CHAPTER 2: EARNINGS

2.1 Lacunae in rules/ decisions

2.1.1 Railway Board: Loss of revenue due to adoption of less remunerative method for postal tariff

By adopting a less remunerative method for calculation of postal tariff charges, Railways suffered loss of revenue of Rs.81.07 crore. In addition, non-revision of rates resulted in short recovery of postal haulage charges of Rs.102.30 crore in respect of non-postal vans

Indian Railways carry postal traffic in postal vans owned by the Postal Department and non-postal vans owned by Railways, on payment of haulage charges on per kilometer basis, as notified by the Railway Board from time to time.

Up to October 2002 the rates chargeable for postal traffic, carried in non-postal vans, were decided provisionally for a period of five years on the basis of the available published cost of haulage. When the actual figures for the cost of haulage for the mid-year of the five-year block became available, the charges were recalculated for the whole five-year block. Arrears, as applicable for the earlier period of the five years block, were claimed from the Postal Department. In 1993 Railway Fare and Freight Committee (RFFC) pointed out that the system of charging, billing and payments for postal traffic on the basis of cost of haulage was cumbersome and railways were incurring losses under the system. RFFC recommended linking of postal charges for a full/ partial coach with second-class fares by adopting 'Seat Displacement Concept', under which second-class fares of Mail/ Express/ Ordinary trains were to be adopted, taking 108 seats per coach on Broad Gauge (BG) and 68 seats per coach on Meter Gauge (MG), instead of the actual carrying capacity of each coach. While making this recommendation the RFFC advised consultation with the Postal Services Board for evolving the new formula for fixing postal charges, but stated that the final decision should rest with Railway Board.

The revised method of billing on seat displacement basis, as against the existing haulage charges system, was subsequently examined by an Inter Departmental Committee (IDC), consisting of two representatives each from the Ministry of Railways and the Postal Department. The IDC accepted (May 1997) the RFFC's recommendations with the modification that coach capacity should be taken as 90 seats on BG and 64 seats on MG. The financial implications of the revised methodology, after taking into account IDC recommendations, were examined by the Commercial Directorate of Railway Board, who found that the revised system was likely to further increase the losses of the Railways as second class fares are already subsidized. They ultimately recommended the adoption of the new system, but on the basis of average lead of 161 kms. The Railway Board sought concurrence of the Postal Department for the revision accordingly. However, in July 2002 it was decided to adopt the 'Seat Displacement System' with actual second class fare and distance and carrying capacity of 90 seats for BG and 64 seats for MG. A

Committee of members from both the Departments finalised a Joint Procedure Order (JPO), which was approved by the Postal Services Board on 6 January 2005 and the modified system was adopted with retrospective effect from 1 October 2002.

- Audit compared the postal traffic charges at the time of switching over as calculated under the new system with those charged under the earlier method and noticed that the charges in the new system worked out lower than those in the earlier system by 44.7 per cent for BG and 67.7 per cent for MG. Thus by adopting a less remunerative system railway suffered a loss of revenue of Rs.81.07 crore during the period 1 October 2002 to 31 March 2005.

- Audit observed that while the deliberations for switching over to the new method were going on, Railway Board fixed the postal haulage charges on the basis of the haulage cost index of 1996-97. These charges should have been revised when the actual haulage cost of the mid-year i.e. 1998-99 became available. However, the Railway Board did not revise these rates. Non-revision of postal tariff, by taking into account actual haulage cost of 1998-99, resulted in short recovery of postal tariff amounting to Rs.49 crore in respect of non-postal vans for the period 1996-97 to 2000-01. Railways continued to charge the postal tariff at the rates based on haulage cost of 1996-97 even in the next five-year block (2001-02 to 2005-06), whereas they should have revised the rates as per the procedure, on the basis of haulage cost of the mid-year i.e. 2003-04. Non-revision thus resulted in short recovery of Rs.53.30 crore during 1 April 2001 to 30 September 2002.

The matter was taken up with the Railway Board in February 2005. Their reply has not been received so far (December 2005).

2.1.2 Railway Board: Loss of revenue due to continuing concession in tariff for banana traffic and non-revision of minimum weight condition

During 2002-03 to 2004-05 Indian Railways have forgone freight revenue amounting to Rs.18.74 crore due to continuing concession in tariff for banana traffic and also incurred a loss of Rs.8.79 crore due to non-revision of minimum weight condition

Banana traffic has been enjoying a concessional railway tariff for many decades. It is highly perishable traffic transported in BCN/BCX[1] wagons, which are used for transporting various other commodities, including high revenue yielding goods such as cement. Banana traffic is allowed a concession over and above the CP II (concessional parcel) rates, ranging from CP II minus 35 per cent to CP II minus 20 per cent over the last decade. After introduction of new classes for parcel traffic with effect from April 2003 the tariff was fixed at Scale S[2] minus 20 per cent (comparable to CP II minus 20

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[1] **BCN - Bogie covered 8-wheeler wagon; BCX – Bogie covered high-sided wagon.**

[2] **Scale S – Parcel traffic carried by Standard services in Mail/ Express trains.**

per cent) and further changed to Scale P[3] minus 40 per cent with effect from August 2004.

In March 2002, Central Railway proposed reduction in concession for banana traffic from the existing 20 per cent to 10 per cent below the CP II rates. However Railway Board decided not to change the rates on the ground that proposed reduction in concession would leave only a minor difference between the rail and road freight, leading to diversion of banana traffic from rail to road.

Audit compared rail and road tariff in March 2002[4] and found rail tariff of Rs.757.20 per MT to be far below the road tariff of Rs.1700-2000 per MT during the period. As such the apprehension of marginal difference between road and rail freight was unfounded. The only change in concession during 2002 to 2005 was on account of reclassification of parcel rates. As a result of not reducing the concession Railways have foregone revenue amounting to Rs.18.74 crore in carrying 753 rakes of banana during the years 2002-03 to 2004-05. Despite various reasons put forth by the Commercial Directorate in support of reducing the concession and the recommendations of Minister for Railways (1991) for gradual reduction in the concession, the concession for banana traffic has been reduced by only 20 per cent in the last 14 years (1991–2005).

While proposing reduction in concession, Central Railway also proposed to the Railway Board an increase in the minimum weight condition (MWC) for banana traffic in BCN/BCX wagons from 38.2 MTs to 42 MTs. Pending test weighments by Central Railway, Railway Board decided to continue the MWC at 38.2 MTs. While in 1997 a Committee constituted for witnessing the loading of banana in BCN wagons in Central Railway had recommended adoption of MWC of 48 MTs for BCN wagon loaded with banana traffic, test weighment carried out by Central Railway on Jhansi Division in October 2004, found on an average 1.06 tonne less weight loaded per wagon and on this basis the MWC of 38.2 MTs was retained. Determining loadability on the basis of average weight was not correct. The loadability should have been determined on the basis of maximum weight found loaded in the wagons during the test period. The data regarding actual loading in respect of 813 wagons test checked revealed that 33 per cent (268) wagons were loaded in excess of 38.2 MTs with excess weight ranging from 0.02 to 3.72 MTs. Out of these 268 wagons, almost 40 per cent (107 wagons) were loaded in excess by more than 1 MT. This indicates that there was scope for loading over and above 38.2 MTs and the minimum weight condition could have been enhanced. Increasing the MWC by 3.72 MT per wagon would have fetched an additional earning of Rs.8.79 crore from 753 rakes of banana traffic loaded during 2002-03 to 2004-05.

Thus due to enduring concessions in tariff for banana traffic, Indian Railways have forgone freight revenue amounting to Rs.18.74 crore and incurred a loss

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[3] **Scale P – Parcel traffic carried in Premier services by notified Mail/ Express trains.**

[4] **Rate obtained from Transport Corporation of India Limited, Bhusawal Branch.**

of Rs.8.79 crore during 2002-03 to 2004-05 due to non-revision of minimum weight condition.

The matter was taken up with the Railway Board in June 2005. Railway Board in their reply have stated (August 2005) that revision of minimum weight condition (MWC) is under consideration and no loss is involved in moving banana traffic since the BCN/BCX wagons return empty from Bhusawal division to stations on Northern Railway and New Delhi area. On the contrary Railways have been getting around 4 lakh tonne of banana traffic generating an earning of Rs.30 crore per annum.

The Railway Board has accepted the need for revision of MWC to reduce losses to Railways on this account, as pointed out by Audit. Railway Board's remarks that BCN/BCX wagons return empty from Bhusawal division and using them for banana traffic is advantageous, even if on concessional rates, have to be appreciated in the light of the fact that the Commercial Directorate itself has been supporting reduction in concession and it is expected that this factor would have been taken into account by the Commercial Directorate.

2.1.3 South Western: Railway — Loss of earning capacity due to under-utilisation of Diesel Electric Multiple Unit services

Introduction of Diesel Electric Multiple Unit services in two sections on South Western Railway, without assessing the needs for commuter traffic, resulted in under-utilisation of assets (Rs.17.76 crore) and loss of earning capacity (Rs.0.67 crore)

Diesel Electric Multiple Unit (DEMU) rakes are preferred over conventional local trains for commuter traffic in view of fast acceleration/ deceleration and operation on single lines since there is no engine turn round. These services are to be introduced where frequent up and down movement of trains in the section is required on sections upto 160 Kms. or where the run is of not more than four hours. DEMU rakes can carry almost one and a half times the passengers which comparable passenger trains can carry.

On a request made by a former Minister for Railways, South Western Railway introduced DEMU services (December 2003) in Bangalore city (SBC) – Chikballapur (CBP) and SBC-Whitefield (WFD) sections. No record in respect of traffic survey or cost benefit analysis conducted prior to introduction of these services was available with Railway Administration.

Initially the services were introduced with 8 coaches but the composition was changed subsequently to four coaches in view of poor occupancy. The service between SBC and WFD was later extended upto Malur (MLO) from February 2004. Despite these measures, the average occupancy of the services was 5 per cent to 40 per cent only (April 2004) and after an analysis of these services over four months, the Railway Administration concluded that enough suburban traffic for operation of DEMU rakes did not exist. A review of the occupancy position of the above services for the period from December 2003 to October 2004 indicated that the occupancy was only 15.91 per cent for the service between SBC-WFD-MLO and 10.54 per cent for the service between SBC-CBP. Also, the average kilometers run per day by the DEMU rake in the SBC-WFD-MLO section (164 kms.) and in the SBC-CBP section (126 kms.) was far below the average of 480 to 500 kms. run by such trains on Northern Railway. The introduction of DEMU rakes in these two sections at a high cost (Rs.17.76 crore) without conducting traffic survey and cost benefit analysis was not a financially prudent decision as such services are meant for dense commuter sections.

Consequent upon the reduction in the size of formations, the balance coaches of these rakes were stabled at Baiyappanahalli (nine coaches from 29 December 2003 to 12 December 2004 and six coaches from 13 December 2004 to 20 May 2005). It was evident in December 2003 itself that the patronage was poor but the Railway Administration, instead of examining the feasibility of using DEMU rakes more gainfully on other crowded sections on the Indian Railways, chose to keep coaches stabled for long periods of time. The loss of earning capacity on this account worked out to Rs.0.67 crore.

Thus, the introduction of the DEMU services without proper assessment in poorly patronized sections resulted in under-utilisation of costly assets valuing Rs.17.76 crore and loss of earning capacity of Rs.0.67 crore.

