Chapter 3: Dedicated Freight Corridor Projects

3.1 Introduction

The Tenth Five Year Plan 2002-07 projected that freight traffic was expected to increase at the rate of five *per cent* per annum with originating freight expected to increase from 489 million tons in 2001-02 to 624 million tons in 2006-07. Based on this, in the Mid Term Appraisal of tenth five year plan, need for Dedicated Freight Corridors (DFC) on selected high density corridors[80] was projected to meet long term requirement of movement of freight traffic more efficiently and economically. The DFC was to create additional rail transport capacity, improve operational efficiency, reduce cost of operation and carry higher volumes of freight traffic. Hon'ble Minister for Railways (MR) announced (April 2005) construction of high capacity, high speed DFCs along the Golden Quadrilateral (GQ), separating freight traffic from passenger traffic on trunk routes. Later on, Committee on Infrastructure constituted (May 2005) a Task Force, chaired by Member Planning Commission to prepare a concept paper on Delhi-Mumbai (Western) and Delhi-Howrah (Eastern) dedicated freight corridor projects and to suggest a new organizational structure for planning, financing, construction and operation of these projects. Ministry of Railway (MoR) appointed (July 2005) RITES Limited[81] for conducting feasibility and Preliminary Engineering Cum Traffic Survey (PETS) of both Eastern and Western corridors. Simultaneously Government of India (GOI) also requested (July 2005) Government of Japan's technical cooperation to assist in the feasibility assessment of DFC project. Based on the result of preliminary study, Government of Japan decided (November 2005) to conduct feasibility study.

3.1.1 About the Project

For the purpose of Designing, Planning, Construction, Maintenance and operation of Dedicated Freight Corridors, a Special Purpose Vehicle (SPV) called Dedicated Freight Corridors Corporation of India Limited (DFCCIL), New Delhi was incorporated as a Government Company under Companies Act, 1956 in October 2006 under the Administrative Control of MoR. It was decided that:

i. The DFCCIL was to function as an 'Infrastructure Manager' offering non-discriminatory access to IR.

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[80] ***Corridor which connects major urban centres of Mumbai, Delhi, Kolkata and Chennai are called as Golden Quadrilateral (GQ). The diagonals of this GQ connects Delhi to Chennai and Mumbai to Kolkata although the total route length of GQ and its diagonals cover 16 per cent of the total route kilometres of Indian Railways only, the corridors are High Density corridors carrying about 58 per cent of the total freight traffic and 52 per cent of passenger traffic of IR.***

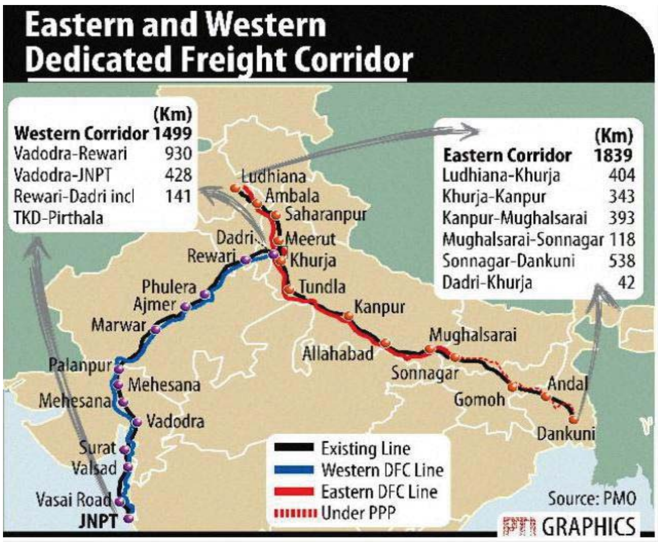
[81] ***Rail India Technical and Economic services Ltd***

ii. To complement the efforts of DFCCIL, IR was required to up-grade their own feeder routes connecting to the DFC also and to procure, own, and operate/run freight trains on the DFC network.

iii. DFCCIL would not own any rolling stock or crew, nor have any role in fixing tariffs or collection of revenue. The IR, on the other hand would own and maintain all rolling stock, book all traffic and utilize the new network by offering its train to run on the DFC. In the process, all freight revenue would flow directly to IR and DFCCIL would be reimbursed for its services through a network usage charge, called the Track Access Charge[82].

iv. A major part of DFC tracks would run along the existing alignment of IR and for the balance portion or detours, MoR would acquire requisite land and give it on license to DFCCIL.

