of defective material resulted in incurrence of avoidable extra expenditure of Rs.2.55 crore

Tenders for fabrication, galvanizing, supplying and fixing of steel channel sleepers with fittings by removing existing bridge timbers on various girder bridges on Jabalpur Division of West Central Railway were invited and two contracts at a cost of Rs.5.09 crore and Rs.5.32 crore were awarded to M/S Royal Forging and M/S J. Jones &Sons respectively in September 2004. The accepted rates were 32 and 41 per cent higher than the rates mentioned in the tender schedule.

The work included supply and transportation of elastomeric pads, elastomeric neoprene pads and grooved rubber pads for which the rate of Rs.4792 per set comprising the following was estimated:

Sl. No.	**Description**	**Quantity**
1.	10mm thick grooved neoprene pad plates between main rail and canted bearing plate to drawing No.RDSO-No-T-5199	2 Nos.
2.	25mm thick elastomeric neoprene pad plates between channel sleepers and pad plates to drawing No. RDSO-No.B-1636-R2	2 Nos.

Sl. No.	Description	Quantity
3.	6mm thick grooved rubber pad plates between below guard rails	4 Nos.
4.	Channel shaped pads covering head of T-Bolt	4 Nos.

Though the set comprised four different items available in numbers, the Railway Administration had adopted a different unit i.e. Cubic Meter (without mentioning the dimension and specifying the volume of each item) for calculation of rates.

Audit scrutiny of records revealed that the rates arrived at by the Railway at the time of tendering were exceptionally high as compared with the rates mentioned in the invoices of actual purchase of these items by the contractors. By applying the rates mentioned in the purchase invoices and the formula adopted by the Railway, Audit observed that the rate per set worked out to Rs.2045 instead of Rs.4792 arrived at by the Railway. A total of 6809 sets of this item was executed by both contractors and Railway administration had incurred extra expenditure of Rs.2.55 crore. It was also noticed that the contractors had not created the facilities for inspection and testing; as a result no testing of the supplies was conducted. It was observed that when the elastomeric pads supplied by M/S J Jones and Sons were got tested from other sources, most of them were found defective and the same had not been replaced by the contractor.

When the matter was taken up with the Railway Administration (March 2009) they stated (July 2009) that Railway Administration had already taken note of the facts stated by Audit and departmental action was underway. However, the reply did not indicate specific line of action been taken. As regards, non-replacement of defective elastomeric pads, they stated that they had withheld Rs.0.13 crore on account of payment of final bill and Rs.0.27 crore on account of security deposit. The reply fails to clarify how the defective material has been proposed to be replaced to address the safety aspect of the bridges.

Thus the failure of Railway Administration to ascertain the rates of items before award of the contract and ensure proper testing of the material during execution has besides use of defective material resulted in incurrence of avoidable extra expenditure of Rs.2.55 crore.

3.4.4 Western Railway Extra expenditure due to award of contract at abnormally higher rates

The acceptance of abnormally high rates in November 2006 as compared to the rates of accepted in March 2006 and October 2006 has resulted in extra expenditure of Rs.2.54 crore and Rs.2.15 crore respectively

In terms of Para 602 of the Indian Railway Financial Code Vol. I, it is the primary duty of the officers authorized to enter into contracts to obtain the best value possible for the money spent and the tender system should be given very careful and serious consideration to secure competitive rates.

Western Railway floated an open tender (August 2006) for the work of design, supply, erection, testing and commissioning of 25 KV AC 50 Hz single phase

'Over Head Equipment' (OHE) between Kalapipal and Parbati stations over Maksi – Bhopal section of Ratlam Division. The single offer received from M/S Bright Power Projects was accepted and the contract was awarded in November 2006 at a total cost of Rs.7.03 crore.