When the matter was taken up (December 2004 and March 2005), the Railway Administration contended (August 2005) that cost benefit analysis based solely on monetary factors cannot be the only tool for justifying a train service. Railways have an obligation for meeting the inescapable social commitments to the development of backward areas. Running of trains to meet the larger national interest in backward areas/ transport disadvantaged areas is an issue decided by the Railway Board. Zonal Railways have to follow the instructions of Railway Board, which has a wider perspective of traffic planning. Moreover, as Bangalore City is expanding faster in the suburban areas, it has the highest density of commuter traffic and, thus, deserves to be the first choice for DEMU service.

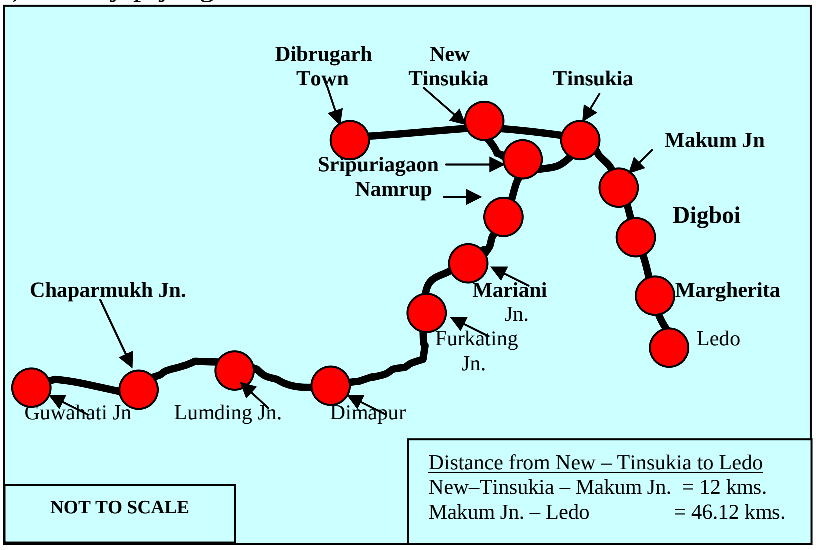
Railway Administration's contention is not acceptable in view of the provisions contained in Chapter II of the Indian Railway Financial Code, Volume I which require clear financial justification showing net gain to the Railways after meeting average annual costs and working expenses for any fresh investment. Introduction of new services must pass the test of financial remunerativeness as prescribed in the Indian Railway Financial Code, para 205. Moreover, running two small composition of DEMUs did not address the transport related problems of the growing population of Bangalore City as many other express/ passenger trains run on Bangalore – Jolarpet section and running of any additional train was found to be financially unviable by Commercial Department.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.1.4 Northeast Frontier: Railway — *Injudicious extension of Inter City Express train service*

Injudicious decision of Railway Administration to extend the Inter City Express train from Tinsukia to Ledo resulted in loss of Rs.12.19 crore

Prior to July 2002, Inter City Express train (5603/ 5604) was plying between Guwahati (GHY) and New Tinsukia (NTSK) covering a distance of 505 kms. Considering the demand from local rail users for a convenient over night train upto Ledo (58 km beyond NTSK), Railway Board approved (June 2001) the proposal of the Railway Administration (May 2001) for extension of services of the Inter City Express train from NTSK to Ledo with effect from 1 July 2002. This was in addition to the two pairs of passenger trains (905/ 906 and 907/908) already plying in this section.



Prudent financial management requires that every investment should be decided on the basis of profitability/ break-even points, as pointed out in Para No.2.1.8 of the Comptroller and Auditor General's Railway Audit Report No.9 of 1998 regarding 'Economics of Running Shatabdi Trains'.

Scrutiny of records by Audit revealed that Railway Administration had neither conducted any cost analysis or sensitivity analysis nor had the Break Even Point been worked out prior to the extension of the Inter City Express train. Further, no effort was made to watch the profitability of the train after its extension. During the period from July 2002 to February 2005, while the cost of operation for running this train in this section was Rs.12.63 crore, the actual earnings amounted to Rs.0.44 crore only, resulting in loss of Rs.12.19 crore. Contrary to the Railway Administration's projection that a significant portion of the bus travellers would shift to rail travel resulting in good occupancy, the traffic did not materialise due to existence of well-developed parallel road services. Audit scrutiny revealed that the average occupancy in respect of two pairs of passenger trains (905/ 906 and 907/ 908), already running in the NTSK–Ledo–NTSK section, was only 41.71 per cent as compared to 100 per cent occupancy in respect of luxury buses plying in this section.

The injudicious decision of the Railway Administration to extend the Inter City Express train from NTSK to Ledo without conducting proper feasibility studies of the potential for growth of traffic and demand resulted in loss of Rs.12.19 crore towards cost of operation during the period from 1 July 2002 to 28 February 2005. Continuation of this train service on this route is likely to result in annual loss estimated at Rs.4.57 crore.

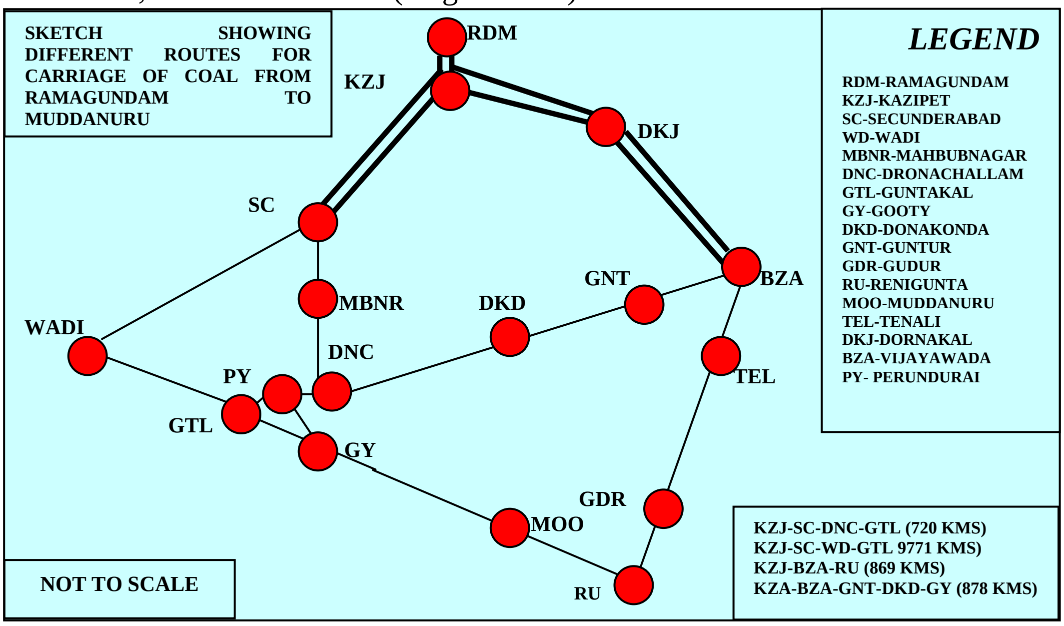
The matter was taken up with the Railway Administration and Railway Board in December 2004 and September 2005 respectively. Their reply has not been received so far (December 2005).

2.1.5 South Central: Railway — *Non-utilisation of planned traffic corridor for goods transport due to unsuitable track*

> Traffic corridor, created for coal transportation, could not be utilised for the purpose due to unsuitability of track for plying loaded BOXN wagons. In addition, there were extra haulage charges (Rs.8.94 crore)

As a part of unigauge policy (January 1992), South Central Railway Administration started gauge conversion work of meter gauge lines of Secunderabad – Dronachelam – Guntakal (SC-DNC-GTL) and Guntur – Dronachelam (GNT-DNC) sections and completed the same (March 1998) at a cost of Rs.354.96 crore. Railway Administration anticipated net additional earnings of Rs.47.57 crore per year and rate of return (ROR) of 13.45 per cent as a result of transportation of two coal rakes daily to APGENCO Thermal Power House Siding at Muddanur (RTPP/MOO) and cement plants at Yerraguntla, besides Food Corporation of India (FCI) and general goods traffic of 1.5 rakes per day while justifying this conversion work financially. This planned traffic corridor was opened for traffic on 16 April 1998.

Despite clear cut technical advice of Research, Designs and Standards Organisation (RDSO) prior to starting the execution of work, a considerable track portion (114.065 kms.) of SC-DNC section was laid with 44.61 kgs/ 72 UTS rails, not suitable for plying loaded BOX-N wagons. Rail renewals to handle loaded BOX-N wagons movement over the section were contemplated three to four years after completion of entire gauge conversion work. This, however, has not been done (August 2005).



Prior to conversion of SC-DNC-GTL section, coal rakes to RTPP/ MOO were being carried via operationally feasible Kazipet-Vijayawada-Gudur-Renigunta (KZJ-RU) route involving 869 kms. and freight charges were reckoned as per railway rules over the then shortest route viz. Kazipet-Secunderabad-Wadi-Guntakal (KZJ-WD-GTL) involving 771 kms. After opening of planned SC-DNC-GTL route (720 kms.), though the coal rakes continued to be actually carried over KZJ-RU route due to unsuitability of the track for plying BOX-N wagons, freight was charged via this shorter SC-DNC-GTL route. Moreover, opening of a new branch line (February 2002) between Pendekallu-Gooty (part of the integrated project), constructed at a cost of Rs.35.66 crore, further shortened the route for charging freight by another 42 kms. (678 kms.).

During the period July 1998 to December 2004, out of 972 rakes received at RTPP/MOO, 936 rakes were subjected to haulage by longer route of which 673 rakes were carried on the KZJ-RU route involving extra leads (476 rakes for extra leads of 149 kms. and 197 rakes for extra leads of 191 kms.). The remaining 263 rakes were carried via another longer route viz. GNT-DNC involving extra lead of 158 kms. These operations resulted in extra haulage of wagons costing Rs.8.94 crore besides non-utilisation of planned traffic corridor created after gauge conversion at the cost of Rs.390.62 crore.

On this being taken up (May 2005), the Railway Administration contended (August 2005) that due to the traffic trends, congestions and constraints on the sections, the operationally feasible route was used and freight charges were levied for the shortest route. The route RDM-KZJ-SC-DNC-MOO involved movement across Secunderabad Junction resulting in detention to trains at various stations including Secunderabad station. Railway Administration added that there was no line of standard length at Secunderabad for reception and despatch, which resulted in detention to rolling stock in Secunderabad area. Further, 44.61 kgs/72 UTS rails, laid only after 1985, were retained during gauge conversion to contain the cost. According to the railway Administration replacing 114.065 kms. inferior track would cause infructuous expenditure which would be far more than the assumed loss hypothetically reckoned by Audit on account of haulage by the longer route. However, during discussion (October 2005), Zonal Railway Administration stated that movement via shorter route is not feasible due to non-provision of standard loop line facility at several stations on the section in contravention of Railway Board's orders.

