Chapter 3

Engineering

Member Engineering at Railway Board is responsible for maintenance of all fixed assets of Indian Railways such as Tracks, Bridges, Buildings, Roads, water supply, in addition to construction of new assets such as new lines, gauge conversion, doubling and other expansion and developmental works. He is assisted by Additional Member (Civil Engineering), Additional Member (Works) and Advisor (Land & Amenities).

At Zonal level, the Engineering Department is headed by Principal Chief Engineer (PCE). The PCE is assisted by various chief engineers for track, bridge, planning, track machines, general matters etc. In addition, each Zonal Railway has a construction organization headed by a Chief Administrative Officer, Construction who is responsible for major construction works including survey works within the Zonal Railway and is assisted by various Chief Engineers (Construction).

The total expenditure on repair and maintenance of assets (Permanent way and works, bridges, tunnels, roads, sanitation and water supply etc. including plant and equipment) by Indian Railways during the year 2016-17 was ₹ 13016.62 crore[125]. Indian Railway also incurred an expenditure of ₹ 41679.07 crore[126] on creation of new assests such as new line, doubling, gauge conversion, traffic facility works, track renewal works, bridge works, level crossing and passenger amenities works. During the year, apart from regular audit of vouchers and tenders, 1280 offices of Engineering department including Construction Organization of the Railways were inspected by Audit.

This Chapter includes six individual paragraphs relating to undue favour to contractors, blocking up of capital in new line, gauge conversion and ROB works, short recovery of license fee, etc.

[125] Grant no.04 – Repair and maintenance of Permanent Way and works for 2016-17 and Minor Head 200 of Grant no.07 – repair and maintenance of plant and equipment

[126] Respective Plan Head of Grant no.16

3.1 Northern Railway: Undue favour to firm in awarding contracts by violating Railway Board's instructions on financial capacity and capability

A firm was awarded by contracts by Northern Railway Construction Organisation without examining its financial capacity and capability despite Railway Board's instructions and codal provisions. Railways favoured the firm by granting the extensions without penalty. The performance of the contractor was mentioned as 'satisfactory' in both the works and he was not made responsible for the delays while granting extensions. This adversely affected the progress of Doubling work between Meerut and Muzaffarnagar and resulted in non-achievement of intended benefit of increasing the line capacity for movement of freight and passenger traffic in the section.

As per rules[127], no work or supply should ordinarily be entrusted for execution to a contractor whose capability and financial status has not been investigated and found satisfactory. Railway Board, keeping in view several instances of failure of the earthwork contractors of important projects of New Lines, Doubling and Yard Remodelling etc., and to avoid the risk of such failures on the part of the contractors and consequent delay in completing the work, directed (December 1968[128]) the General Managers of all Indian Railways to pay special attention while deciding the tenders for earthwork contracts.

Railway Board during the Works Review Meetings (November 2003) with the Zonal Railways observed that the Tender Committees (TCs) were not examining the financial capacity and capability once the tenderer fulfils the Minimum Eligibility Criteria prescribed[129] by the Railway Board in October 2002, viz.

(i) submission of Revenue/Banker's Solvency Certificate (40 *per cent* of the Advertised Tender Value of Work)

(ii) completion of at least one similar single work for a minimum value of 35 *per cent* of the Advertised Tender Value of Work in the last three financial years (current year and three previous financial years), and

(iii) receiving of the contract amount of 150 *per cent* of the Advertised Tender Value of Work during the last three years

Railway Board, therefore, again issued directives (November 2003)clarifying that one of the important roles of the TC is to examine the financial capacity and capability of intending tenderer vis-à-vis the workload in hand in order to ensure that the tenderer can undertake and execute the new work successfully, if assigned to him.

Railway Board, in November 2013, amended the Clause 10 of the General Conditions of Contract. As per this Clause, 'the tenderer (s) shall be eligible, only if he/they fulfil Minimum EligibleCriteria of having received total contract

[127] Para 1215 of Indian Railway Code for Engineering Department
[128] Railway Board letter No.67/W5/RP2/5 dated 4-12-1968
[129] Railway Board letter No.94/CEI /CT/ 4 dated17-10-2002

amount during the last three financial years and in the current financial year with a minimum of 150 *per cent* of the advertised tender value'. Authentic/Attested Certificates from employer/client, audited Balance Sheet duly certified by the Chartered Accountant shall also be produced by the tenderer (s).