Audit scrutiny of the records of Ratlam Division related to similar works revealed that Railway had awarded two other contracts over Ratlam Division in March 2006 and October 2006. A comparison of rates accepted in respect of three items which were common in all contracts revealed the following:

- In the contract finalized in November 2006, the rates of three items viz. (i) supply and erection of large span terminating wire (130 sqmm), (ii) supply and erection of OHE and (iii) supply and erection of 37/2.25 HDB shouled copper cross feeder (150), were higher by 153 per cent, 109 per cent and 153 per cent respectively when compared with the rates of same items included in the contract awarded in March 2006.
- The rates for two items (included in the contract of November 2006) viz. (i) supply and erection of large span terminating wire (130 sqmm), and (ii) supply and erection of OHE were higher by 112 per cent and 86 per cent respectively when compared with the rates accepted in October 2006.

Audit observed that the acceptance of abnormally high rates in comparison to the rates of accepted in March 2006 and October 2006 has cost the Railway an extra expenditure of Rs.2.54 crore and Rs.2.15 crore respectively.

When the matter was taken up with the Railway Board ((October 2009) they accepted (December 2009) the award of contract at higher rates but stated that there was steep rise in the rates of copper and steel during the period between March 2006 and October 2006. It was added that the work in Sehore-Phanda was not making progress at that time and as such the rates accepted were not considered a reliable benchmark. As regards comparison of rates with the work awarded in October 2006 it has been contended that the work of Ratlam yard was very small and was not comparable.

The reply is not acceptable because the rates after reaching their peak levels in April 2006 had shown declining trend till October 2006 and increased only thereafter. Moreover, the quantum and location of work can not be considered a factor for comparison of rates particularly when the major cost involved supply of material. Moreover, non-consideration of the last accepted rates merely on the ground that the work awarded had not progressed by that time is a deviation from the well established procedure which has resulted in incurrence of extra expenditure of Rs.2.15 crore.

3.4.5 South Eastern Railway: Non-realisation of the cost of power cum traffic block

Failure of Railway Administration to incorporate requisite provision in MOU for realisation of cost of Power –cum-Traffic Block charges from NHAI has resulted in loss of Rs.1.70 crore

For construction of Road over Bridge (ROB) across railway track, power-cum-traffic block (PTB) is granted by the railway to facilitate carrying out work under train running condition. The PTB is granted only on charge basis.

On receipt of a request from any organisation in this regard, the Railway Administration prepares necessary estimates for depositing the required amount in advance to the Railway.

Scrutiny of records in Audit revealed that during construction of national highways (No.5, 6 and 60), six ROBs were to be constructed by National Highway Authority of India (NHAI) over railway tracks. Memorandum of Understanding (MOU) signed between Railway and NHAI authorities during February 2003 to November 2003 had established the liability of NHAI for advance payment of various charges to railways i.e. charge for shifting of signaling and electrical installation etc., if found necessary. One of the clauses of the MOU also provided that to carry out the work under train running condition, railway would arrange for PTB as per requirement of NHAI. However, it was noticed that the relevant clause did not specify any liability of NHAI for payment of cost towards such PTBs. As a result, although PTBs were granted to NHAI for a period of 51 hours during the period April 2002 to April 2006 for completion of bridges in all the six cases, the Railway Administration had failed to realize the cost of PTBs i.e. Rs.1.70 crore.

When the matter relating to ROB No.2 on NH 6 and ROBs No.1 and 4 on NH 60 was taken up (December 2007) with the Railway Administration for a loss of Rs.0.53 crore as per their estimation, they reassessed the PTB charges and informed (May 2008) that a demand had been preferred (April 2008) on NHAI for payment of Rs.0.65 crore. It was, however, noticed that NHAI had declined (May/July 2008) to make any payment on the ground that no separate payment was envisaged in the MOU for PTBs as and when needed for construction work.

Similar review in other three cases revealed the following position:

(1) ROB No.3 on NH-60:- A bill amounting to Rs.0.13 crore had been raised (February 2009) on NHAI for PTBs granted for 4 hours (2hours on 25 September 2004 and 2 hours on 2 October 2004).