Railway Administration's contention is not satisfactory. The traffic corridor was created at a cost of Rs.390.62 crore for use in hauling goods traffic. By not using it Railways, on one hand, incurred extra haulage for moving goods on a longer route while on the other hand their earnings were further reduced. Contention of Railway Administration regarding detention of rolling stock at Secunderabad junction is not correct as goods trains coming from KZJ end pertaining to DNC section need not enter Secunderabad Yard for reception and despatch. These trains are regulated on to the Chord line from Moula Ali and pass via Malkajgiri to Sithaphalmandi of SC-DNC section, without touching Secunderabad. Further, Gauge conversion was justified on the plea that loaded BOX N wagons would ply on the section and additional earnings would be realised. Retention of 44.61 kgs/72 UTS rails in 114.065 kms. of track, against RDSO advice, was only a temporary measure to contain the cost of the project and replacement of inferior rails with the appropriate standard after three to four years, was planned originally. The expenditure on rail renewal, which is necessary to achieve the basic purpose of investment of Rs.390.62 crore, cannot now be avoided. Railway Administration's acceptance of the fact that movement via shorter route is not feasible indicates that extra haulage of wagons and non-utilisation of planned traffic corridor will also continue in future.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.1.6 Northern Railway: Loss due to application of subsidised rates for booking of maize traffic for industrial use

Failure of the Railways to prescribe higher rates for maize traffic, booked for industrial use, resulted in loss of Rs.6.32 crore to the Railway Administration

Foodgrain items indexed under Division 'A' and 'B' are charged at subsidised rates as they are basically required for human consumption. It was observed in audit that consignments of barley, maize and jowar being booked to industries for industrial use were also charged at the subsidised rates. Audit brought the matter to the notice of the Railways in June 1989 for providing separate classification for foodgrain items when booked for industrial use and the Railway Board referred the matter to the Commercial Committee for their recommendations.

The Commercial Committee recommended classification of 'barley with or without husk' under the main head 'Grains and pulses-NOC' to be charged at higher class-130. The higher classification for 'barley with or without husk' was made effective from 15 January 1994 vide Board's orders of 14 December 1993. The Committee was, however, of the opinion that traffic in jowar and maize to distilleries was very insignificant and was generally booked under 'Self' and hence the station staff may not be aware whether the same are booked to distilleries or for human consumption.

Audit took up the matter with the Railway Administration again in April 2000, pointing out that there was substantial regular maize traffic being received by two industries in wagon load as well as in train load, which justified higher classification. However, the Railway Administration failed to refer the matter to the Railway Board, and continued to charge the maize traffic at subsidised rates.

Audit again pointed out the volume of maize traffic to the extent of 2,82,314 tonnes received by the two industries, engaged in the production of starch during April 2000 to February 2005. Audit also pointed out that the Railway Receipts for this traffic clearly indicated the consignees as industries and thus there was sufficient justification for extending dispensation similar to barley in the case of maize. The Railway Administration again failed to recommend the matter to the Railway Board for higher classification.

Thus, the injudicious application of subsidised rates in respect of maize traffic booked to the two industries not only extended undue benefit to these industries, but also resulted in loss of revenue of Rs.6.32 crore during the period April 2000 to February 2005.

When the matter was taken up (March 2005), the Railway Administration, in a meeting held on 27 June 2005, stated that a higher classification had been prescribed by the Railway Board for maize traffic booked for industrial use with effect from 1 April 2005.

Railway Board, by issuing orders prescribing higher classification for maize traffic when booked for industrial use, have accepted the Audit stand. Had the Railway Administration taken up the matter with the Railway Board soon after it was taken up by Audit in April 2000, the loss of revenue suffered by the Railway Administration during the period April 2000 to February 2005 (Rs.6.32 crore) could have been avoided.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.1.7 Eastern Railway: Loss of existing traffic earnings due to un-remunerative investment ignoring preliminary survey report

Injudicious decision of the Railway Administration to construct a new passenger terminal in place of existing goods siding led to loss of Rs.1.10 crore on operation of Electric Multiple Unit trains and Rs.3 crore annually on account of loss of goods traffic besides an unproductive investment of Rs.0.81 crore

Belur Math, situated approximately 2 Kms. away from Belur Station in Howrah Division, is a famous pilgrim centre. With a view to improve the pilgrim and tourist traffic to Belur Math, General Manager, Eastern Railway decided (May 2002) to convert an existing goods siding of Belur station for opening a new terminal (block station) at Belur Math so as to introduce Electric Multiple Unit (EMU) services between Howrah and Belur Math. A survey conducted by Howrah Division (November 2002) for passenger traffic between Howrah and the proposed Belur Math station indicated that the estimated passengers would be negligible in view of the frequent and more economical bus services available. In spite of these submissions, a proposal for undertaking the above work, on out of turn basis, at a cost of Rs.1 crore (approx.) was sent to Railway Board in November 2002. The financial justification was worked out showing Rate of Return of 14.90 per cent based on passenger earnings of 3000 passengers per day. The work was sanctioned by Railway Board on 24 December 2002.

In February 2003, the Railway Administration restricted all goods traffic for G.T. Road goods siding. The work of conversion of the siding commenced on

20 March 2003 and an expenditure of Rs.0.81 crore was incurred on construction of the new terminal up to 31 March 2004.

The newly constructed terminal was inaugurated on 16 August 2003 by Hon'ble Railway Minister. Six pairs of EMU trains started running on Howrah and Belur Math section from 17 August 2003. The EMU services, however, remained grossly un-remunerative right from the maiden run due to poor occupancy and as a result one pair of trains (357 Up/ 358 Dn) was suspended from 4 February 2004. However, the occupancy did not improve even after that.

An audit review revealed that the average number of passengers per day in Howrah-Belur Math section from August 2003 to March 2005 was only 225, contributing average earnings to the extent of only Rs.2211 per day. During this period, Railway Administration incurred loss of Rs.1.10 crore being difference in operational cost of Rs.1.23 crore incurred in running of EMU trains and the total earnings of Rs.0.13 crore. There was also a steep reduction in goods earning of GT Road goods siding which came down from Rs.3.13 crore during the period April 2002 to February 2003 to Rs.0.32 crore during the period March 2003 to February 2004 due to restriction of goods traffic.

Audit is of the view that:

- The financial justification worked out for introduction of EMU service was based only on assumptions, and ignored the report of passenger traffic survey conducted by Commercial Department. Even the Finance advice for reassessment of anticipated passenger traffic was not given due cognizance.
- Any feasibility study for introduction of a new train would have taken into consideration the competitive road transport and fare structure. The poor occupancy of trains indicates that no effective feasibility study was conducted.
- Railway Administration failed to anticipate the consequences of opening a new station adjacent to a goods siding which dealt mainly with steel consignments.

Thus poor planning led to virtual closure of an important goods siding even though there was demand from traders like Steel Authority of India Ltd. (SAIL). It also led to an average loss of goods earnings estimated at Rs.3 crore per annum. Also Railway Administration's failure in assessing the commercial viability of introduction of 6 pairs of EMU trains, led to loss of Rs.1.10 crore during the period from August 2003 to March 2005 apart from un-remunerative investment of Rs.0.81 crore towards construction of Belur Math station.

When the matter was taken up (March 2005) with the Railway Administration, they accepted (August 2005) that the forecast for originating passengers from Belur Math for the proposed services had not materalised so far. However they added that it was a great benefit for the passengers originating from Liluah to Howrah with the stoppage at Liluah in down trip. They have accepted that commercial viability of introduction of six pairs of trains for the proposed Belur Math Station was based on the assumption of passenger traffic but stated that since no definite yardstick has been laid down, the justification was made on a general study of passenger flow between Belur and Howrah and competitive facilities of rail and road. The Railway Administration also claimed that SAIL despatches inward traffic i.e. the same consignments (that used to be handled at G.T. Road Siding) to Janai Road Siding and Goods Office at Shalimar over South Eastern Railway. So it is a matter of diversion of traffic rather than loss to Railway. The number of wagons (inward) for steel consignment at Janai Road Siding has gone up by 28.6 per cent.

The reply is not acceptable. Though results of Commercial Survey should form the basis for introduction of new service, the justification made on mere assumption was formalised prior to submission of the survey report which clearly indicated that the passenger traffic between Howrah and Belur Math station would be negligible in view of available frequent and more economical bus services. Moreover, the EMU service between Howrah and Belur Math was introduced to capture additional passenger traffic (Pilgrim and tourist traffic to Belur Math) diverted from road and was not aimed at facilitating the journey of passengers from Liluah to Howrah as there were already 187 trains (DN direction alone) for passenger traffic of Liluah. In fact, a comparison of figures of passengers originating from Liluah (Liluah - Howrah segment) before and after introduction of these train services shows negative growth. In addition, Audit noticed that in G. T. Road siding at Belur, earnings for the year 2002-03 (upto February 2003) were Rs.3.13 crore whereas the comparative statement of earnings of Janai Road Siding reveals that the earnings for the year 2003-04 had come down to Rs.0.32 crore from Rs.0.36 crore in 2002-03. This trend indicates that the consignments handled by G. T. Road siding had not been diverted to Janai Road. The Railway Administration also failed to furnish evidence of diversion of traffic to Shalimar. Railway Administration have also remained silent about consignees, other than SAIL, who also used G.T. Road Siding and contributed to Railway’s earnings.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.1.8 South Central: Railway — Loss of earnings due to supply of defective wagons for loading

Railway Administration’ failure to make covered wagons fit for loading resulted in their rejection and consequential loss of earnings of Rs.3.96 crore

Facilities exist for intensive examination of wagons on each Zonal Railway so as to offer only fit wagons to the indentors. Even after the wagon is cleared for use by the Operating Department, some minor defects may develop during use. To deal with such defects para 1509 (b) and (c) of Indian Railway Commercial Manual (Vol.-II) provides that when a covered wagon is found to be defective, steps should be taken to get it repaired by Train Examiner (TXR) Staff before their loading and, in their absence, the Commercial staff are required to plug the holes and make the wagons watertight with the aid of roofing compound. If this is also not possible, two sheets may be spread on the floor of the wagon and one sheet to cover the top, leaving no scope for rejection of wagons at the time of loading.

A review in audit of the supply of wagons to nine cement sidings during the period August 2002 to January 2005 revealed that the rejection of covered wagons before loading continued due to supply of unfit wagons for loading. Audit noticed that siding owners had rejected 1,164 covered wagons during the period, for minor defects such as roof holes, side holes and floor damages, which should have been rectified, either during intensive examination of wagons or by TXR/ Commercial staff before loading. Had the Railway followed the instructions as laid down in the Indian Railway Commercial Manual (Vol.-II), these wagons could have earned freight amounting to Rs.3.96 crore.

On this being taken up (April 2005) with the Zonal Railway Administration, they accepted (August 2005) the fact that there should not be any rejection of wagons after supply of wagons by the Railway to the indentors. They also agreed to initiate necessary administrative action from all the concerned departments to avoid such rejection of wagons.

Thus, Railway Administration's failure to provide covered wagons fit for loading resulted in their rejection and consequential loss of freight (Rs.3.96 crore).

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.1.9 Western Railway: Loss of revenue due to non-revision of minimum weight condition and introduction of new freight structure

Failure of the Railway Administration to take early action for upward revision of minimum weight condition of 'Edible Oils', non-revision of minimum weight condition of all 'Edible Oils' simultaneously and rationalisation of freight structure without conducting proper analysis, resulted in loss of Rs.3.42 crore

Prior to 1 April 2005 freight charges in respect of commodities, which can not be loaded up to the carrying capacity of a wagon, were charged as per minimum weight condition (MWC) assigned in the Indian Railway Conference Association Goods Tariff. Keeping in view the fact that loadability of some commodities may be more than the prescribed MWC, Railway Board has been asking Zonal Railways to review and take action for upward revision of MWC of such commodities. From 1 April 2005, Railway Board issued a new freight structure under which all commodities were to be charged according to the carrying capacity of the wagon used. The commodities, which were earlier charged at MWC, were assigned new (lower) classes at which the freight charges were to be levied.