Work of doubling of 55 kms between Meerut and Muzaffarnagar was sanctioned by the Railway Board in August 2013. For exercising better quality control and proper monitoring/supervision, the doubling work was divided into two Zones viz. Zone I and Zone II by the executive agency i.e. Northern Railway Construction Organisation. Tenders for 'Earthwork in cutting, filling in embankment and other allied works'were invited (September 2013) under two packet system for both the Zones separately. M/s Dynasty Promoters Pvt. Ltd., Faridabad was found to be the lowest tenderer for both the works. As recommended by the TC, the contracts for Zone I and Zone II were awarded to this firm at cost of ₹ 23.42 crore and ₹ 26.21 crore in June 2014 and May 2014 respectively. Letters of Acceptance (LoA) were issued in June 2014 and May 2014 respectively with date of completion of work being 18 months in both the cases.

Review of the finalisation of tenders and contracts awarded in the above works revealed the following:

1. The firm M/s Dynasty Promoters Pvt. Ltd had submitted the same set of documents in respect of Plant and Machinery/resources available and credentials for proof of receiving of payments in both the tenders.
2. The advertised cost of the tender for Zone I and Zone II was ₹ 25.39 crore and ₹ 29.06 crore respectively. Hence, as per the Minimum Eligibility Criteria, the firm should have received ₹ 38.09 crore and ₹ 43.60 crore respectively during the last three financial years and current financial year.
3. In the tender documents for Zone I, the firm had mentioned that they had received payments of ₹ 38.66 crore. Whereas, in the tender documents for Zone II, the firm had mentioned that ₹ 51.49 crore were received by them during the same period. Scrutiny of details of payments of ₹ 51.49 crore claimed to have been received in ZoneII showed that it included the payments of ₹ 38.66 crore shown for ZoneI by the contractor. As such, the firm had received total payments of ₹ 51.49 crore during the last three financial years and current financial year, of which ₹ 38.66 crore was shown by the firm as amount received against both the tenders.
4. Tender Committee recommended acceptance of offer of M/s Dynasty Promoters Pvt. Ltd which was accepted by the competent authority (Chief Administrate Officer/Construction). As a result, two contracts having total value of ₹ 49.63 crore were awarded to a single firm which had received total payment of ₹ 51.49 crore during the prescribed qualifying period of last three financial years and current year (2010-11 to 2012-13 and current year

2013-14) against the financial criteria of receipt of payments of a value not less than 150 *per cent*of the advertised cost (150 *per cent* of ₹ 54.46 crore i.e. ₹ 81.68 crore) by an individual bidder during the same period.

5. The violation occurred despite the fact that
   - TC members and Tender Accepting Authority were same in both the tenders,
   - Opening date of both tenders was same i.e. 29 October 2013, and
   - TC meetings were held during the same period.
6. The firm had received a payment of ₹ 1.18 crore in financial year 2009-10. As per the Form 16A, this payment pertained to 2009-10. The firm, however, accounted for this amount as received in 2010-11, based on the date of issue of the certificate (21 September 2010). The TC also took into account this amount for the period 2010-11. Had this amount not considered by TC, the firm M/s Dynasty Promoters Pvt. Ltd would stand disqualified for ZoneI as the payment received would have been reduced to ₹ 37.48 crore (₹ 38.66 crore-₹ 1.18 crore) against the threshold prescribed criteria of ₹ 38.09 crore (based on Minimum Eligibility Criteriaof receiving payments of 150 *per cent* of the Advertised Tender Value of ₹ 25.39 crore in the last three financial years).
7. After dividing the work in two parts for better quality control and proper monitoring/supervision, both the works were awarded to the same contractor, which defeated the purpose of the decision.

From the above, it is evident that TC favoured the firm on three counts viz.

(i) Allowed same proof of receipt of payments in both the tenders simultaneously,

(ii) Considered the payment of ₹ 1.18 crore received by the firm beyond the qualifying period prescribed in the tender documents, and

(iii) Awarded both the works to a firm beyond its financial capacity and capability disregarding the Railway Board's directives.

In reply, NR Administration stated (November 2015) that (a) the date of payment of ₹ 1.18 crore (i.e. 21-09-2010) falls in the eligibility period (2010-11); (b) there was neither provision nor any formula for assessing the available bid capacity of the bidder, and (c) a new Bid Capacity Clause has now been introduced.