(2) ROB No.2 on NH-60 and ROB No.156/1 on NH-5:- Railway claimed that no power block was availed by NHAI as such no PTB charges were raised in respect of these two ROBs. However, it was seen that eight hour's power block was sought for (October 2005) by NHAI in respect of ROB No.2 for the work of erecting supporting arrangements for construction of ROB proper span over the two railway tracks. Therefore, it was imperative to take the required power blocks in the given situation following the safety norms in the electrified section. As assessed in audit, the cost payable worked out to Rs.0.29 crore. Further in respect of ROB No.156/1, power block was sought for 16 hours (to be distributed over nine days) for the erection and dismantling of girders. Therefore, Railway's contention that NHAI had completed such work without taking any power block is not acceptable. As assessed in audit, the charges recoverable worked out to Rs.0.63 crore. Moreover, Railway had not denied that they did not grant any power block in both the cases.

When the matter was taken up (January 2009) with the Railway Administration, they stated (August 2009) that bills for PTB charges have been raised at different stages and the matter was being pursued with NHAI at highest level so that payment is realised at the earliest. However, Railway Administration's claim has not been substantiated by any documentary evidence in support.

Thus, failure of Railway Administration to incorporate requisite provision in MOU for realisation of cost of PTB charges from NHAI has resulted in loss of Rs.1.70 crore as the prospect of realisation of Railway's old dues is remote in the absence of any legal binding/ obligation enforceable on NHAI.

3.4.6 North Western Railway: Loss due to dismantling of newly laid track in Chittaurgarh yard

Failure of the Railway Administration to design and construct the yard according to the planned requirement resulted in their dismantling causing avoidable loss of Rs.1.26 crore

As per provisions of para 1109, 1110 (a), 1110 (d) and 1110 (e) of Indian Railway code for the Engineering Department, any change in the alignment likely to increase or decrease the length of line by over one kilometer, a change in the layout of a yard affecting the general method of working or increasing or reducing the number of trains that can be dealt with, and if, it affects the speed of trains or the number of trains to be dealt with than contemplated originally, would be a material modification requiring approval of the authority who has sanctioned the estimate of the work.

The detailed estimate of Ajmer (AII) - Chittaurgarh (COR) and COR - Udaipur city gauge conversion project was sanctioned by the Ministry of Railways (Railway Board) in October 2000 and January 2002 respectively. As per the approved plan, the COR station was to have ten running lines plus two lines for Accident Relief Medical Equipment (ARME) and Accident Relief Train (ART) besides a bye pass line at Berach. Citing the provision for the Berach bye pass line, the Railway Administration proposed (November 2005) for reduction of lines in COR yard. In March 2006 the Railway Administration reversed their earlier decision of November 2005 and the work was completed as per provisions in the Project Report. While the linking work was in progress, the General Manager decided (October 2007) to dismantle the five newly laid lines (line nos.4,5,6, ART and ARME) without any reason on record and also without the sanction of the Competent Authority i.e. Railway Board (who had earlier sanctioned the estimate of the work). The change in the layout of yard implied material modification for which no sanction was obtained from the competent authority. Thus, the inexplicable decision to dismantle the five lines resulted in avoidable expenditure of Rs.1.26 crore on its construction and subsequent dismantling during the period May 2004 and June 2008.

When the matter was taken up with the Railway Administration (March 2009), they stated (May 2009) that safety requirement of ART and ARME at COR was reviewed by the General Manager in consultation with the Chief

Operations Manager, Western Railway before taking decision on dismantling of ART and ARME lines. Moreover, the change in yard layout had not affected the general method of working or capacity of yard and this did not involve material modification; hence no separate sanction of Railway Board was obtained. Further, dismantling of lines was done with the approval of General Manager as per duly approved yard plan. This resulted in substantial savings in terms of cost of released material and recurring expenditure on maintenance of surplus facilities.

The remarks of the Railway Administration are not acceptable because the Safety Department had expressed the need for keeping ART/ ARME at COR in view of its locational convenience vis a vis the busy Ratlam, Ajmer and Kota junctions, yet the ART/ ARME lines were dismantled. Further, there was a massive change in the yard layout of COR in which 3.3 kms of track was dismantled which is a clear case of material modification and hence sanction of the competent authority i.e. Railway Board was necessary in this regard. The savings on account of cost of released material as claimed by the Railway Administration is misleading as the same was not taken into account while calculating the wasteful expenditure of Rs.1.26 crore.