The DFCs on the Western and the Eastern routes involved construction of 2770kms.[83] dedicated freight railway lines to carry predominantly coal and steel on the Eastern dedicated freight corridor (EDFC) and containers on the Western dedicated freight corridor (WDFC). The western corridor of 1469 km. will connect Jawaharlal Nehru Port Trust (JNPT) in Mumbai in west to Dadri (near Ghaziabad) and Tughlakabad(in Delhi) in the North. The Eastern corridor of 1301 km would connect Ludhiana to Sonnagar via Dadri, to facilitate transfer from one corridor to another. The ports in the Western region covering Maharashtra and Gujarat would be efficiently linked to the Northern hinterland and similarly on the Eastern side, coal would move to the power plants in the north.



After conducting the feasibility study (October 2007), Japan International Cooperation Agency (JICA) agreed to provide funds in two phases[84] only for Western Corridor. The total funding from JICA (550 billion Japanese Yen

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[82]TAC consists of variable components consisting of – Traction Power, staff and Materials – and fixed components consisting of staff, material, depreciation and cost of debt. The fixed component would be payable irrespective of volume of traffic and the variable component would be payable based on volume of traffic moved over the system.

[83] Excluding the section of Sonnagar- Dankuni of 538 Kms. Which is to be executed under PPP model

[84]Phase I – Rewari- Vadodara- 930 km. and phase II- JNPT – Vadodra and Rewari – Dadri, (total 569 km)

equivalent to ₹ 38,722 crore[85] would be through four loan agreements. The repayment of loan would start after a moratorium period of 10 years in each agreement.

Ministry of Railways further approached (2008) the World Bank for providing funds for Eastern Corridor. After conducting series of field visits, meetings and appraisals, World Bank agreed (May 2011) to provide fund (US $ 2725 million equivalent to ₹ 13,625 crore) only for a stretch of Ludhiana-Khurja-Kanpur-Mughalsarai (1183 kms) section of Eastern Corridor. The first loan agreement was signed in October 2011 for US$ 975 million[86]. The second loan agreement was not signed (March 2014).

3.2 Approval and Planning of the Project

Based on the feasibility report submitted by RITES in January in 2006, MoR submitted (February 2006) a note to Cabinet Committee on Economic Affairs (CCEA) seeking approval for taking up the project at an estimated cost of ₹ 21140 crore (Eastern Dedicated Freight Corridor – ₹ 9695 crore and Western Dedicated Freight Corridor - ₹11,445.60 crore) with a completion period of five years after setting up of an SPV. The Cabinet approved the proposal (February 2006) 'In Principle' to take up the execution of project on both Corridors with directions for expeditious finalization of modalities regarding resources and a SPV for project implementation.

After submission of PETS Report in January 2007, MoR approached Cabinet (February 2007) seeking approval for taking up the project at estimated cost of ₹ 28,181 crore (EDFC- ₹11,589 crore, and WDFC- ₹16,592 crore) to be completed in five years. CCEA directed MoR that issues regarding budgetary support and dividend payable might be examined separately in consultation with Ministry of Finance (MoF). On this, Department of Economic Affairs (DEA) observed (September 2007) that seeking approval of CCEA at that juncture was premature and MoR should have approached CCEA for final investment approval only after funding arrangements had been tied up and Concession Agreement between MoR and SPV finalized. MoR was, therefore, advised to finalize the funding arrangements for the DFC Projects.