Audit, however, noticed that the date 21 September 2010 as shown in Form 16A was the date of issue of the same, for the financial year 2009-10. Also, the Certificate issued by Executive Engineer, Ministry of Transport and Highway, Chandigarh was issued on the basis of Form 16A. Railway Board has time and again stressed the need for examination of the financial capacity and capability of the tenderer by the TC. Therefore, non-inclusion of Bid Capacity Clause in tender condition to ascertain the workload in hand of the firm was a lapse and violation of Railway Board' instructions.

Audit further observed that the progress of work was poor. Financial progress of Zone I and Zone II was only 49.12 *per cent* and 17.18 *per cent* respectively till February 2016 and October 2015, whereas the date of completion was 19 December 2015 and 25 November 2015 respectively. NR Administration also favoured the firm by granting the extensions without penalty. The performance of the contractor was mentioned as 'satisfactory' in both the works and the contractor was not made responsible for the delays while granting extensions. Both the contracts were foreclosed and final payment of ₹ 14.87 crore for ZoneI and ₹ 13.33 crore for Zone II was made to the firm in March 2017 and April 2017 respectively. No fresh contract was awarded to undertake balance work (July 2017).

Thus, the decision of TC to award the contracts to a firm without examining its financial capacity and capabilities indicated undue favour to the firm. Not only, Railway Board's instructions for tender processing were disregarded in this case, but it also adversely affected the progress of the works. The intended benefits of increasing the line capacity for movement of freight and passenger traffic was also not achieved.

The matter was brought to the notice of Railway Board on 3 October 2017. In their reply, Ministry of Railways, stated (23 February 2018) that there was no provision in tender notice/conditions to assess the financial capacity and capability of the lowest tenderer based on the combined value of two tenders, in which the same tenderer was the lowest. Also, there was no formula provided in the tender document for assessing bid capacity of lowest tenderer based on the work executed in the past and works in hand. However, with effect from October 2015, a new Bid Capacity Clause along with formula has been introduced to assess the residual capacity of tenderer. As per this clause, if the available bid capacity is equal to or more than estimated cost of present work, the tenderer has to furnish the details of existing commitment and ongoing works. The Ministry further stated that the contractor had received a payment of ₹ 1.18 crore on 21 September 2010 i.e. financial year 2010-11 which falls in the eligibility period i.e. 1 April 2010 to 29 October 2013.

Audit observed that though the Northern Railway Construction organisation has introduced a new Bid Capacity Clause and formula for assessing bid capacity of lowest tenderer, the issue of assessment of the financial capacity and capability of the lowest tenderer, if the same tenderer found to be the lowest in more than one tenders opened during same time, was yet to be resolved. As per tender conditions, the payments received for works completed during the last three years and up to the date of opening of tender was required to be not less than 150 *per cent* of the advertised cost of work. In this case, though the payment of ₹ 1.18 crore was received on 21 September 2010, the same was in respect of work done in the year 2009-10 and, thus, was not eligible for arriving at the financial eligibility criteria. For maintaining transparency in tendering and awarding the contracts, the Ministry needs to clarify whether the payments received for the work pertaining to the period prior to qualifying period would be considered for arriving at the financial eligibility criteria.

3.2 East Central Railway (ECR): Blocking-up capital in execution of Gauge Conversion work

Railway Administration failed to complete pre-mega block works in connection with Gauge Conversion projects which was to be completed in advance as per Railway Board's guidelines. Besides, poor execution and inefficient contract management on part of Railway Administration was noticed in other civil works which led to delay in completion of Gauge Conversion project and blockage of capital of ₹ 47.98 crore. The overall cost of civil works in the GC project also increased by ₹ 551.68 crore due to price escalation.

Railway Board formed (August 2004) a Committee to study the reasons for inordinately long mega block time for Gauge Conversion Works and means and ways to carry out the works of Gauge Conversion in about a months' block time[130]. Based on the study Railway Board issued instructions (May 2005) that the works in connection with Gauge Conversion (GC) projects such as earthwork, minor bridges and certain major bridges on diversions should be started two to three years in advance and completed before the block. Further, Railway Board viewed that it will be desirable to complete all the works in a mega block of not more than 60 days, although 30 days would be ideal.

The GC work of Sakri-Nirmali and Jhanjharpur-Laukaha bazar section (94 km) over Samastipur Division of ECR was included in the budget for 2004-05. The detailed estimate of the work (including GC work of Saharsa- Forbesganj section) was sanctioned by Railway Board at a cost of ₹ 372.14 crore in February 2008. Of this, a cost ₹ 325.44 crore was for civil works, the scope of which included earthwork, blanketing, construction of major and minor bridges, ballast formation, track linking etc.

