

OVERVIEW

Chapter 1 – Finances of the Railways - This chapter contains the financial results of revenue operations, plan expenditure, comments on Appropriation Accounts and other financial activities of the Railways. Salient points are:

- The gross traffic receipts of Rs.79,861.85 crore registered a growth of 11.35 per cent and the working expenses of Rs.71,839.30 crore rose by 31.91 per cent over the year 2007-08. The net revenue surplus of Rs.4,456.78 crore after payment of dividend to General Revenues declined by 66.82 per cent over the previous year. **(Para 1.2).**
- Net effective rate of dividend after setting off the subsidy from the dividend paid during last five years (2004-09) ranged between 4.18 per cent (2008-09) and 5.37 per cent (2007-08). **(Para 1.2.1).**
- Annual rate of growth in passenger earnings declined from a peak of 15.21 per cent achieved in 2007-08 to 10.52 per cent in 2008-09. **(Para 1.3).**
- Goods earnings of Rs.53,433.42 crore show an increase of 12.65 per cent over the previous year but it was much below the rate of growth of 17.90 per cent achieved in 2005-06. Annual rate of growth of loading declined to a low of 4.97 per cent in 2008-09 from a peak of 10.70 per cent achieved in 2005-06. **(Para 1.3.2).**
- 15.79 per cent of the earnings from goods services in 2007-08 went to make up the losses in the operation of coaching services during the year. Only AC Sleeper, AC-3 Tier and AC Chair Car segment of passenger services were in profit in 2007-08. **(Para 1.4).**
- Committed expenditure in 2008-09 comprising salary and wages including pension and gratuity, dividend payment to General Revenues and payment of lease charges on rolling stock constituted 55.86 per cent of the total revenue expenditure. **(Para 1.7).**
- Operating Ratio of Indian Railways declined to 90.46 per cent in 2008-09 from 75.94 per cent achieved in 2007-08. **(Para 1.8.1).**
- Plan expenditure of Rs.9,545.35 crore from the General Budget Support registered an increase of 36.95 per cent when compared to previous year. It was 34.44 per cent more than the budget estimates. Extra Budgetary support received from IRFC in the shape of financing the procurement of rolling stock increased from Rs.4,604.43 crore in 2007-08 to Rs.6,990.84 crore in 2008-09. No fund could be mobilized through Public Private Partnership Project's schemes where a budgetary projection of Rs.800 crore was made. **(Para 1.9.1).**
- Indian Railways could achieve only 28 per cent of the total XI Five Year Plan (2007-12) targets in the first two years (2007-09). **(Para 1.9.2).**

- Balances under the reserve funds of the Indian Railways declined from Rs.22,279 crore at the end of 2007-08 to Rs.15,655 crore at the end of 2008-09. **(Para 1.10).**
- Against the investments of Rs.6,366.32 crore made in various Public Sector Undertakings, Joint Ventures and Special Purpose Vehicles, Indian Railways, in 2008-09, received only Rs.268.46 crore as dividend. **(Para 1.11).**
- The net overall savings of Rs.11,318.46 crore (7.04 per cent) was the net result of savings of Rs.11,838.27 crore in ten grants and ten appropriations and excess of Rs.519.81 crore in six grants and three appropriations **(Para 1.12.3).**

Chapter 2 - Earnings - This chapter contains the results of audit of revenue earning activities of Railways carried out during the year 2008-09 and also the results of audit carried out in earlier years which could not find place in the Reports of those years. While the earnings of the Railways have shown an increase over the previous years, a test check of the transactions of the Railways has revealed a number of deficiencies resulting in avoidable losses. These relate to lacunae in rules/ decisions, non-observance/ incorrect application of rules, routing deficiencies/ error in computation of distances and detentions to rolling stock which have had an adverse effect on the overall operational efficiency of the Railways. A brief description of paragraphs included in these categories is given below:

- The chapter includes seven paragraphs pointing out non-observance of rules which caused an overall loss to the tune of Rs.51.89 crore. The irregularities in observing rules include defective implementation of Terminal Incentive cum Engine on Load scheme **(Para 2.1.1)**, non-recovery of wagon hire charges from MbPT Railway **(Para 2.1.2)**, loss due to optimal utilization of wagon capacity, delay in realization of freight, incorrect computation of freight, loss due to over-carriage of parcels, non-recovery of surcharge **(Para 2.1.3 to 2.1.6).**
- Five paragraphs pointing out instances of loss of Rs.6.76 crore due to routing deficiencies such as non-recovery of freight by the actual carried route **(Para 2.2.1 to 2.2.3 & 2.2.5)** and incorrect computation of distances for calculating freight **(Para 2.2.4)**, Two Paragraphs depicting Loss of Rs.23.36 crore due to detention to rolling stock **(Para 2.3.1. & 2.32)** and three paragraphs pointing out loss of Rs.42.93 crore due to delay in augmentation of train composition, deficiencies in liberalized siding rules and delay in opening of a section for passenger traffic **(Paras 2.4.1. to 2.4.3)**

