Overview

This Report contains the audit findings of significant nature during the compliance audit in Ministry of Railways (Railway Board) of the Union Government and its field offices for the year ended 31 March 2012. The Report contains five chapters. Chapter 1 gives a brief introduction of the audited entities; recoveries made by Ministry/ Department at the instance of Audit; remedial actions taken in response to audit observations made in earlier Reports; summarized position of Action Taken Notes. Chapters 2 to 5 present detailed findings/observations under the relevant department title.

Some of the important findings included in this Report are given below:

Thematic Audit on "Rationalization of routing of freight traffic (goods) carried over longer routes"

As per rules, freight charges are to be recovered by the shortest route even though it is operationally feasible to carry freight only by the longer route. This resulted in not only loss of revenue but also incurring of extra operational cost. To reduce these losses, Railway Board directed (February 1976) Zonal Railways to take action to overcome the existing difficulties in not being able to carry traffic by the shorter route. It has also been directing Zonal Railways from time to time to forward proposals for rationalization of longer routes with proper justification. Audit, however, observed in August 2012 that Zonal Railways had taken limited action to rationalize the longer routes. Further, to remove bottlenecks that deterred the movement of traffic by shorter route, action was frequently delayed or not taken. As a result, Railways are sustaining recurring losses on account of carriage of freight by the longer route and charging of freight by the shorter route. In a test check, Audit has assessed a loss of ₹422.74 crore over the period 2010-12 due to carrying of freight traffic by the longer route.

(Paragraph 2.1)

Revenue loss due to irregular grant of concessional tariff rate for booking of iron ore traffic

This para highlights the revenue losses due to failure of Railway Board in preventing the misuse of the dual pricing system introduced in May/ July 2008 for transportation of iron ore. The freight rate fixed for transporting iron ore for non domestic consumption was more than three times the rate fixed for domestic consumption. To avail the domestic rate the Railways had prescribed mandatory submission of certain prescribed documents. The internal control system of the Railways failed as it allowed the concerned parties to avail the domestic rate without submitting some of the essential prescribed documents. A test check by Audit during the period May 2008 to March 2012 revealed a revenue loss of ₹2486.68 crore besides a penalty of ₹13869.86 crore which is due for recovery. Recovery of ₹1670.57 crore was also due from Kudremukh Iron Ore Company Limited, Mangalore in case of iron pellets exported. This was in addition to the revenue loss of ₹ 1795.51 crore pointed out by Audit in the C&AG Audit Report No.32 of 2011-12. So far, Railway Administration (South Eastern Railway) have acknowledged a freight evasion of ₹ 1875.63 crore in 15 cases.

(Paragraph 2.2)

Avoidable payment of lease charges due to ambiguity in agreement clause

On South Western Railway, as per the agreement for the leasing of wagons under Own Your Wagon Scheme, Category B, the Company was to provide specified quantum of traffic and lease charges were not payable to them for the number of wagons stabled in their siding. Audit examined in April 2012 that although leased wagons were to be moved between specific points, the Railway Administration merged the procured wagons in general pool of wagons, Consequently, the stabling of unutilized wagons in company's siding could not be established/ linked with payment of lease charges. There was also no provision in the agreement for the verifying the loading at loading points. This resulted in avoidable payment of lease charges to the extent of ₹ 27.04 crore.

(Paragraph 2.3)

Thematic Audit on "Procurement and Utilization of Permanent Way material on Indian Railways"

Permanent way materials (rails, sleepers, ballast, fastenings, etc.) are essentially required for the maintenance/ renewal of existing tracks and expansion of the Railway network. Audit reviewed the procurement process of permanent way materials in 2012-13. It observed that rails were procured from a single source. Despite there being a shortfall of 13 *per cent* during 2011-12, no efforts were made by the Ministry to develop alternate sources of supply. Further, the procurement process of Permanent Way Material was not efficient as there were long delays at all stages of procurement including finalization of tenders for procurement and delays in supply.