Audit of records of the above GC project revealed that up to January 2017, ECR awarded 28 contracts for the civil works of this project. These included separate contracts for rebuilding of major bridges (super-structure), rebuilding of pile foundation of bridges (sub-structure), construction including rebuilding and widening of minor bridges, soil exploration and earthwork in formation and construction of bridges, supply and fabrication of girders for bridges, construction of station building, approach road, yard etc. and construction of siding. The status of these projects along with requirement of block is given below:

[130] Block is a time given by operating department to the project/contract executing department to carry out works at the railway tracks, during which the traffic in the selected section is suspended.

Table 3.1 – Status of 28 works			
Requirement of block	**Completed works**	**Ongoing works**	**Foreclosed/ terminated works**
No block required	4	3	2
Block required partially	-	6	5
Block required	-	3	5
Total	**4**	**12**	**12**

Out of these 28 contracts

- Only four were completed between December 2010 and July 2014 at a total expenditure of ₹ 15.29 crore.
- Twelve contracts, awarded between April 2009 and January 2017 with date of completion/extended date of completion between June 2017 and February 2018, were under-execution stage. Out of these 12 contracts, six contracts required mega block partially and three contracts did not require mega block. The works not requiring mega-block were required to be completed in advance as per Railway Board's directives of May 2005. However, the same was not ensured.
- The remaining 12 contracts were terminated/fore-closed between August 2013 and February 2017. A total expenditure of ₹ 32.69 crore were incurred on seven contracts up to February 2017, whereas in five terminated/fore-closed contracts, the financial progress were nil.

Audit examined fore-closure/termination of the above 12 contracts and observed that

- Five contracts related to earthwork formation, rebuilding/construction/ jacketing of minor bridges, rebuilding of major bridges etc., were fore-closed/terminated due to non-availability of mega block. These contracts were awarded between July 2009 and January 2013 and to be completed by September 2013, which were terminated/fore-closed up to February 2017. Out of these five contracts, four contracts were fore-closed after three to four years from the date of award of contract after incurring expenditure of ₹ 23.14 crore. The physical progress on these contracts ranged between 35 and 88 *per cent*. In the remaining one terminated contract, physical and financial progress was nil**.** It was also noticed that though the works were awarded between July 2009 and January 2013, demand for mega block was not raised by the Construction department up to August 2014, which was allotted in April 2016 and September 2016 for part sections. Further, mega block for the entire section was given in May 2017 after closure of all the five contracts. As such, due to lack of coordination between the construction and operating departments, the contracts were terminated/ fore-closed after incurring an expenditure of ₹ 23.14 crore.

- Three contracts related to rebuilding of major bridges and provision of siding, were fore-closed due to change in plan and scope of work and designs of bridges after award of contract. Of these contracts an expenditure of ₹ 0.46 crore was incurred till the date of fore-closure.
- The remaining four contracts were terminated due to failure of contractors to complete the work and also due to failure on part of the contractors to apply for extension of date of completion. Three contracts, where financial progress remained nil till date of fore-closure, were terminated after more than three years of award of contracts. All the three contracts were awarded to the same firm M/s Ma Kali Construction. This indicate deficient monitoring in execution of contracts.

From the above, it can be concluded that the pre-mega block works in respect of Gauge Conversion project, which should be completed as per a pre-determined plan two to three years in advance of mega block, could not be completed even after lapse of nine years from the date of sanction of detailed estimate. Further, contracts were fore-closed/terminated on the ground of non-availability of mega block. The firms failed to start the work even after the scheduled date of completion and action was taken by the railways to terminate/ foreclose the contract after significant delays.

Audit also observed that due to delay in completion of project, the revised estimate also increased (July 2013) to ₹ 1250.86 crore (including cost ₹ 1109.16 crore of civil works) mainly due to price escalation and enhancement in quantities as per latest planning of P-way works, embankment and elimination of Level Crossing gates. As such, the proposed revised estimate of the project the cost of Civil Engineering Department increased (September 2013) by ₹ 783.72[131] crore against the sanctioned (February 2008) detailed estimate cost of ₹ 325.44 crore in which ₹ 551.68 crore (71 *per cent* of increased cost) was on account of price escalation. Besides, work done in the four completed contracts at a cost of ₹ 15.29 crore and the works executed at the cost of ₹ 23.14 crore in the five foreclosed/terminated works also remained unfruitful.