Prior to issue of orders effective from 1 April 2005, matter regarding need for upward revision of MWC of 'Mustard Oil' chargeable under 'Oils Division -E' was brought to the notice of Western Railway (WR) by Audit in November 2002. The Western Railway Administration [now North Western Railway (NWR)] referred the matter for revision of MWC of 'Edible oils' from 220 quintals to 320 quintals in BCX/BCNA i.e. eight wheel wagons, to Railway Board in July 2003. Railway Board, however, revised the MWC of 'Edible Oils Division -E' only from 4 December 2003. Later on, the MWC of 'Oils Division A, B, C & D, Hydrogenated Oil (vanaspati), Ghee and Butter oil' was also revised with effect from 1 May 2004. A comment regarding loss due to delay in revision of MWC of 'Mustard Oil' was made vide para 2.1.4 of Comptroller and Auditor General's Report No.8 of 2004.

Audit scrutiny of records of Kankaria and Mundra Port stations of Western Railway for the period April 2002 to March 2005 revealed that 'Soyabean Salad Oil' chargeable under 'Oils Vegetable Refined Division -B' was booked to various stations in eight wheeled wagons and the quantity loaded in each wagon ranged from 220 quintals to 352 quintals. Though the quantity actually loaded in some wagons suggested that the MWC of 'Refined Oils' also needed to be brought at par with 'Oils Divisions A -E', no action was taken either by WR or by Railway Board to revise the same. Thus, non-revision of MWC of Soyabean Salad Oil to 320 quintals resulted in loss of revenue of Rs.2.95 crore during April 2002 to March 2005.

Moreover, according to revised classification introduced from 1 April 2005, all 'edible oils' booked in other than tank wagons were chargeable under class $90W_{2.}$ Though the freight charges after 1 April 2005 have been levied at the full carrying capacity of the wagons used, a review of booking of 'Edible Oils' revealed that Railway is now getting less freight than what would have been recovered under the old classification but with a revised MWC. The lowering of class brought down the freight earnings per eight wheeled wagon by amounts ranging from Rs.571 to Rs.19393. During the period 1 April 2005 to 30 June 2005 alone, Railway suffered a loss of Rs.0.47 crore on this account in respect of booking from four stations of Western Railway. Detailed analysis of financial impact of lowering the class does not appear to have been carried out by the Railway Administration before giving up an available source of revenue due to the rationalisation of freight structure.

When the matter was brought to the notice of Railway Administration in April 2005, they admitted (September 2005) that there were cases of loading of Soyabean Salad Oil up to and more than 320 quintals but attributed the loading beyond MWC of 220 quintals to shortage of wagons. They also contended that powers to enhance the MWC were delegated to Zonal Railways only in November 2004 and with the change in concept of MWC, the earning capacity has increased by about 14.53 per cent.

The reply is not acceptable. Audit brought the matter regarding loss due to non-revision of MWC of 'Mustard Oil' chargeable as 'Oils Division-E' to the notice of Railway Board in August 2003 and the MWC of 'Mustard Oil' was revised to 320 quintals from December 2003. Though other vegetable oils were also loadable up to 320 quintals, Railways failed to revise their MWC. The contention that change in concept of MWC has increased the earning capacity by 14.53 per cent is also not accepted. In fact, the earning capacity compared with actual loadability of 320 quintals has decreased as explained above.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.1.10 Northern and Western Railways: Incorrect recovery of haulage charges from Container Corporation of India Limited

Incorrect recovery of haulage charges in respect of containers of 22 feet length owned by Container Corporation of India Limited resulted in loss of Rs.2.95 crore

Ministry of Railways (Railway Board) notifies, from time to time, the rates of haulage charges to be recovered from Container Corporation of India Limited (CONCOR) for hauling their traffic loaded in containers owned by Railways and containers owned by the CONCOR. The haulage charges for container traffic, other than commodities such as cement, iron & steel, petroleum and other hydrocarbon oils and grain and pulses which are charged on the basis of carrying capacity of the container, are fixed per kilometer per twenty feet equivalent unit (TEU) of container. The haulage charges for a forty feet equivalent unit (FEU) were double the rates of TEU. From 1 November 2004 the haulage rates per TEU were fixed on distance slabs basis.

Audit scrutiny of the Inland Way Bills (IWBs) pertaining to CONCOR's container traffic received in the Traffic Accounts Offices of Northern and Western Railways revealed that apart from TEU and FEU, CONCOR had been offering their traffic loaded in 22 feet containers. Though the carrying capacity (CC) of 22 feet containers is 1.1 times than the CC of TEU, CONCOR has been making payment of haulage charges on the basis of one TEU only as neither separate rates for 22 feet containers were fixed nor there were any instructions for increasing the charges proportionate to the carrying capacity. Audit also noticed that despite clear indication on the IWBs that charges were for 22 feet container, Railway Administration took no action either to recover the proportionate charges for the increased capacity or to refer the matter to Railway Board for fixation of separate rates for 22 feet containers.

Thus, failure of the Railway Administration to take appropriate action for fixation and recovery of haulage charges according to the CC of the containers used resulted in loss of revenue of Rs.2.95 crore (Rs.2.54 crore on Northern Railway and Rs.0.41 crore on Western Railway) during the period January 2003 to March 2005.

When the matter was taken up with the Railway Administration (Western Railway in January 2005 and Northern Railway in May 2005), the Chief Commercial Manager, Northern Railway in a meeting held on 27 June 2005 stated that the facts had been advised to the Accounts Office on 13 June 2005 for dealing with the matter. However, as the matter requires fixation of separate rates for 22 feet containers, referring the matter to the Accounts

Offices does not address the issue. No decision has been taken till now to recover proportionate charges for bigger size containers, and un-realised revenue is increasing.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.1.11 North Western: Railway — Loss of revenue due to incorrect feeding of distance in the fare systems

Incorrect feeding of distance in Railway's fare systems resulted in short-realisation of fare to the extent of Rs.0.96 crore in three years

Passenger fares to be charged for travelling in various classes of accommodation in trains are notified in Indian Railway Conference Association-Coaching Tariff Part II from time to time, whereas chargeable distance from station to station on the system is exhibited in the Local and Through Distance Tables issued by individual Zonal Railways. In calculating the distance for charging the fare, a fraction of a kilometer is taken as one kilometer. Where tickets are issued through Computerised Passenger Reservation System (CPRS)/ Self Printing Ticket Machine (SPTM), the distances, calculated by Commercial Department and vetted by Traffic Accounts, are fed in the computer system. In cases of through trains, the outward and inward distances are calculated by respective originating and terminating Zonal Railways. The chargeable distances are calculated by the system on the basis of distances thus fed into the computer.

A check in Audit of the tickets issued on Jaipur Division by CPRS of four stations during the years 2002-03 to 2004-05 and SPTM of two stations during one month, revealed that chargeable distance in respect of tickets issued for twelve pairs of stations by CPRS and six pairs of stations by SPTM was not computed correctly as per distance notified in the Junction Distance Tables of Zonal Railways. This was because the chargeable distance was fed to the system after rounding off to the next higher kilometer for every station. The computer calculates the chargeable distance of any pair of stations by deducting the distance between the train originating station and the first station of the pair from the distance between the train originating station and the last station of the pair. This, in certain cases, resulted in computation of less chargeable distance. Further, chargeable distances between two pairs of stations for outward and return journey differed in many cases because wrong distances were fed by originating/ terminating Railway. Moreover, in some cases, differences in feeding distances ranging between one to seven kilometers were also observed, which were not attributed to any reasons. Commercial and Traffic Account Office also failed to detect this irregularity during their internal check/ inspections.

Incorrect feeding of distances in respect of twelve pairs of stations resulted in short-realisation of fare to the extent of Rs.0.55 crore during three years in issue of 11.52 lakh tickets from CPRS for sixteen trains. Similarly, for six pairs of stations, 0.56 lakh tickets were issued by SPTM in a month, involving short-realisation of Rs.1.14 lakh. Applying the monthly short-realisation to the period of 36 months, the total short-realisation works out to Rs.0.41 crore.

Thus, Railway suffered a loss of Rs.0.96 crore during the period 2002-03 to 2004-05.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and October 2005 respectively. Their reply has not been received so far (December 2005).

2.2 Non-observance/ incorrect application of rules

2.2.1 South Central: Railway — Loss due to grant of inadmissible rebate in freight

Grant of inadmissible rebate in freight to category 'C' wagon owner under Own Your Wagon Scheme led to loss of revenue of Rs.14.01 crore

Own Your Wagon Scheme (OYWS) in Railways was introduced to encourage private participation in ownership of wagons and thereby supplement the Railway resources for acquisition of Rolling Stock. Benefits under the scheme are available in three categories. Under categories 'A' and 'B', lease charges are paid by Railways to the owners of the wagons. Under category 'C', for identified dedicated movement of special type of wagons, a lumpsum freight rate, mutually negotiated, was to be quoted, taking into account the cost of haulage in the loaded and empty directions, and terminal, marshalling and other costs. Further, clause 3 of Standard Agreement to be executed with a party under OYWS (circulated by the Board in 1990) laid down that 'a rebate in the normal tariff rate will be allowed on the freight earned, subject to adjustment after verification of the actual cost of the tank wagon'.

Under category 'C' of OYWS, M/s Rajashree Cements, a unit of Grashim Industries, procured 125 special type wagons (BCCW) at a cost of Rs.27.53 crore for transport of loose cement from their works at Malkhaid Road to their depot at Doddaballapur (577 Kms.). Railway Board sanctioned (February 1997) grant of rebate in freight at the rate of 22.5 per cent to the party for a period of 10 years.

Audit observed that the rate of rebate in freight to be granted to the party by Railways was to be fixed as per the formula described in the recommendations (May 1990 and September 2004) of committee of Executive Directors set up by Railway Board. By applying this formula, the rate of rebate in freight admissible to the owner comes to 13.53 per cent only as against 22.50 per cent granted by the Railway Board. Accordingly, rebate admissible during the period May 1999 to March 2005 works out to Rs.21.12 crore, instead of Rs.35.13 crore allowed to the owner by the Railways. This resulted in inadmissible and undue benefit of Rs.14.01 crore to the owner.

When the matter was taken up with Railway Administration (January 2005 and April 2005) and with Railway Board in August 2005, they stated (July/November 2005) that Audit contention to apply the rebate as per formula recommend in May 1990 was not based on any orders and nowhere had the stipulation to apply this formula been made. The rebate in this case was correctly granted as per policy decision of 30 September 1997. It has also been stated that in the case of these particular wagons, parties were expected to provide additional infrastructure for handling and appropriate consideration was given to this aspect at the time of extending rebate of 22.5 per cent.

The reply is not acceptable. As per clarification issued on 4 December 1998 to Central Railway, the Railway Board had stipulated that movement of privately owned special type wagons was to be covered as per standard provisions contained in agreement circulated by Railway Board vide letter No. 81/TT.IT/81/P dated 3 December 1990. According to clause 3 of this agreement format, the rebate was to be limited to the actual cost of the wagons. The contention of the Railway Board that higher rebate was given in view of the investment made by the firm for creation of additional infrastructure to handle such special type of stock is also not valid because neither the order sanctioning the rebate nor the related processing notes have any indication that it was a special dispensation made as a conscious deviation from the laid down policy/ agreement. In fact, acquisition of special type of wagons by M/S Rajashree Cement was done under category 'C' of Own Your Wagon Scheme and all conditions applicable to this scheme were applicable to these wagons as well. Thus granting of rebate at the rate of 22.5 per cent to M/S Rajashree Cement was not justified and resulted in loss on account of undue benefit of Rs.14.01 crore granted to the party.