While submitting a note to cabinet (October 2007), MoR stated that equity component would largely be funded through internal generation and a small component of about 10 *per cent* would be met from General Budgetary Support (GBS). Japanese assistance under Special Terms for Economic Partnership scheme (STEP) was under active consideration and Debt - Equity ratio would

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[85] ***At an exchange rate of ₹1 = 1.42 JPY***

[86] ***repayment shall commence in Nov 2018 and end in May 2033***

be maintained at 2:1. The CCEA again directed (November 2007) MoR to work out the detailed cost estimates and financing plans expeditiously and finalise them through appropriate inter-ministerial consultations. It was also directed that MoR could, however, incur expenditure on preliminary and preparatory works including land acquisition, Project Management Consultancy Contracts and such allied activities from its internal sources.

Based on Feasibility Report of JICA, MoR prepared financing plan in consultation with MoF proposing the funding pattern and submitted a note to the Cabinet in February 2008 for final approval of the project at a total cost of ₹43,293 (with loan from JICA)/ ₹ 38940 (without loan from JICA) as shown below:

Eastern Corridor		**Western Corridor**		
Source of fund	**Amount**	**Source of fund**	Option-1(With JBIC Funding)	Option-II
Internal Generation	7800	Internal Generation	6200	6200
Gross Budgetary Support	1250	Gross Budgetary Support	1250	1260
Debt	10,563	JBIC	16230	0
		Debt	0	11877
Total	19,613	Total	23680	19327

In February 2008, Cabinet approved the project at an estimated total cost of ₹28,181crore[87] with completion period of five years. The Cabinet directed MoR to undertake the work on the project, irrespective of the availability of any international financing and finalise appropriate financing and implementation plans in consultation with MoF and Planning Commission and also to bring them up for its approval at an early date.

Audit observed that though the Cabinet had given 'In Principle Approval' in February 2006 and directed MoR to incur expenditure on preliminary and preparatory works including land acquisition, Project Management Consultancy Contracts and such allied activities from its internal sources in (November 2007), the progress achieved up to March 2014 had been very slow as was evident from the fact that contracts had been awarded up to March 2014 only to the extent of 18.45 *per cent* and 21.32 *per cent* of the estimated costs in respect of WDFC and EDFC respectively

[87] ***As per RITES estimate***

It was further observed that while contract for civil works in WDFC were awarded to the extent of 41.69 *per cent*[88] of estimated cost, in EDFC it was only 35.43 *per cent.* The project which was planned for completion within five years of setting up of SPV, was far behind schedule.

Audit reviewed the records connected with the planning of the project and observed that MoR planning was deficient as described below:

i. Ministry of Railways approached cabinet in February 2006 for 'In Principle Approval'. Department of Economic Affair (DEA) had observed that MoR should have approached Cabinet for approval only after it had made credible estimates and a concrete financing plan. Approaching the Cabinet in February 2007/ October 2007 on the basis of RITES estimates and without examining the feasibility report from JICA was, therefore, premature.

ii. MOR approached Cabinet without firming up financing plan for EDFC and as a result, the Cabinet did not approve the cost estimates as submitted by MoR. Further, the Cabinet directed to start the work within the estimated cost of ₹ 28,181 crore as worked out by RITES.

    Ministry of Railways stated (May 2015) that Cabinet was approached in February 2008 with cost estimates, final alignments and funding arrangements. The reply of the MoR was not acceptable as the funding of the EDFC was consented to by World Bank only in 2011. The activity of final location survey and freezing of alignment for entire stretch of EDFC and WDFC was completed only in 2014. Further, the detailed cost estimate amounting to ₹ 81,459 crore prepared in 2013 was not submitted to Cabinet for approval.

iii. Ministry of Railways had submitted to Cabinet that it would fund the project of ₹ 28181 crore with equity component largely through internal generation and a small component of about 10 *per cent* from GBS. It was, however, observed that MoR infused the entire equity amounting to ₹ 2707.74 crore from GBS.

iv. The Cabinet (November 2007) had approved the financing plan of EDFC and WDFC as per debt equity ratio of 2:1 wherein equity was to be funded by MoR. Due to revision of estimate from ₹ 28,181 crore to ₹ 8,1459 crore, the liability of IR towards equity also increased from ₹ 9,393 crore to ₹ 27,153 crore.

v. The Administrative Ministry was required to prepare the Detailed Project Report (DPR) of a project/scheme to be included in the Plan of the Ministry/Department[89]. Further, the timeframe prescribed for

[88] ***In terms of KMs***.