Thus, poor execution and inefficient contract management of civil works led to delay in completion of the GC Project and resulted in blockade of capital of ₹ 47.98 crore[132] besides increase in cost of civil works by 71 *per cent*.

The matter was brought to the notice of Railway Board on 11 October 2017; their reply is awaited (28 February 2018).

[131] ₹ 1109.16 crore (proposed revised estimate of Civil Works) – ₹ 325.44 crore (sanctioned detailed estimate of Civil Works)

[132] ₹ 15.29 crore on four completed works + ₹ 32.69 crore on seven terminated/fore-closed contracts

3.3 East Central Railway (ECR): Deficient planning and execution of contracts related to New Line project

In the New Line project from Hajipur to Sagauli (148.3 kms), parts of the project got delayed and four out of five contracts had to be terminated/foreclosed. Subsequently, ECR Administration took a decision to first complete the work up to Vaishali for better use of resources and decided to foreclose all the existing contracts beyond Vaishali. However, deviating from this decision, terminated contracts were re-awarded at a cost of ₹ 86.14 crore, thereby committing investment without completing the work up to Vaishali.

The construction of new BG Line from Hajipur to Sagauli stations (148.3 kms) was announced in Budget 2003-04. Railway Board sanctioned detailed estimate of ₹ 528.65 crore for the project in October 2007.

During the review of records of contracts awarded by ECR Administration for the new BG line Hajipur-Sagauli project, Audit observed that contracts were awarded without ensuring completion of pre-contract works such as soil test, site investigation, approval of all plans, drawings and estimates by competent authority, handing over the site etc. as per the instructions of Railway Board of February 1989. Even after more than nine years from the year of sanction (October 2007) of detailed estimate of the project, the project remained to be completed.

For execution of the New Line project, five contracts were awarded between October 2008 and May 2010 at a total cost of ₹ 82.63 crore for earthwork and construction of major/minor bridges up to 81.963 kms of new line. Out of these five contracts, only one contract could be completed (February 2016) with the delay of about 70 months. The remaining four contracts were terminated/ fore-closed. The reasons for termination/ fore-closure were as follows:

i. Two contracts from 0 km to 15.00 kms (before Vaishali) were awarded (December 2008 and January 2009) at a total cost of ₹ 10.73 crore[133] with a completion period of 18 months from the date of issue of LoA. These contracts were terminated (June 2015 and August 2015) due to slow progress of work by the contractor after incurring expenditure of ₹ 3.27 crore[134] on incomplete works. The physical progress of works in these contracts was 28 and 38 *per cent* respectively. Audit also noticed that 10 to 11 extensions were given for these contracts mainly due to non-availability of full work site, delay in fixation of final alignment, non-availability of bridge drawing as per latest decision and naxalite problem. The left over works were awarded (December 2015) at additional cost at ₹ 9.13 crore. The contractor had been paid ₹ 6.75 crore for increased cost of the work.

ii. The other two contracts from 41.963 kms to 81.963 kms (beyond Vaishali) were awarded (February 2010 and May 2010) at a total cost of ₹ 49.73

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[133] ₹ 4.53 crore for 1st contract + ₹ 6.20 crore for 2nd contract
[134] ₹ 1.37 crore for 1st contract + ₹ 1.90 crore for 2nd contract

crore[135] with date of completion for 18 months from the date of issue of LoA. These were foreclosed in March 2015 and July 2016 after giving 5 to 6 extensions in completion period due to reasons such as revision of drawings, non-availability of hindrance free site, naxalite problem etc. The physical progress of work in these contracts was 17 to 27 *per cent* respectively.

Audit observed that while the works of the above new line project were going on, ECR decided (January 2015) to commission the new line section up to Vaishali (up to 39 kms length) first by utilizing available resources and putting to use the invested money in the first phase. They decided to foreclose all the existing contracts beyond Vaishali. They further stated that after the train becomes operational or on the verge of completion of work up to Vaishali, works for stretches beyond Vaishali would be executed. They decided that no contract should be awarded to work beyond Vaishali (*in lieu* of closure of contract) till such time the track linking works etc. up to Vaishali were almost completed. As such, the contracts beyond Vaishali were foreclosed (March 2015/July 2016) after incurring an expenditure of ₹ 10.06 crore on the work executed till that date.