(Paragraph 3.1)

Injudicious decision of purchase of land

East Central Railway purchased (January 2007) about 219 acres of land of erstwhile Rohtas Industries Ltd and its assets (worth ₹140 crore). Audit observed in May 2012 that there was no clear cut decision on its utilization. The major portion of the cost of land (₹112 crore) was financed by raising a loan which led to interest liability of ₹8.8 crore. Subsequently, the funds were apportioned against different projects. After land acquisition, the Railway Board decided to utilize the land for the Eastern Corridor of the Dedicated Freight Corridor and for the Freight Bogies and Coupler Manufacturing Plant. However, no action has been taken by the Railway Administration to utilize the land and dispose of its assets for more than six years resulting in blockage of capital of ₹140 crore. Non-disposal of the erstwhile assets of Rohtas Industries also led to recurring expenditure on its security.

(Paragraph 3.2)

Thematic Audit on "Maintenance of locomotives in Indian Railways"

Loco workshops/sheds provide maintenance to locomotives which ensure their availability and reliability of performance. Audit examination in October 2012 to January 2013 highlights that the quality of maintenance provided to the locomotives was poor. Sixty five *per cent* of the overhauled locomotives registered failure within 180 days of their Periodic Overhaul (POH). Further 17 to 20 *per cent* of them failed within one month of their POH. Further, the performance of locomotives was poor as test check revealed that the average number of unscheduled repairs per locomotives per annum was two and four for diesel and electrical locomotives respectively. This was much higher than the locomotive failure statistics reported by the Indian Railways. In addition, there were delays up to 360 days in sending locomotives to Workshops for their POH. The detention of locomotives during unscheduled repairs, their excess detention for completing maintenance/ overhaul in loco sheds /Workshops, their detention in yards awaiting POH / after POH and the delays in sending dead locomotives to the sheds for repairs together resulted in loss of earning capacity of ₹ 733 crore.

(Paragraph 4.1)

Loss for train parting due to failure of Centre Buffer Coupler (CBC) Components

Centre Buffer Coupler (CBC) is a mechanism for connecting rolling stock in a train. Whenever any portion of a train, while in motion, becomes detached a train, parting occurs and results in loss of section capacity by way of disturbance to train operations, detention and consequential financial loss to the Railway. The issue relating to the quality of CBC components has been a cause of concern to Railway Board. It directed (March 2006) Zonal Railways to comply with directives issued by RDSO for improving the quality of CBC components and address operational problems. Detailed analysis of the failure reports for the period from January 2008 to February 2011 by the Mechanical Department of South Eastern Railway revealed 260 trains parting cases due to manufacturing defects of CBC components only. The manufacturers of the components could be identified in only 145 (55.77 *per cent*) of the cases. In fact, two firms viz., M/s Raneka Industries and M/s Orient Steel Industries Ltd. together contributed 96 cases (66.21 *per cent*) of total identified cases.

According to an assessment by SER there was an average loss of 6.8 goods train per incident and opportunity cost of approx. ₹9 lakh for each train lost. It is seen that a total of 232 train partings occurred during the period 2007-08 to September 2012 and resulted in an estimated loss of ₹125.27 crore in four Zonal Railways due to defective CBC components provided by the above two firms.

(Paragraph 4.2)

Infructuous expenditure on procurement of material for hybrid coaches

Railway Board decided (2007) to manufacture new type of coaches (SGSS Hybrid coaches) having Stainless Steel shells of LHB design of ICF bogies. IFC planned to manufacture 303 coaches in 2009-10. Audit, in February 2012, observed that due to lapses in planning only 29 shells could be manufactured up to March 2012 and material worth ₹44.04 crore procured for specific work remained unutilized. Railway Board has stopped the production of such coaches (August 2011).

(Paragraph 4.3)

Thematic Audit on "Procurement of items under Proprietary Articles Certificate (PAC) over Indian Railways"

Stores procured for Railway's operation include the items purchased under Proprietary Article Certificate (PAC). These items are required to be purchased from a specified firm on single tender basis and include safety and vital items and also emergency purchases. Audit observed in August/ September 2012 that basic documentation for certifying items as PAC items were not maintained, and no effort was made by the certifying authority to examine the existence of acceptable substitutes. Audit observed a large number of variations in prices across zones leading to extra expenditure in procurement. Requisite steps were not taken to develop additional vendors for procurement of PAC items thus, depriving the Railways of the possibility of obtaining lower rates.

(Paragraph 5.1)