[89] ***As per Guidelines for Formulation, Appraisal and Approval of Government funded Plan schemes/projects regarding preparing of DPR as provided in Section-1 - Para No. 2 (iii)***

apprisal and approval of project/scheme costing ₹ 100 crore and above provides that the project should be submitted for approval of Cabinet/CCEA within 16 weeks from the receipt of DPR. However, though the 'In Principle' approval for the project had been accorded in February 2006 and final location survey/ DPR and freezing of alignment of EDFC and WDFC were completed in 2014, final approval of the project by the Cabinet was awaited (March 2014).

vi. In all the Cabinet Notes (February 2006, February 2007 and February 2008) MoR had mentioned the completion period of the Project as five years, without indicating 'Zero' date for commencement. Even in the Eleventh Five Year Plan (2007-12) of Planning Commission, Government of India (Vol. III) while the scheduled completion time prescribed was five years, zero date was not fixed. This indicated that due weightage was not given by MoR to fix concrete time line for completion of the project.

vii. Ministry of Railways in reply to the comments of DEA communicated (October 2007) to the Cabinet that the appointment of a Consultant for drawing the Concession Agreement (CA) was in advanced stage and further asserted that making its finalization a pre-condition for starting the work would only delay the project which was urgently required to be commenced. Concession Agreement was, however, finalized and signed only in February 2014. The Track Access Sharing or Revenue Sharing was left open to be decided in future. MoR took almost eight years from the date of 'In Principle approval' of the project to finalise the CA.

Ministry of Railways stated (May 2015) that considerable consultations were involved with MoF and DFCCIL which were essential before concluding the CA. The reply of the Ministry was not tenable as the time period of eight years in finalization of CA, from the date of approval of the project was unduly long.

viii. Project was approved by Cabinet in February 2008 with the cost estimates of ₹ 28,181 crore based on the PETS Report. After the approval, MoR directed (June 2008) DFCCIL to modify the various technical parameters concerning the DFC project. DFCCIL carried out (2008-09) detailed engineering construction survey/Final location survey (FLS) on RITES alignment to estimate the project cost. Based on this, DFCCIL submitted (December 2009) the detailed cost estimate to Railway Board for ₹42,231crore. The cost was again revised (November 2011) to ₹ 69,453 (including land) on the basis of updated scope and alignment and was submitted to MoR for approval. MoR directed DFCCIL[90] to revise the cost estimates after inclusion of certain

[90]***In the presentation in January, 2012***

items[91] and curtailing certain facilities. A consolidated estimate costing ₹99,928 crores (including cost of land, soft cost[92] and cost of Sonnagar-Dankuni section) was sent to MoR (March 2014). MoR directed[93] DFCCIL (a) to make reduction in the DFC cost estimates by reducing the provision for contingencies from five *per cent* to three *per cent*, (b) to make provision for insurance/ taxes from seven *per cent* to one *per cent* and (c) not to make separate provision for work contract taxes in the estimate. DFCCIL after considerable resistance, reworked (December 2013) the estimated cost and submitted (December13) revised estimated cost at ₹ 81,459 crore. The revised cost was 189 *per cent* more as compared to the original cost of ₹ 28,181 crore which was not approved by the Cabinet (November 2014).

Audit further observed the following shortcomings in the revision of cost estimates:

i. The cost estimate was reduced from ₹ 99,928 crore to ₹ 81,459 crore as per direction of MoR. This revision was, however, not due to reduction in the scope of core activities of the project but was due to reduction in variable components such as contingencies, insurance and taxes.
ii. Although RITES finalized the PETS report including abstract cost estimates within a period of 18 months, MoR took almost six years to finalize the detailed project report and cost estimates (February 2008 to March 2014) from the date of approval of the project.
iii. The Administrative Ministry, upon getting an indication that the cost estimate were likely to exceed the specified limit, was required[94] to move immediately, to obtain necessary approval. Further, there was a provision[95] that 'in every case where the project cost overrun was more than 20 *per cent* and was accompanied by time overrun of over 10 *per cent* or such other time, the cost overrun would be brought up for approval of the CCEA only after responsibility was fixed for such cost/time overrun. However, despite the cost overrun by 189 *per cent* and time overrun of three years[96], MoR had not obtained the approval of the Cabinet till March 2014.
iv. The World Bank loan was USD loan and the interest and repayment of Principal amount was to be made by DFCCIL in Rupee equivalent to USD at the prevailing rate. Thus World Bank Loan was carrying the