Audit further observed that, disregarding the above decision, ECR floated tenders (July 2016 and November 2016) and awarded (October 2016 and February 2017) contracts for the left over works of the foreclosed contracts to two separate agencies at a cost of ₹ 86.14 crore. Audit noticed that as of November 2016, the physical progress of the work up to Vaishali (from Ghoswar to Vaishali, 5.5 kms to 36.2 kms) was not up to the mark (overall physical progress of 58 *per cent* on new line project), acquisition of 24.08 acres of land was yet to be done; 2.5 lakh cum earthwork and 0.6945 lakh cum of blanketing work, work of 10 out of 44 minor bridges and work of seven out of the 13 Road Under Bridges was yet to be done; no ballast work was done; 21 kms out of 30.4 kms of formation work and 34.87 kms out of 38.45 kms of track linking work was not done.

As such, the action taken by ECR Administration to re-award the foreclosed contracts beyond Vaishali (39 kms length) was not justifiable keeping in view the fact that the work up to Vaishali had still not reached an advanced stage. The action defeated the purpose of decision taken to first complete the new line up to Vaishlai, optimizing use of resources. It could not be ascertained as to whether issues related to hindrance free site and naxalite problems etc. had adequately been taken care of before awarding the works.

The matter was brought to the notice of Railway Board on 17 October 2017; their reply is awaited (28 February 2018).

[135] ₹ 22.54 crore for 1st contract + ₹ 27.19 crore for 2nd contract

3.4 Northeast Frontier Railway (NFR): Blocking up of capital due to construction of a Road Over Bridge without ensuring encumbrance free land

Between Mathabhanga and New Coochbehar Station on State Highway No. 12A of West Bengal, a Road Over Bridge (ROB) was constructed without ensuring encumbrance free land for the approach road. Due to incomplete approach road the ROB could not be commissioned even after four years of its construction resulting in blocking up of capital of ₹ 20.03 crore.

Railway Board issued directives in August 1980 to award contracts for works only after site investigation have been completed, all plans, drawings and estimates were duly approved and there is no hitch in handing over the site to the contractor. This was further reiterated in February 1985 that for bridge work and accommodation works such as level crossings, road over bridge etc. a close liaison should be maintained with the concerned local authorities, so that there is no cause for subsequent changes which may enhance the cost of the project substantially. It was also stated that Railway Administration should decide calling of tenders only when they are fully prepared to hand over the site and supply the plans etc. to the contractor.

In execution of New Maynaguri-Jogighopa Broad Gauge New Line project, Construction Organisation of NFR awarded the work (May 2010) at a cost of ₹ 6.93 crore for construction of Major ROB and Minor RUB[136] along with other ancillary works between Mathabhanga and New Coochbehar Station on State Highway No. 12A of West Bengal. The work was scheduled to be completed within nine months from signing of the contract (May 2010 to February 2011). Audit observed that though the work was awarded in May 2010, the General Arrangement Drawing (GAD) was changed twice before finally obtaining final approval from the State Government of West Bengal five years later (May 2015). The construction of bridge proper was completed in June 2013, much before obtaining approval from the State Government. It was also seen that there were encroachments on a stretch of land belonging the State Public Works Department on which the proposed approach road to the ROB was to be constructed. Despite being aware of the fact, Construction Organisation went ahead and not only awarded the work for construction of ROB and RUBs in May 2010, but also awarded contracts for two more works. These works were 'Development of diversion road for ROB' valuing ₹ 1.96 crore and another for 'Retaining wall on approach road' valuing ₹ 6.47 crore in March 2012 and November 2012[137] respectively. These works were to be completed by April 2012 and March 2013 respectively.

Audit observed that in respect of the first work, an amount of ₹ 9.58 crore was paid as final settlement. In respect of the remaining two works, up to May 2017, an expenditure of ₹ 2.17 crore and ₹ 8.28 crore respectively was incurred, yet

[136] Major ROB no.1/39 (1 x 12.20 PSC slab) on pile foundation at km 87.520 and RCC minor RUBs in lieu of level crossings, contract agreement executed in September 2010

[137] Contract Agreements were executed in June 2012 and February 2013 respectively

significant amount of work was still to be done. There was no progress in the status of work thereafter. Thus, against a total contractual amount of ₹ 15.36 crore, till now an expenditure of ₹ 20.03 crore has already been incurred for construction of ROB. However, due to encroachments, the work of approach road to the ROB was yet to be completed and an amount of ₹ 20.03 crore incurred on these works remained blocked. Meanwhile, being unable to put the ROB in use and under pressure for commissioning the New Changrabandha-New Coochbehar section of the project by the targeted period of March 2016, the Construction Organisation of NFR had to provide a manned level crossing gate adjacent to the incomplete ROB.