Chapter 3 - Works and Contract Management – A major portion of the Railways' expenditure is on works carried out for creation and maintenance of assets. Inadequate planning and deficient contract management have an adverse impact on the operational efficiency and the financial health of the Railways. This chapter contains 31 paragraphs arising as a result of audit of various construction activities of the Railways. These paragraphs point out

injudicious decisions leading to avoidable/ unproductive/ infructuous expenditure and inadequate planning/ contract management as under:

- There are seven paragraphs where investments were made on projects or works were sanctioned and executed without adequate planning, as result of which there was abnormal delay in their completion, facilities created were not put to use and the delay has resulted in incurrence of extra expenditure (**Paras 3.1.1 to 3.1.7**). Railways have incurred avoidable/ unproductive/ infructuous expenditure of Rs.189.94 crore on such instances.
- Eight paragraphs include instances where there was delay in completion/commissioning due to defective planning at the initial stage, leading to excess expenditure/blocking up of capital of Rs.22.34 crore (**Paras 3.2.1 to 3.2.8**), ten paragraphs indicating deficiencies in management of contracts leading to excess expenditure of Rs.26.51 crore (**Paras 3.3.1 to 3.3.10**) and six paragraphs leading to loss/extra/ avoidable expenditure of Rs.33.45 crore (**Paras 3.4.1 to 3.4.6**) on account of various flaws such as delay in opening of newly laid lines, wasteful expenditure in creation of traffic facilities at halt stations, award of works at higher rates and dismantling of newly laid tracks.

Chapter 4 - Stores and Assets Management – Efficient planning of procurement of stores and stock is required to ensure optimal utilization of existing assets. It is thus necessary that stores are procured from reliable resources at most competitive rates and their timely availability is ensured. This chapter deals with audit of procurement of stores and management of assets such as rolling stock, plant and machinery, land and buildings etc. There are four paragraphs pointing out loss of Rs.38.56 crore due to deficiencies in procurement practices (**Para 4.1.1 to 4.1.4**), five paragraphs depicting unproductive / wasteful investment of Rs.20.94 crore due to under utilization/non-utilisation of assets (**Para 4.2.1 to 4.2.5**) six paragraphs containing deficiencies in award of contract (**Para 4.3.1 to 4.3.5**) and four paragraphs of loss of Rs.47.15 crore on account of non-availing concession in VAT, avoidable periodical overhauling of coaches, imprudent transfer of track material and undue benefit to supplier.

Chapter 5 – Other Topics - This chapter contains four paragraphs involving non-recovery / short recovery of Rs.23.83 crore on account of lease charges of land, cost of staff, water charges, wagon hire charges and re-railing charges and interest thereon (**Paras 5.1.1 to 5.1.4**), four paragraphs containing irregularities of Rs.46.66 crore on account of non-levy of service tax on sale of space for advertisements and non-recovery of cess charges from contractors (**Para 5.2.1 & 5.2.2**), and avoidable payment of penalties due to non-maintenance of required load factors (**Para 5.2.3 & 5.2.4**), three paragraphs pointing out extra expenditure on procurement of water at higher rates and loss due to incorrect billing of Rs.2.78 crore (**Para 5.3.1 to 5.3.3**) and seven paragraphs involving loss of Rs.59.67 crore due to non-elimination of uneconomic temporary stoppages, injudicious settlement of claim cases through appointment of arbitrator, non-implementation of Railway Board's orders for operations of Railway clubs, incurrence of avoidable expenditure on

operation of poorly patronized trains, non-execution of proper agreements with siding owners and diversion of railway revenue to private account **(Paras 5.4.1. to 5.4.7)**.

Chapter 6 – Audit Effectiveness - This chapter contains four paragraphs indicating the number of objections issued as a result of audit of Railway accounts and records, objections settled after Railways have taken corrective action and those outstanding for want of action by Railways **(Para 6.1)**, recoveries effected or agreed to be effected at the instance of audit **(Para 6.2)**, response of the Ministry of Railways (Railway Board) to provisional paragraphs **(Para 6.3)** and follow up action taken by Ministry of Railways (Railway Board) on the paragraphs contained in previous reports **(Para 6.4)**