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[91]Such as Sone bridge, GSM –R and ground improvement measures.

[92] Soft costs comprising of Interest during construction, contingencies, insurance & taxes and cost escalation

[93]On the basis of recommendations of High level Committee on DFC cost optimization,

[94] Paragraph 25 regarding "Mandatory Review of Cost Estimate" of 'Guidelines for formulation, Appraisal and Approval of Government Funded Plan Scheme/Project'

[95] Paragraph 26 of 'Guidelines for formulation, Appraisal and Approval of Government Funded Plan Scheme/Project'

[96] From February 2011 to March 2014

risk of foreign exchange variation. Further, the applicable interest rate for World Bank loan was LIBOR[97] plus variable spread as fixed by World Bank from time to time. Thus, the interest rate was also dependent on variation in the LIBOR rate of interest and the variable spread which is revised by World Bank from time to time. Keeping in view these factors, DFCCIL (November, 2013) told MoR that in order to safeguard the DFCCIL from uncertainties prevailing in the Foreign Exchange Market, the hedging[98] of the World Bank loan was required. For this, it requested Railway Board to include the additional cost of ₹ 2215 crore in the revised cost estimate. However, Railway Board neither included this cost in the revised estimate nor gave any reasons for not including the same to DFCCIL despite repeated correspondence.

Ministry of Railways stated (May 2015) that there were changes in the technical specifications and the scope of the DFC project that resulted in increase of ₹ 20,810 crore. Similarly due to changes in the alignment, land cost increased by ₹ 5,087 crore. RITES estimate also did not include soft costs amounting to ₹ 19,384 crore. The escalation contributed only ₹ 7992 crore in the increase in cost.

The reply of the Ministry of Railways was not acceptable as the increase in land cost by ₹ 4,442 crore was attributable to escalation. Thus, total increase in the project cost due to escalation would be ₹ 12,434 crore

3.2.1 Formation of New Organisation Structure

The Committee on Infrastructure had recommended (February 2006) the mechanism of SPV, owned jointly by the IR and the users of bulk freight services[99] should include the planning, construction and maintenance of infrastructure. The coming together of the Railways and mainly PSUs, with some topping up by the Central Government, would ensure an adequate equity base, which could be leveraged for market borrowings for raising enough capital for investment in the DFCs. In this connection, MoR proposed (June 2006) a note for Cabinet approval for formation of SPV specifying Authorised Capital as ₹11,000 crore and Subscribed and Paid up Capital as ₹ 50 crore that was to be increased during course of operation of the SPV based on requirements and Debt Equity Ratio as 2:1.

The Cabinet referred (July 2006) the matter regarding formation of SPV to a Group of Ministers (GOM)[100] who raised various issues. Department of

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[97] London Interbank offered rate

[98] A foreign exchange hedge is a method used by companies to eliminate or hedge their foreign exchange risk resulting from transactions in foreign currencies.

[99] Port operators, Shipping companies, Oil companies, Coal, Iron ore and Steel companies as well as Power companies, largely in the public sector

[100]consisting of Minister of Railways, Finance Minister and Deputy Chairman, Planning Commission

Expenditure opined that at the investment approval stage, it would be appropriate to restrict the equity of IR in the SPV between 51-60 *per cent*. The balance equity may be offered to Central Public Sector Enterprises (CPSEs)[101]. The financial structure, sources of finance, cash flows and project viability were yet to be firmed up and an investment decision could be taken only after a detailed business plan and DPRs had been prepared and considered by EBR/CCEA. The DEA also observed (July 2006) that Railway should commit much lesser amount in the equity of SPV restricting it to 51 *per cent* or less. Further, from the proposed structure, it was evident that Railways were proposing creation of SPV as a clone of the Railway. It would be difficult for it to raise resources from the market or from multilateral agencies. Department of Public Enterprises opined that in the absence of a business plan, financial structure, equity investment by Railways etc., the proposal to form a SPV was premature. The Planning Commission also opined that equity should be shared equally between Railways and user PSUs.