In reply, NEFR Administration stated (February 2016) that while planning a long work it is presumed that the small stretch of land can be acquired during the process of work. They further stated that the ROB will be useful after execution of the balance work and that a temporary Level Crossing Gate has been provided to reap the benefit of investment made by the Railway and after the completion of work of ROB, the gate will be closed permanently.

However, NFR Administation did not follow Railway Board's directives and due to encroachment, the work of construction of ROB could not be completed seven years after taking up the work of ROB. This resulted in blocking up of capital to the tune of ₹ 20.03 crore.

The matter was brought to the notice of Railway Board on 24 October 2017; their reply is awaited (28 February 2018).

3.5 Western Railway (WR): Non-recovery and short recovery of capitalized maintenance charges in respect of ROB works executed on 'Deposit Terms'

As per the codal provision and Railway Board's directives Zonal Railways are required to recover capitalised maintenance charges of ROBs executed on deposit terms. These instructions were not followed by WR Administration, bills for ₹ 25.65 crore against six parties were not raised and recovered by Construction Organisation, Ahmedabad and ₹ 5.11 crore were short-recovered from four parties in Ratlam Division.

As per codal provision[138] all Deposit works in Railway premises should be maintained by the Railway Administration concerned at the cost of the parties who applied for them. Charges for maintaining (keeping in good repair) Deposit works should be recovered on the basis of either

1. A fixed percentage of the cost of the works, the rate being fixed by the General Manager (GM); or
2. Actual expenditure (including departmental charges).

The provision further states that in every case, before commencement of the Deposit works, capitalized value of maintenance charges and cost of extra establishment, if any, should be recovered in full.

[138] Para 1851 of Indian Railway Code for Engineering Department

Railway Board directed (February 2002) that in case of Road over Bridges (ROBs) constructed *in lieu* of level crossings, maintenance charges at the rate of three *per cent* per annum, capitalized to 30 *per cent* shall be levied. In July 2012, Railway Board revised the earlier directives and advised that in case of ROB/RUB sanctioned on deposit terms, instead of levy of maintenance charges at the rate of three *per cent* capitalized to 30 *per cent*, Railways should follow the instructions contained in the above codal provision. It also stated that capitalized maintenance charges should be calculated on cost of bridge proper (excluding Road ways) and reasonable cost of maintenance should be derived on the basis of actual maintenance cost.

Audit observed that Ahmedabad Division of WR did not include the capitalized maintenance charges at the prescribed rate of three *per cent* in the estimates of five ROB works costing ₹ 28.06 crore sanctioned prior to July 2012. Audit further noticed that capitalized maintenance charges to be worked out on actual cost basis, was also not included in the estimates of three works costing ₹ 68.91 crore sanctioned after July 2012. Due to this failure, WR could not recover the capitalized maintenance charges of ₹ 25.65 crore in respect of ROBs sanctioned during June 2008 to January 2014 from six parties[139].

In reply, Construction Organisation of WR stated (March 2016) that there was no practice in Construction Organization to recover maintenance charges in deposit works and open line authorities have been requested to recover these charges from the party. On the other hand, open line authorities stated (January 2017) that bill could not be raised for want of documents required for raising of maintenance bills by Engineering Department and completion report/drawings from construction organization. Thus, there was lack of coordination between the two departments, as a result of which, bills for maintenance charges were not raised and ₹ 25.65 crore could not be recovered in respect of eight ROBs work on deposit terms in Ahmedabad Division.

Audit also reviewed the records of Ratlam Division, where five ROB works costing ₹ 38.19 crore were sanctioned (during July 2008 to June 2014). It was seen that maintenance charges were calculated taking into account only 'supervision charges', 'civil engineering cost', instead of total cost of bridge portion of ROBs. This led to incorrect computation of maintenance charges and consequent short-recovery of ₹ 5.11 crore from the four parties[140].