2.2.2 South East Central and East Central Railways: Loss due to short/ non-realisation of punitive charges for over-loaded wagons

Railway Administration failed to recover punitive charges amounting to Rs.11.44 crore on account of delay in communication of orders and failure of weighment authority to work out and communicate weighment results

Rules[5] stipulate that all consignments should be weighed at the forwarding station. If there is no weighbridge, the wagons may be weighed at an en-route station, which should, as far as possible, be the first weighbridge station. In case there is no weighbridge en-route, the wagons may be weighed at destination, if a weighbridge is available there. The result of weighment should also be recorded on the wagon labels and invoices by the weighbridge station staff and forwarded to destination station for accounting and recovery of charges due.

Railway Board vide orders of 18/ 20 October 2004 directed the Zonal Railways to recover punitive charges for the entire weight of the commodities loaded beyond the permissible carrying capacity for the entire distance from the originating station to the destination station, irrespective of the point of detection of overloading. The punitive charges were to be calculated at six times the freight rates applicable to the highest class in case of overloading by more than two tonnes in BOXN (eight wheeler) wagons and by more than one tonne in case of BOBR, BOBRN, BOX and BOST wagons[6]. These orders were to be effective from 18 October 2004. Audit scrutiny of records of some stations over Southeast Central and East Central Railways revealed the following:

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[5] **Para 1422 of 1426 of Indian Railway Commercial Manual (Vol.II)**

[6] **These are special type wagons used by Railways**.

South East Central Railway - Records of four coal colliery sidings viz. Gevra Project Colliery siding, New Kusumunda Colliery Siding, Old Kusumunda Colliery Siding and Katkona Colliery Siding revealed that Railway Board's orders regarding levy of punitive charges at revised rates were forwarded to stations by Senior Commercial Manager, South East Central Railway only on 2 November 2004 and the same were received by stations on 10/ 11 November 2004. These stations, therefore, started collecting punitive charges only from the dates on which they received the orders. Audit noticed that the delay in circulation of revised rates of punitive charges resulted in short realization of Rs.3.38 crore during the period 18 October 2004 to 9/ 10 November 2004 on the above mentioned four stations alone.

Further review of records of Nacast siding which received iron ore in BOXN wagons from Noamundi, Badam Pahar, Barsuan, Barajamda and Borbil sidings of M/s Tata Iron and Steel Co. Ltd. revealed that Railway Receipts issued by the forwarding stations clearly indicated that wagons were not weighed and sender's weight was accepted. The freight charged was on the basis of permissible carrying capacity of the wagons. Audit noticed that out of 218 iron ore loaded rakes received between January 2004 and March 2005, only 68 rakes (31 per cent) were weighed en-route at Champa station of Bilaspur Division. Weighment results indicated overloading in 36 rakes. However, the exact extent of overloading of wagons in respect of 29 rakes only could be finally assessed and punitive charges worked out to Rs.2.53 crore. These rakes included two rakes for which audit assessed the extent of overloading by adopting standard carrying capacity and tare weight of BOXN wagons in the absence of requisite data in the wagons summary.

Thus, Railway Administration short realised Rs.3.38 crore on account of enhanced rates of punitive charges due to delay in communicating enhancement of rates in respect of four sidings and also failed to realise Rs.2.53 crore on account of overloading of wagons in 29 rakes.

When the matter was taken up (April 2005) with the Railway Administration, they accepted (October 2005) the audit contention of short realisation of punitive charges and stated that the amount due as per circular dated 18 October 2004 would be realised. They further added that the weighment results of 21 rakes have been sent to destination station and bills for Rs.1.62 crore have been raised.

East Central Railway - Records of six coal booking stations Ray, Katrasgarh, Chainpur, Phusro, Pathardih and Anpara revealed that the orders regarding levy of revised rates of punitive charges were received by them only on 9 November 2004 due to delay in circulation of the orders. These stations recovered punitive charges at old rates during the period between 18 October 2004 and 9 November 2004 which resulted in short realisation of Rs.5.53 crore in respect of 398 coal rakes [Ray (186 rakes), Katrasgarh (57 rakes), Chainpur (23 rakes), Phusro (4 rakes), Pathardih (104 rakes) and Anpara (24 rakes)]. It was also observed that no bills had been preferred by the Railway Administration for the recovery of the difference in old and revised rates of punitive charges.

The matter was taken up with East Central Railway (May 2005) and Railway Board (October 2005). Their reply has not been received so far (December 2005).

2.2.3 South Central and South Western Railways: Non-levy of punitive charges on overloaded wagons due to non-availability of weighbridges

Non-provision of weighbridges by Railway Administration at originating/ destination stations resulted in non-weighment of wagons and consequently non-recovery punitive charges of Rs.8.27 crore on overloaded wagons.

Rules provide that commodities in loose form should be weighed on a wagon weighbridge at the forwarding station and freight charged accordingly. In case there is no weighbridge at the forwarding station, the wagons may be weighed en-route or at destination before effecting delivery. When weighment is done en-route, correct freight including undercharges, if any, due to overloading of wagons should be collected from the consignee/ consignor. When a wagon is found loaded beyond its permissible carrying capacity (CC), on such weighment, punitive charges, as prescribed by Railways from time to time are also recoverable.

South Central Railway - Coal in trainloads booked from Chennai Harbour (HOM) are moved in BOXN rakes to Rayalaseema Thermal Power Project, Muddanur (RTPP/MOO) and Raichur Thermal Power Station, Krishna (RTPS/KSN) via Royapuram. Due to non-availability of weighment facilities at HOM, the coal rakes are booked on ‘senders weight accepted’ basis and freight collected on the permissible CC of BOXN wagons. The wagons are also not weighed at destination stations for want of Railway weighbridges. However, some of these wagons are weighed enroute on an in-motion electronic weighbridge at Royapuram station on Southern Railway.

A review in audit for the period April 2002 to February 2005 revealed that out of 511 rakes (27,804 wagons) booked to RTPP/MOO and 929 rakes (53,213 wagons) booked to RTPS/KSN, only 106 rakes (5,768 wagons) of MOO and 225 rakes (12,888 wagons) of KSN were weighed at Railway weighbridge at Royapuram. An analysis by Audit of the weighment sheets in respect of these 331 rakes (18,656 wagons) indicated overloading beyond permissible CC of the wagons aggregating to 11,501 tonnes resulting in punitive charges recoverable from siding owners. After the matter was taken up by Audit, destination stations raised bills for recovery of Rs.1.81 crore. Out of the total recoverable amount raised, a sum of Rs.1.39 crore was yet to be recovered as of August 2005.

Moreover, when results of the actual weighment of 18,656 wagons of 331 rakes of Royapuram were selected as a sample and applied for assessing the total overloading in respect of unweighed 1,109 rakes with 62,361 wagons on proportionate basis, overloading to the extent of 38,487 tonnes was worked out indicating the magnitude of unrealised punitive charges to the extent of Rs.5.21 crore. Statistically, this sample size in wagon terms was more than sufficient for 99 per cent confidence level with margin of error of only two per cent. Thus, non-provision of weighbridges by Railways has prevented them from detecting overloading and levying appropriate punitive charges amounting to Rs.5.21 crore.

On this being taken up (December 2004/ May 2005), Railway Administration contended (September 2005) that the loss pointed out by audit was hypothetical since balance 1,109 rakes were not physically weighed at any of the weighbridges. Hence, in the absence of the weighment advices, Railway could not raise punitive charges, as the same would be arbitrary.

Railway Administration's reply is not acceptable. Overloading in wagons is a regular feature as evident from the en-route weighment of about 24.81 per cent of loaded wagons. Results derived by extrapolation by selecting such a large sample size cannot be denied. Non-provision of weighbridges at originating/ destination stations, which would have cost approximately Rs.15 lakhs each, has resulted in non-levy of punitive charges of Rs.5.21 crore.

South Western Railway - Bellary-Hospet-Hubli-Marmagoa route in Hubli Division is an important route due to daily transport of a large quantum of iron ore from Hospet region (Ranjitpura) to the Marmagoa port. Conversion of this route from Meter Gauge (MG) to Broad Gauge (BG) was undertaken prior to the year 1996. Weighbridges available at stations with MG Track became unusable after conversion to BG. In spite of movement of large quantities of iron ore on this route, new weighbridges were not provided by Railway Administration at BG stations on Hubli Division. In February 1996, Divisional authorities proposed for providing BG Electronic Weighbridges at seven stations but only one weighbridge started functioning at Bannihatti in January 2005.

A review of records in audit for the year 2003-04 and 2004-05 revealed that 3,481 rakes with 2,00,293 loaded wagons moved from Ranjitpura to twelve destinations. Out of these 161 rakes (4.63 per cent) with 9,190 (4.59 per cent) wagons were weighed at Bannihatti. Out of the weighed wagons 17.62 per cent (1619 wagons) were found to be overloaded. On the basis of this weighment, a sum of Rs.0.90 crore was recoverable from the parties towards punitive charges. When the results of this actual weighment were adopted by audit as a sample for assessing the punitive charges on proportionate basis in respect of 1,91,103 unweighed wagons, the overloading was estimated at 65,934 MT iron ore for which punitive charges worked out to Rs.5.93 crore. Statistically, this sample in wagon terms was more than sufficient for 99 per cent confidence level with an error margin of only two per cent. However, against this total amount of Rs.6.83 crore which could have been levied, Railway Administration could levy only Rs.3.77 crore on the basis of Weight-Volume Ratio Method and test weighment on Bannibatti weighbridge. Railway has realised only Rs.2.21 crore out of the amount levied.

Had the Railway Administration installed the seven weighbridges which were originally proposed at the cost of Rs.1 crore (approx.), short-levy of punitive charges of Rs.3.06 crore during the two years period could have been avoided. The Railway Administration has also failed to realise (August 2005) Rs.1.56 crore out of punitive charges actually levied.

On this being taken up (May 2005) by Audit, the Railway Administration contended (September 2005) that while cost of weighbridge was only Rs.15 lakh each, the cost of track requirement and yard modification was likely to be Rs.2 crore per station. Moreover, the installation of weighbridge had not been felt necessary as volume weight ratio was adopted as a method world wide for determining weight of loose consignments. The Railway Administration was also in constant touch with the parties, who have come forward to install the weighbridges at their own cost. However, the installation work was being delayed due to solitary approved manufacturer.

Railway Administration's argument is not acceptable in view of the fact that proposal for provision of electronic in-motion weighbridges was made as early as in 1996. Further, in the meeting held by the Railway Administration with the iron ore exporters in December 2003, it was decided that weight volume checks were perhaps too crude to ensure 100 per cent accuracy and weighbridge checks were still the best and most accurate. It was also decided that availability and reliability of weighbridges should be planned and these would be installed at stations by the exporters at their own cost. Regarding solitary approved suppliers (M/s Avery), it was stated that weighbridges could be made available within two to six weeks' time only.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.2.4 East Central Railway: Irregular extension of benefit of 'To Pay' surcharge on reciprocal terms

Failure of Railway Administration to withdraw the benefit of non-levy of 'To Pay' surcharge granted on reciprocal terms, resulted in non-recovery of Rs.5.47 crore from Uttar Pradesh Power Corporation Limited

As per extant rules, for goods traffic for which prepayment of freight is not compulsory when offered in train load or wagon load, option will be available to the consignor to book on freight 'To Pay' basis on payment of a surcharge of 10 per cent on the total freight by the consignee at the destination.