Ministry of Railways clarified that since all major trunk routes of IR were supersaturated, it was important to have DFCs in position by 2010-11. Further, to maintain 8 to 8.5 *per cent* growth rate of GDP, IR would have to move more than 1100 million tons of freight traffic by 2011-12. It was also stated that according to a rough estimate, delay in construction of DFC would result in the loss of thousands of crores of rupees in terms of cost overrun and freight earnings forgone. Hence, it was not prudent for other PSUs (bulk users of freight services) to enter into business activities that were not within their core competence. In view of nature of SPV as rail infrastructure creator/provider and the need to make the SPV functional urgently, there was no option but to set up the SPV with 100 *per cent* equity by MoR. Despite apprehensions by various departments, MoR recommended to set up an SPV with 100 *per cent* equity by IR. Cabinet approved (August 2006) the formation of DFCCIL which was incorporated in October 2006 under the Administrative Control of MoR with Authorized Capital of ₹ 4000 crore and paid up Capital of ₹ 2 crore which had been increased and stood at ₹ 8000 crore and ₹ 2707.74 crore respectively as at end of March 2014.

It was thus evident that recommendations of task Force to form an SPV owned jointly by the IR and the users of bulk freight services was not adhered to. An SPV with 100 *per cent* equity had been formed by MOR primarily to avoid any time or cost overrun and to get the DFCs positioned by 2010-11. However, the purpose of formation of SPV with 100 *per cent* equity had been defeated as the project remained incomplete till March 2014.

[101] Coal and power companies on the Eastern corridor and oil companies on the western corridors

3.2.2 Appointment of Board of Directors

As per Cabinet approval (August 2006), the SPV was required to be managed by Board of Directors (BoD) which was to include a full time Managing Director (MD). The Chairman Railway Board (CRB) may be the Ex officio Chairman of BoD. Further, the first time MD and four Functional Directors (FDs) were to be appointed through a Search and Selection Committee instead of by Public Enterprise Selection Board. MoR was to seek approval of Appointments Committee of Cabinet (ACC) separately for deviation from Public Enterprises Selection Board (PESB) guidelines. However, no MD had been appointed till September 2007 and FDs till October 2007. This delay of one year in appointing MD/FDs was not justifiable since execution of project was not possible without Top Management.

Ministry of Railways stated that the approval of the ACC was obtained only in February 2007. This contention of MoR was not acceptable as it took eight months after the approval of ACC to make the appointments.

Further examination indicated that no MD had been appointed for two years and the FDs were not in full strength for a period of six years out of 8 years of existence of DFCCIL. Besides, CRB who was nominated as Part Time Chairman of DFCCIL held charge of it only from February 2009 (28 months after its creation).

The DFCCIL proposed (November 2007) to MoR that its Board should consist of 11 Directors[102]. MoR, however, appointed 12 Directors[103] besides CRB as Part Time Chairman. It was obvious that even the composition of Board of Directors had not been decided till May 2010 involving delay of three years and seven months indicating lack of seriousness on the part of MoR in providing to DFCCIL the required support of Top Management for executing the mammoth project on hand.

Ministry of Railways stated (May 2015) that initial activities of DFCCIL were limited and project preparation studies, such as Final Location Survey were progressing. The process for appointment of Independent Directors was initiated in 2009. The fulfillment of procedural formalities took considerable time. The ACC approval was obtained in May 2010 only.

The reply of the MOR was not acceptable as the process for appointment of Independent Directors was initiated only in 2009. For achieving the target date of completion of the project by the Company, it was an essential requirement to have the top management in full strength.