Thus, WR Administration failed to ensure compliance with the codal provisions and Railway Board's directives in regard to recovery of maintenance charges in respect of ROB works on deposit terms. This resulted in non-recovery of ₹ 25.65 crore and short recovery of ₹ 5.11 crore towards capitalized maintenance charges of ROBs executed on deposit terms.

[139] Ahmedabad Municipal Corporation; Vadodara Municipal Corporation; Himmatnagar Nagar Palika,; Managing Director GSRDS, Gandhinagar; Executive Engineer (Roads & Bridges), Surat; Executive Engineer (Roads & Bridges), Mehsana

[140] Public Works Department, Bhopal; Madhya Pradesh Road Development Authority, Bhopal; Indore Development Authority, Indore; Public Works Department (Branch) construction, Madhya Pradesh

The matter was brought to the notice of Railway Board on 18 September 2017. In reply, Railway Board stated (16 November 2017) that bills up to 2017-18 have been raised by Ahemdabad and Vadodara Divisions in five cases, in three cases the amount would be recovered from the State Government and in Ratlam Division, the amount would be recovered from the respective parties.

3.6 Central Railway (CR): Short recovery of land license fee from CONCOR

Central Railway accepted the license fee paid by the CONCOR without reconciling the actual number of TEUs handled by them at six depots. This led to short recovery of license fee of ₹ 9.16 crore from CONCOR.

Indian Railways licenses railway land to Container Corporation of India (CONCOR) for setting up the Inland Container Depots. In Central Railway, CONCOR has six container depots located at Mulund, Chinchwad, Turbhe, Bhusawal, Miraj and Nagpur. As per the Lease Agreements executed (in the year 2002) between Central Railway and CONCOR, the latter had to pay land license fee on the basis of actual number of containers dealt with by CONCOR at the prescribed rates subject to renewal of agreement every five years. In January 2008, Railway Board while revising the rate of license fee for the railway land licensed to CONCOR, fixed the rate of license fee[141] at ₹ 500 per TEU[142]. The rate of licence fee was revised to ₹ 920 per TEU with effect from 1 April 2016.

An audit observation on non-maintenance of the records by the Central Railway Administration relating to number of containers handled in the container depots and acceptance of the lease charges as paid by CONCOR was printed in Para 2.1.8.11 of Report No. 34 of 2010-11 (Railways). Subsequently, in order to streamline the billing and collection of land license fee from CONCOR, CR Administration issued a Joint Procedural Order (JPO) in July 2012. In the JPO, the role of Commercial and Engineering Departments of CR and CONCOR, periodical submission of the details of TEUs handled by CONCOR etc. were stipulated.

While examining the records relating to the land license fee paid by CONCOR to Central Railway, during 2010-11 to 2015-16, Audit observed the following:

1. As per the JPO (of July 2012), the Commercial Department would prepare a list of Outward/ Inward TEUs handled during the month on the basis of Railway Receipts (for outward traffic) and Invoices/Inward Release Memos (for inward traffic). Further, CONCOR would send the details of all the TEUs handled in the month by 5th of the following month to Engineering Department (Divisional Engineer/Land Management's Office). On receipt of information, the Engineering Department would prepare a bill for the month and send the same to Accounts Department (Senior Divisional Finance Manager's Office) for raising the bill against the CONCOR. On receipt of bill for, CONCOR would make payment of half yearly basis.

[141] Effective from 01-10-2007

[142] Twenty feet Equivalent Unit

It was observed that the procedure laid down in the JPO for billing and collecting license fee was not being followed by the Commercial and Engineering Departments of Central Railway. Also, the details of TEUs handled in its depots were not being provided to the Engineering Department by CONCOR.

2. As per their website, CONCOR handles 10,20,369 TEUs at its six depots in Central Railway during 2010-11 to 2015-16. Against this, CONCOR paid license fee was to Central Railway in respect of 8,37,209 TEUs only. Thus, there was short recovery of license fee amounting to ₹ 9.16 crore in respect of 1,83,160 TEUs.

After audit raised the issue in January 2017, CR Administration directed (February 2017) the Engineering Department to reconcile the actual TEUs handled by CONCOR and to recover balance license fee. However, no further progress in the matter was made by the CR Administration. Thus, acceptance of license fee paid by the CONCOR without reconciling the actual number of TEUs handled by the CONCOR in its depots resulted in short recovery of license fee of ₹ 9.16 crore during 2010-11 to 2015-16.

The matter was brought to the notice of Railway Board on 12 December 2017; their reply is awaited (28 February 2018).