Uttar Pradesh State Electricity Board (UPSEB) had been making payment of freight for the coal wagons booked on 'To Pay' basis at different power houses. Since freight was not being fully paid by the different power houses, the Railways had introduced the system of adjustment of freight with the traction bills of UPSEB. On the representation made by the UPSEB against the levy of 'To Pay' surcharge on freight, the Ministry of Railways decided (July 1999) on reciprocal basis not to levy 'To Pay' surcharge on freight against UPSEB nor demand any advance deposit with effect from l August 1999, as UPSEB did not levy surcharge on delayed payment from the Railways nor demanded any security from the Railways.

In January 2000, UPSEB was re-organised into three corporations and Uttar Pradesh Power Corporation Limited (UPPCL) was made responsible for planning and managing the power sector through transmission, distribution and supply of electricity. In their Rate Schedule, UPPCL notified (September 2001) a specific clause, imposing a penalty of surcharge at the rate of 2 per cent per month on delayed payment.

Audit scrutiny revealed that the Railway Administration had not entered into any arrangement with UPPCL for non-levy of surcharge on ‘To Pay’ coal consignments hauled by Railways or non-levy of penalty on delayed payment by Railways to the newly-formed UPPCL. However, though UPPCL continued to book their consignments of coal on ‘To Pay’ basis, the Railway Administration failed to levy and collect surcharge on these consignments.

On this being pointed out by Audit (December 2004), the Railway Administration started levying the 10 per cent surcharge on ‘To Pay’ consignments of coal with effect from 19 January 2005. However, the Railway Administration is yet to (August 2005) collect the surcharge on 229 rakes of coal consignments booked on ‘To Pay’ basis for the period April 2003 to 19 January 2005, which amounted to Rs.5.47 crore. The Railway Administration has, however, been making payment of all their energy bills to the UPPCL before due date, thus avoiding payment of 2 per cent on delayed payments and has also deposited an amount of Rs.33.57 lakhs as security.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and October 2005 respectively. Their reply has not been received so far (December 2005).

2.2.5 Northern Railway: Non levy of 'To Pay' surcharge

Failure of Railway Administration to levy 'To Pay' surcharge on delayed payment of freight charges, resulted in loss of revenue of Rs.3.48 crore

Para 1451 of Indian Railway Commercial Manual (IRCM) provides that Railway Receipts (RRs) should be issued immediately on completion of loading and collection of freight charges. Where, however, it is not feasible to do so, Divisional Commercial Superintendent may permit the issue of RRs on the day following the completion of loading. Para 199-E of the Indian Railway Conference Association Goods Tariff No. 41 Part I (Vol.I) provides for option to be available to the consignors to book train load or wagon load consignments on 'To Pay' basis on payment of surcharge. However, on a representation by Chambers of Commerce and Industry regarding difficulty in payment of Railway freight and other charges on a bank holiday, the Railway Board, in such an eventuality, permitted (August 1994) consignors to book their consignments on 'Paid' basis if they obtained Bank Drafts in advance for the approximate freight charges and paid the balance amount, if any, in cash along with the draft on the day of loading.

In October 1998, Railway Board instructed Zonal Railways to ensure that RRs are issued on freight 'To Pay' basis if freight charges are not paid within the period prescribed by Para 1451 (c) of IRCM.

Audit scrutiny of records of 15 stations of Northern Railway conducted between August 2003 to January 2005 revealed that in contravention of rules outlined above, Railways charged freight in 392 cases on 'Paid' basis despite there being delays ranging from two to four days in payment of freight. Non levy of 'To Pay' surcharge in such cases resulted in loss of revenue amounting to Rs.3.48 crore during the period April 2003 to March 2005.

The matter was taken up with the Railway Administration and Railway Board in January 2005 and August 2005 respectively. Their reply has not been received so far (December 2005).

2.2.6 Western Railway: Loss due to non-application of Differential Rule of distance on freight

Non-application of Differential Rule of distance for charging freight on ordinary non-refined salt meant for human consumption resulted in loss of Rs.2.79 crore during the period from May 2003 to April 2005

Rule 183 (2) of Indian Railway Conference Association, Goods Tariff No.41 Part-I (Volume I) stipulates that when goods of the same description and booked in the same direction are charged at different rates according to distance, the charge for the lesser distance shall not exceed the charge for the greater distance. In April 2003, Railway Board granted concessions ranging between 10 and 25 per cent in freight rates for booking of ordinary non-refined salt, meant for human consumption for different slabs of distances above 1000 kms. While granting concession, Railway Board failed to take cognizance of Rule 183 (2) according to which the freight charges for higher distance cannot be less than freight for smaller distance.

Review of outward invoices issued for ordinary non-refined salt traffic from 15 stations of Western Railway revealed that due to Railway Administration's failure to apply rule 183 (2) to this traffic, the freight collected on goods booked to different slabs of distances more than 1000 kms. was less than freight for the distances up to 1000 kms.

The Railway Board in April 2005 issued orders that concessional freight will be applicable subject to minimum freight with effect from 15 April 2005. As a result of delay in issuing this restriction, the Railway sustained a loss of Rs.2.79 crore during the period from May 2003 to 14 April 2005.

When the matter was taken up (May 2005), the Railway administration stated that the Railway Board had failed to stipulate differential rule in their notification of April 2003 and they made (April 2005) minor modification to the original order specifying the minimum freight distance. However, during discussion on the draft paragraph the Railway administration admitted (September 2005) that they had followed the Railway Board's orders literally in this case and promised to take necessary action to regularise the loss in consultation with the Railway Board.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.2.7 Eastern Railway: Loss due to change in minimum weight condition

Reduction in minimum weight condition of gunny bags without adequate test weighment resulted in loss of Rs.1.58 crore

The minimum weight condition (MWC) for charge for various commodities has been notified in the IRCA Goods Tariff. Where any change in MWC is required, the change could be effected only after obtaining approval of Railway Board. Subsequently, in July 1994, the Railway Board delegated powers to Zonal Railways to tentatively fix a revised MWC for a period of six months on the basis of test weighments. Simultaneously Railways were to send their proposals giving details of test weighments as well as their recommendations to the Railway Board for examination in consultation with other Railways. As per tariff provisions the MWC for gunny bags under main head 'gunnies' has been kept at 220 quintals per four wheeled wagon and hence the minimum chargeable weight for this commodity is 550 quintals when carried in BCX wagons.

The issue of reduction in MWC of gunny bags was under consideration of the Railway Board from 1996 when Zonal Railways were directed to conduct test weighment of the commodity and come up with their recommendations in this regard. The Eastern Railway recommended change of MWC for gunnies in July 2002 from 550 quintals to 487 quintals per BCX wagon. On 3 January 2003, Railway Board instructed the Eastern Railway to utilise the powers delegated to Zonal Railways to tentatively fix the MWC and resubmit the proposal after conducting comprehensive test weighments. Immediately thereafter, on 27 January 2003, the Railway Board communicated a methodology for conducting test weighments to all Zonal Railways, suggesting test weighment of adequate number of wagons so as to obtain a realistic weighment as well as for ensuring maximum possible loading. Though at least five more gunny bag bundles could have been loaded in the left over space, as reported to Railway Board in July 2002, the Railway Administration conducted (July 2003) the test weighment on five BCX wagons loaded with only 130 bundles. On the basis of these test weighments, the Railway Administration decided to reduce the MWC of gunny bags, when loaded in BCX/ BCN/ BCNA wagons from 550 quintals to 487 quintals, subject to actual weight, for a period of six months with effect from 23 September 2003. The reduced MWC was expected to attract more traffic and generate additional revenue to the Railways. The Railway Board refused to approve the above reduction (January 2004) on the ground that test weighments were not carried out in accordance with their guidelines of January 2003. Consequently, the reduction made in MWC had to be withdrawn with effect from 23 March 2004.

A test check by Audit in five major loading stations for gunny bags (viz., Titagarh, Naihati, Kankinara, Budge Budge and Bhadreswarghat) revealed that Railway Administration sustained loss of freight to the tune of Rs.1.58 crore in those stations during the period 23 September 2003 to 22 March 2004 due to the reduction in MWC for gunny bags. There was no increase in traffic of gunny bags during this period, as expected by the Railway Administration.

Thus, Railway Administration's failure to adhere to Railway Board instructions regarding test weighment methodology resulted in adoption of wrong MWC for gunny bags and consequential loss of revenue of Rs.1.58 crore.

The matter was taken up with the Railway Administration and Railway Board in May 2005 and September 2005 respectively. Their reply has not been received so far (December 2005).

2.2.8 Western Railway: Loss due to incorrect computation of chargeable weight

Failure of Railway Administration to stencil the correct carrying capacity on the wagons during periodical overhauling, in terms of Railway Board's order, resulted in incorrect computation of chargeable weight leading to loss of revenue of Rs.1.56 crore

The Railway Board in January 1983 noted that while the normal maximum carrying capacity (CC) of a four wheeler LPG tank wagon, as per design, was 15.4 tonnes, some of the tank wagons had a CC of less than 15.4 tonnes marked on them due to higher tare weight. The Board, therefore, ordered that the four wheeler LPG tank wagons should be loaded to their designed CC subject to their axle load not exceeding 17 tonnes. In May 1999, the Railway Board decided to reconfirm whether it was possible to load the wagons up to 15.4 tonnes without involving any safety hazards. In response to this Western Railway confirmed (August 1999) that CC of most of the four wheeler LPG tank wagons was 15.4 tonnes and tare weight was 18.6 tonnes. Subsequently, Railway Board superseded their orders of January 1983 and decided (March 2001) that CC for LPG tank wagons will be the marked/ stenciled CC, not exceeding 15.4 tonnes. However, the Board also decided that in respect of all LPG tank wagons, the CC should be determined afresh during periodical overhauling (POH) on priority to ensure that the axle load does not exceed 17 tonnes and the revised CC should be fixed at 34 tonnes minus the actual tare weight.

Audit noticed that in 485 wagons, the tare weight of these wagons was marked/ stenciled at 18.6 tonnes while the CC was marked/ stenciled as 14 tonnes which adds up to 32.6 tonnes only, leaving a margin of 1.4 tonnes. It was seen in audit that though these wagons were given POH in Kota workshop during April 2001 to December 2004, the marked tare weight and CC remained unchanged. The freight is, therefore, being charged on marked CC of 14 tonnes even though Western Railway had found the CC of most LPG tank wagons to be 15.4 tonnes.

Audit is of the view that non-observance of Railway Board instructions of marking the CC afresh after ascertaining the actual tare weight has resulted in freight being wrongly charged on marked CC of 14 tonnes and consequent short realisation of freight to the tune of Rs.1.56 crore in respect of 9,607 wagons loaded from Oil and Natural Gas Commission siding Kawas during April 2002 to March 2005.

When the matter was taken up (May 2005) with Railway Administration, they agreed (September 2005) that CC could have been computed by deducting tare weight from the axle load in respect of wagons where tare weight was also stenciled on the wagons. They further added that directions have been given to stencil the revised CC in terms of Railway Board's instructions.

Though the Railway Administration have accepted short realisation of freight in respect of wagons whose tare weight and CC were marked/ stenciled, they have failed, even now, to issue clear instructions to the concerned staff to arrive at the CC by deducting tare weight from axle load in respect of such wagons. The process of stenciling afresh CC now ordered would further delay the process of computation freight correctly and short realisation will continue.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.2.9 Northern Railway: Incorrect charging of freight at trainload class rates for non-notified stations

Incorrect charging of freight at trainload class rate instead of wagonload class rate for traffic booked to stations, not notified as a full rake handling stations, resulted in short recovery of Rs.1.16 crore

Instructions issued by Railway Board in August 1998 for booking traffic at trainload class rates were modified in October 2004. According to modified instructions made effective from 15 November 2004, indents for trainload traffic were to be accepted at such stations/ sidings and for such stations/ sidings which were notified as full rake handling stations. Chief Operating Manager (COM)/ Chief Freight Traffic Manager (CFTM) of the Zonal Railways were authorized to permit booking of a rake from and to a station/ siding not notified as a full rake handling station. However, the freight charges in all cases, when traffic was booked from and to stations not notified as full rake handling stations, were to be charged at wagonload class rates.