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[102] ***One Chairman, one Managing Directors, four Functional Directors, two Part Time Directors and three Independent Directors.***

[103] ***one MD, four Functional Directors, one nominee from MoR, one nominee from Planning Commission, one nominee fromFinancial Institution and four independent non-official Directors.***

3.3 Monitoring of Progress of Project

The Cabinet directed (August 2006) that an Empowered Committee under the Chairmanship of Cabinet Secretary[104] would be constituted to monitor the time bound implementation of the Project. However, no such committee was formed by MoR to monitor the Project.

Ministry of Railways stated (May 2015) that a high level Monitoring Committee under the Chairmanship of Principal Secretary to Hon'ble Prime Minister[105] was set up in June 2009 to monitor the progress of DFC project. Thereafter, a Delivery Monitoring unit was set up in July 2009 in the Prime Minister's office in July 2009 to review DFC project. Since 2010-11, targets of DFC were monitored by Planning Commission. However, the fact remained that despite monitoring mechanism in place, there were delays in execution of the project as indicated below:

i. In Eastern Corridor, there was delay ranging between two months (Khurja-Kanpur Section) and 36 months (Ludhiana-Khurja Dadri Section) in selection of Civil Contractor. In respect of System Contract, such delay ranged between 11 months (Durgwati-Karwandia Section) and 37 months (Ludhiana-Khurja-Dadri Section). There was delay ranging between 16 months (Kanpur-Mughalsarai) and 30 months (Sonnagar-Mughalsari Section) in commencing Civil Works. However, in respect of execution of System Works, the delay ranged between 12 months (Sonnagar-Mughalsarai Section) and 25 months (Ludhiana-Khurja Dadri Section). Similarly in Western corridor there was delay in selection of Civil Contractor ranging between 13 months and 22 months. In respect of Selection of Systems contractor, delay ranged between 21 months and 23 months.

ii. DFCCIL submitted to MoR (July 2014) that the target for year 2013-14 could not be achieved due to procedural formalities related to World Bank funding (Eastern Corridor) and lack of participation from Japanese Contractors (Western Corridor). They requested MoR to pursue with the Government of Japan to relax the STEP component which mandated lead contractors from Japan. It was also submitted that if this issue was not resolved, overall project deadlines would be further delayed. Another constraint communicated by DFCCIL was lack of Key Position Personnel and requested for the filling of key position including MD and other Directors with regular appointees.

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[104] *Consisting of CRB, Financial Commissioner of Railway Board, Finance Secretary, Secretaries of Planning Commission, Ministries of Law and Environment and Forest Departments, Road Transport, Highways & Shipping and also MD of DFCCIL.*

[105] *Comprising of Chairman, Railway Board, Finance Secretary, foreign Secretary and Secretary/DIPP*

Ministry of Railways stated that the issues raised by DFCCIL were taken up with World Bank, JICA and DEA. The reply was not acceptable as the final outcome was not known.

3.4 Conclusion

The Project, which was approved in February 2006 and planned for completion within five years at an estimated initial cost of ₹ 28,181 crore by March 2011, remained incomplete with insignificant physical progress. The MoR went ahead seeking final approval of the project (which was approved in February 2008 at an earlier estimated cost) without completing crucial formalities such as freezing of alignment, drawal of Concession Agreement, firming up funding arrangement and preparation of detailed cost estimate. Even the timelines for completion of the project were not firmed up. The delay in completion of project was mainly due to lack of proper planning and implementation. As a result, there was time overrun of three years and cost escalation of ₹ 7992 crore in construction cost and ₹ 4442 crore in land cost till March 2014 and the long term requirements of efficient and economical movement of freight traffic were yet to be achieved.

3.5 Recommendations

Ministry of Railways /DFCCIL needs to:

I. ***Prepare realistic and objective cost assessment duly incorporating all the provisions for contingencies, insurance, taxes, interest during construction and other related components.***

II. ***Obtain the approval of cabinet for revised cost and take effective steps to execute the balance works of the project in a time bound manner within the revised approved cost.***