Audit scrutiny of notification issued by Zonal Railways revealed that certain stations on Northeast Frontier, Western, East Coast, North Central, Central and Southern Railways were not notified as full rake handling stations. Audit examined the records of outward food grains traffic from 56 stations of Northern Railway to the above stations, it was noticed that the freight was irregularly charged at trainload class rate instead of wagon load class rate in contravention of Railway Board’s order. An assessment in audit revealed that incorrect charging of freight has resulted in short recovery of Rs.1.16 crore during the period 15 November 2004 to March 2005.

When the matter was brought to the notice of Railway Administration in April 2005 they stated in June 2005 that a detailed procedure in this regard will be advised shortly to the Accounts Office. The reply is not acceptable as the orders of the Railway Board issued in October 2004 are very clear and should have been implemented immediately to avoid loss of revenue.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.2.10 South Eastern Railway: Irregular grant of Train Load Rates

Irregular grant of trainload rates to the traffic booked from a siding not having capacity to handle full rake in one placement led to loss of Rs.1.02 crore

Prior to January 1982, the goods traffic was booked and charged under two types of classes viz. less than wagon load and wagon load. With effect from January 1982, Railway Board introduced trainload class by providing concessional rates to traders who were willing to move their consignments in bulk. The benefit anticipated from this, in the shape of savings in the cost of operations and through improved wagon turn round, was to be passed on to the traders. In September 1982, Railway Board asked Zonal Railways to notify the names of stations/sidings from and to which trainload consignments could be booked. In October 1985, it was again clarified by Railway Board that intention to ask Zonal Railways to notify the names of stations/ sidings was to ensure that trainload traffic was booked only between the stations/ sidings that had adequate facilities to handle traffic in trainload. However, Zonal Railways adopted different standards for notifying the names of stations/ sidings. In December 1991, Railway Board further clarified that list of stations/ sidings to which train load traffic can be booked need not necessarily be confined to those having full rake length capacity.

The matter regarding irregular grant of trainload rates, in respect of traffic booked to a siding not having adequate facilities for handling trainload traffic, was brought to the notice of Railway Board vide para 2.1.4 (v) of Report No.9 of 1999. In their Action Taken Note, Railway Board admitted that there was detention to the wagons, and issued instructions (February 2004) to all Zonal Railways to review the list of all stations/ sidings notified as capable of handling full rakes and de-notify the stations/ sidings which did not have adequate facilities.

A review of records of M/S Indian Aluminium Company Limited (INDAL) revealed that though the siding did not have the capacity to handle full rakes, which has been causing detention to wagons ranging from 2 to 4 days after allowing free time of nine hours for loading, the siding was notified as capable of handling full rake traffic and trainload rates were allowed to consignor for booking their traffic. This resulted in loss of revenue of Rs.1.02 crore during November 1998 to March 2005.

Though the concessional trainload class was introduced with a view to reduce the cost of operations and improve wagon turn round, Railway Board's subsequent orders permitting booking of traffic at trainload class rates from/to stations/ sidings not having adequate facilities, have deviated from the concept of achieving savings in cost of operations and improving wagon turn round.

When the matter was brought to the notice of Railway Administration (May 2005) they stated in July 2005 that the capacity of a siding to handle full rake traffic was not the only criteria for granting trainload rates and as per instructions of the Board, trainload benefit can not be denied to the party if they have indented for full rake and offered traffic for full rake.

The reply is not acceptable because by allowing trainload rates to traffic booked from/to stations/sidings not having adequate facilities, Railways have been passing on the benefit of concessional rates to traders without achieving the purported savings in cost of operations by way of improved turn round.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.3 Routing deficiencies/ Errors in computation of distance

2.3.1 Central, North Western, South Western, North Eastern, North Eastern, North Central and Northeast Frontier Railways — *Loss of revenue due to non-rationalisation of longer routes*

Carrying the goods traffic regularly by the longer route, without rationalising it for charging freight, resulted in loss of revenue amounting to Rs.26.04 crore

As per Rule 125(1) of the IRCA Goods Tariff Part I (Vol.I) unless there are specific instructions in writing from the sender or his authorised agent to the contrary, goods will be carried by the operationally feasible route and freight levied by the shortest route. Section 71 (1) of the Indian Railway Act 1989, stipulates that Central Government may, by general or specific order, direct any Railway Administration to carry any goods or class of goods by such route or routes and at such rates as may be specified in the order. Accordingly in February 1976, Railway Board had issued instructions to all Zonal Railways to review and communicate such streams of goods traffic, which were booked and charged by the shorter route but actually carried by the longer routes. In 1998, 1999 and 2003, Zonal Railways were again requested to critically review the different provisions of existing Rationalisation Schemes and suggest additions/ alterations/ modifications, if any, along with justification.

During audit inspections of certain stations conducted during March 2003 to March 2005 it was noticed that traffic was regularly being carried by the longer routes but the freight charges were recovered by the shortest route in the following cases:

Railway	Stations from	To stations on	Route by which traffic is regularly carried	Route by which freight is charged	Period	Loss of revenue (Rupees in lakhs)
Central	Maharashtra Electosmelt Siding, Chandrapur	Eastern, South Eastern and Southeast Central Railways	Wardha -Nagpur - Gondia (longer by 64 kms)	Balharshah -Chanda Fort - Gondia	May 2002 to March 2005	105.13
North Western	Jaisalmer, Thaiyat Hamira and Gotan	Eastern regions of India	Jaipur - Swaimadhopur - Yamuna Bridge (longer by 23 kms)	Jaipur- Bandikui- Alwar- Mathura- Yamuna Bridge	April 2001 to March 2005	333.24
South Western	Ranjithpura, JVSL Siding Tornagallu	South Western Railway	Hubli - Harihar (longer by 149 kms)	Bellary - Rayadurg	April 2002 to March 2005	739.06
North Eastern	From Station on ER,EC and SER	Indara and Phephna of NE	Mughalsarai - Varanasi - Shahganj - Mau (longer by 98 and 120 Kms)	Mughalsarai - Varanasi - Aurihar	January 2002 to March 2005	103.53
North Central	From New Bachra Siding, Ray	NTPC, Dadri	Mughalsarai - Naini - Kanpur (longer by 2 kms)	Mughalsarai - Janghai - Phaphmau - Unchahar	April 2003 to March 2005	1125.93
Northeast Frontier	Ledo & Tinsukia Oil Siding	Stations reached via New Bongaigaon	Guwahati- Goalpara - New Bongaigaon (longer by 37 kms)	Guwahati- Rangiya- New Bongaigaon	April 2002 to March 2005	197.41
Total						**2604.30**

Further scrutiny of records revealed that

- No proposals for rationalisation of routes were sent by Central, North Western and North Eastern Railways.
- South Western Railway had proposed rationalisation of this route in October 2003 but no action was taken by Railway Board to include the same in General Orders.
- North Central Railway sent the proposal only in May 2005 after the draft paragraph was issued.
- Northeast Frontier Railway had proposed to rationalise the route in August 2003 for coal traffic but the results of their proposal were not available.

Thus the failure of the Railway Administration to review the rationalisation scheme as required by Railway Board from time to time and non-inclusion of the proposal of South Western Railway has resulted in loss of revenue of Rs.26.04 crore as indicated above.

When the matter was brought to the notice of Railway Administrations of the respective Railways (February 2005 to May 2005) they stated as under:

Central Railway

Railway Administration stated that traffic was being routed by the longer route because the shorter route was not electrified and Diesel locomotives were not available at Balharshah. The reply is not satisfactory as there is no proposal yet to electrify the shorter route and traffic is to be carried by longer route for an indefinite period involving extra expenditure on haulage of each rake for a distance of 64 kms. In order to compensate for the extra expenditure it is imperative that the route is rationalised.

North Central Railway

Railway Administration has furnished the proposal for rationalisation to the Railway Board in May 2005 but claimed in their reply that carriage of goods by the operationally feasible route has saved Railways not only time and resources but also increased the opportunity to carry more goods by improving upon the rake availability. Action of the Railway Administration in sending the proposal confirms Audit's conclusion. The claim of increased turn round and consequent earnings was not tenable because the movement of rakes by the longer route also involved extra expenditure on account of additional haulage which needed to be compensated by rationalising the route.

South Western Railway

Railway Administration has stated that loss pointed out by Audit was not acceptable as the movement by the shorter route would involve extra expenditure and that the proposal for rationalisation which was sent in October 2003 was pending with Railway Board. Action had already been initiated to persuade the parties to opt for the movement of their goods by longer route. Additional costs on movement by shorter route, as stated by the Railway Administration, is another argument in favour of rationalisation of the longer route. Till the route is rationalized, the Railway Administration will continue to incur losses.

North Western, North Eastern and Northeast Frontier Railways

No reply has been received so far (September 2005).

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.3.2 Southern Railway: Non-realisation of freight for the longer carried route

Routing of traffic via the longer route instead of the charged route has resulted in non-realisation of freight to the extent of Rs.3.02 crore

Rules 125 (1) and (3) of Goods Tariff Part-I, Volume-I provide that unless there are specific instructions in writing from the sender or his authorized agent to the contrary, goods would be dispatched by the route operationally feasible and freight would be levied by the shortest route. However, Central Government can issue an order whereby the goods, specified in the order, can be carried and charged by any specified route even if it is not the shortest route. Railway Board had also instructed all the Zonal Railways, from time to time, to intimate the streams of traffic booked and charged by the shortest route but carried by the longer route as a regular measure so as to enable the Railway Board to rationalise these longer routes for charging freight. Rationalisation scheme General Order No.1/2000 effective from 1 December 2000 had been extended up to 31 March 2005.

Food grain traffic booked by Food Corporation of India (FCI) from the Northern parts of India to stations in Kerala is dealt with under a centralized booking system agreed upon between the FCI and Railways. As per this system, freight charges are collected upto Palghat Junction initially and later, based on the unloading summaries received from the final unloading points, Rebooking Railway Receipts are issued at Palghat. Also, freight charges from Palghat to the unloading points are arrived at with telescopic benefits and collected. Such traffic was being booked and charged via Tughlakhabad, Balharshah, Gudur and Renigunta route. However, a review of the details of actual movement of the loaded rakes extracted from the Freight Operation Information System (FOIS) records indicated that from December 2003 onwards 90 per cent of rakes were actually moved via Mathura Junction, Kota, Vadodara Junction, Roha, Thokkur. Since the actually carried route involving Konkan Railway was longer than the charged route, Railway Administration should have considered rationalising the actually carried route for charging freight which was, however, not attempted (March 2005). The short realization of freight charges on this account for the traffic moved during the period December 2003 to March 2005 worked out to Rs.3.02 crore.

When the matter was taken up (January 2005), the Railway Administration contended (August 2005) that the carrying of goods by operationally feasible route was on account of administrative convenience of the Railway Administration for which the party could not be penalized. It was further contended that the carried route involved many Railways and hence the question of sending proposals to rationalise this route by Southern Railway did not arise.

Railway Administration's reply is not acceptable as ninety per cent of the traffic had moved via the longer route, this route should have been got rationalized under Tariff Rules and Railway Board's orders. Railways' inaction in this regard has resulted in the non-realisation of freight charges for the actual carried route. Southern Railway being the destination Railway, the full details about the booked route, the freight collected and the movement of the traffic by the longer route etc. would be known to them and hence the rationalization proposal was to have been made by Southern Railway.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.3.3 Northeast Frontier Railway: Short recovery of passenger fares

Non-observance of Railway Board's instructions for charging of fares by the actually travelled route has resulted in short recovery of Rs.1.77 crore

Prior to September 1983, the Railways charged passenger fares by the shorter route if two or more alternative routes from booking station to destination station were available. Railway Board issued instructions (September 1983) to all Zonal Railways for charging passenger fares by the actually travelled routes. According to these instructions the fares for routes, where the distance difference between the shorter and longer routes was above 75 kms., were to be charged by the actually travelled route with effect from 1 September 1983. Similar policy for distance difference above 50 kms. was adopted with effect from 1 January 1984.

In addition to existing Rajdhani Train (No.2423/ 2424) between New Delhi – Guwahati which was running via Kanpur-Mughalsarai-Barauni, another Rajdhani Train (No.2435/ 2436) was introduced from January 1999 to run via Lucknow-Hajipur-Barauni twice a week. The distance difference of the two routes being 70 kms., the fare for the passengers were required to be recovered on the basis of routes by which they actually travelled. Up to 31 March 2003, the fares of Rajdhani trains were notified separately for each pair of stations by the Railway Board. However, with effect from 1 April 2003, Railway Board introduced distance slab wise fares for Rajdhani trains also. Besides printing base fare tables for Rajdhani Trains, Indian Railway Conference Association also notified point to point fares for Rajdhani Trains but stipulated that Zonal railways should intimate the correct point to point fares. This provision required the station staff to first calculate the distance to and from the originating and destination station and then charge the fare as per appropriate slab.

Audit scrutiny of the fares charged from Guwahati to New Delhi and vice versa revealed that contrary to Railway Board's orders for charging the fares by the routes actually travelled, the fares for both the trains running via shorter as well as longer routes were being charged for the shorter route. Non-observance of Railway Board's orders has resulted in short recovery of Rs.1.77 crore during the period April 2003 to March 2005.

When the matter was brought to the notice of Railway Administration (May 2005), they stated (July 2005) that the distance between New Delhi and Guwahati was 1939 kms. and not 2010 kms. as stated by Audit. The reply is not acceptable. Railway Administration has calculated the distance between Barauni and Hazipur via Bachewara, whereas the trains were actually routed via Samastipur – Muzaffarpur – Hajipur.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.3.4 North Eastern Railway: Loss of revenue due to incorrect charging of distance to a siding

Failure of the Railway Administration to implement the orders for charging of freight up to the buffer end of a siding resulted in loss of revenue of Rs.1.39 crore

In pursuance of Railway Board's policy of charging freight up to the buffer end of the sidings where trains can directly enter into or exit without being dealt in the yards of serving stations, North Eastern Railway notified Bharat Petroleum Corporation Siding, Baitalpur (BPOB) as an independent booking point. Hence with effect from 1 June 1999 freight for traffic booked from and to this siding was to be charged after adding four kilometers.

Audit scrutiny of records of BPOB carried out in August 2004 revealed that the freight charges for POL traffic received till September 2003 from Numaligarh, Rajbandh, Tinsukia, New Jalpaiguri and Hazira stations were recovered only up to Baitalpur instead of the buffer end of the siding. The orders for charging freight up to the buffer end of the siding by adding four kilometers were implemented only from October 2003. The Commercial as well as Accounts staff responsible for collection of freight/ inspection of records failed to detect the irregularity. Non-charging of freight correctly up to the buffer end of the siding resulted in loss of Rs.1.39 crore during the period November 2000 to September 2003. The loss for the period from 1 June 1999 to October 2000 could not be assessed as the records for this period were not made available.

The matter was taken up with the Railway Administration and Railway Board in March 2005 and September 2005 respectively. Their reply has not been received so far (December 2005).

2.3.5 Eastern Railway: Loss due to incorrect computation of chargeable distance

Failure of Railway Administration to charge correct distance for traffic in accordance with the Rationalisation Scheme resulted in loss of Rs.0.94 crore during the period from March 2003 to January 2004

Railway Board issued (23 October 2000) orders to all Zonal Railways that booking and routing of goods traffic should be done strictly in accordance with the revised instructions embodied in general order No.1 of 2000. These instructions, inter alia, provided that all goods traffic from Waltair division to IISCO, Burnpur (BCME) siding and vice-versa should be routed via Dankuni.

Audit scrutiny of the records at BCME siding revealed that during the period from March 2003 to January 2004, while the distance from BCME siding to Vishakhapatnam Plant Siding (VSPS) in respect of coal traffic (hard coke) booked from BCME siding was correctly charged as 1108 kms. in the case of imported coking coal traffic booked from VSPS under Waltair division to BCME siding the distance was charged as 960 km. due to failure to compute the chargeable distance via Dankuni. The imported coking coal traffic was stopped after January 2004. The amount of undercharges was neither detected/ realised at the destination point nor noticed during internal check by Accounts Office. This resulted in loss of revenue to the extent of Rs.0.94 crore.

When the matter was taken up (April 2005), the Railway Administration stated (July 2005) that the imported coal has been excluded from the purview of rationalisation scheme in terms of Railway Board's letter of August 2001. Charging of imported coal from Port areas to BCME shall be via the shortest and cheapest route. The loss as assessed by the Audit is purely notional and hence not acceptable.

The reply is not tenable because sub-clause III of serial No.7 of the order relied upon by the Railways is applicable only for movement of coal from Assam Coal Fields to different destinations on Zonal Railways and does not override the route rationalization scheme circulated under General Order No.1 of 2000. Hence, the loss as assessed by audit on the basis of rates etc. obtained from Railway's own records is actual and not notional.

The matter was taken up with the Railway Board in August 2005. Their reply has not been received so far (December 2005).

2.3.6 Western Railway: Short-realisation of haulage charges from Container Corporation of India

Non-levy of haulage charges via the routes by which traffic was actually carried resulted in short recovery of Rs.0.93 crore during the period April 2002 to March 2005 from Container Corporation of India

As per Memorandum of Guidelines for commercial and operating aspects signed between Indian Railway and Container Corporation of India (CONCOR), Railway will quote a consolidated line haul charge, per train, per flat or per wagon for recovery from the CONCOR. These charges so quoted were to determined for specific routes on the basis of distance right up to the terminals of CONCOR. Accordingly, Railway Board has been notifying the rates of haulage charges recoverable from time to time.

Review of records of four International Container Depots (ICDs) and two Regional Container Terminals (RCTs) from which CONCOR has been booking their traffic in containers revealed the following:

- The container traffic booked from Pipavav Port Siding (PPSP) to Dhandari Kalan (DDL) by CONCOR was booked and routed via Rewari -Tughlakabad (a specified hub) -Naya Azadpur -Dhandari Kalan, but the haulage charges were recovered by the shorter direct route Rewari -Hissar -Dhandari Kalan. Non levy of haulage charges by the longer carried route has resulted in short recovery of Rs.0.60 crore during December 2003 to March 2005.

- The container traffic booked from Khodiyar (WR) to Danapur and Fatua stations of Eastern Railway was booked and carried by Bayana - Tundla but the haulage charges were recovered via shorter route i.e. Nagda -Bhopal. Thus non-levy of haulage charges by the actual carried longer route resulted in short recovery of Rs.0.22 crore during April 2002 to March 2005.
- The haulage charges of container traffic booked from RCT, Vadodara were levied from Vadodara station instead of from the CONCOR's terminal. As the distance of 3 kms. from Vadodara station to CONCOR's terminal was not taken into account for levying haulage charges, there was short recovery of Rs.0.04 crore during the period April 2002 to March 2005.
- The distances for levy of haulage charges in respect container traffic booked from Bombay Port Trust, Mundra Port Trust, Pipavav Siding Port, Kandla Port Trust and Nagda Junctions to various station of other Zonal Railways were not computed correctly. Thus non-levy of haulage charges for correct distances resulted in short recovery of Rs.0.07 core during April 2002 to March 2005.

When the matter was taken up (March 2005), the Railway Administration stated in July 2005 and August 2005 that as per certificate issued by CONCOR on 17 June 2005 the traffic from PPSP to DDL was moved directly and hence the haulage charges were recovered correctly. As regards the charging of traffic via Nagda-Bhopal instead of Bayana -Tundla, the Railway Administration stated that undercharges have been raised and recovery will be effected. Railway Administration also stated that the position will be rechecked and necessary action will be taken in respect of non-inclusion of distance of 3 kms. from Vadodara to CONCOR's terminal. Regarding incorrect computation of distances to various stations, the Railway Administration stated that necessary debit as pointed out by Audit will be raised shortly.

The reply of Railway Administration that traffic was charged by the actual carried route, as per certificate furnished by CONCOR, is not based on facts and hence cannot be accepted in audit. In the copies of Inland Way Bills, CONCOR has clearly mentioned that the traffic is to be moved via Tughlakabad. Moreover, on an inquiry by Audit, Deputy Station Superintendent, Rewari has stated that CONCOR's traffic booked from PPSP to DDL was never carried via Hissar.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.4 Demurrage/ Detention

2.4.1 Central Railway: Loss of earning capacity of wagons due to detention in yard and siding

Heavy detention of wagons in yard as well as in sidings resulted in loss of earning capacity of Rs.15.40 crore at two stations (Khadki - Rs.11.63 crore and Manmad – Rs.3.77 crore)

Wagon fleet is one of the major inputs of Railways for freight movement and, therefore, their detention at goods shed, sidings, station yard etc., affects the turn round of wagons, as well as loss of their earning potential. It is, therefore, necessary that the Railway Administration make suitable arrangements to avoid detention to their wagon fleet.

Audit scrutiny of records at Manmad and Khadki stations revealed that there was heavy detention of wagons in the yard as well as sidings resulting in loss of earning capacity amounting to Rs.15.40 crore. When the matter was taken up in June 2005, the Railway Administration stated (September 2005) that due to non-availability of capacity to accommodate full rake at Khadki, two placements had to be made. The detention at Khadki Military siding was caused mainly on account of Military Authorities demanding wagons in piecemeal, whose movement was always difficult and slow and for detentions on party's account, demurrage had accrued. Manmad station had a very limited Goods shed facility necessitating two placements to deal with a full rake. Due to this infrastructural constraint, trade was encouraged to offer traffic in two point combination rake in which one part was loaded at Manmad and other part was loaded at one of the other nearby stations. As a result, the part available for Manmad had to be detained. It was also stated that some facilities at Manmad had further been developed now to accommodate a full rake at a time, which would reduce detention at Manmad.

These arguments are not satisfactory because these are problems faced by the Railway Administration during their normal operation and should have been solved by taking suitable remedial action. Instead, even the shunting engine deployed at Manmad had been withdrawn in August 2004, further aggravating the situation, as the shunting activities are now being carried out by the available lie-over locomotives. Moreover, Audit had worked out the detentions, after making an allowance of three hours per wagon for operational constraints. It was also observed in Audit that indents for wagons were regularly outstanding at Manmad and the wagons, had they not been detained, could have been more gainfully utilised. Regarding clubbing of wagons for formation of full rakes of onion consignments at goods shed, Manmad, instances were noticed (financial input Rs.0.66 crore during 2001-04) where, even after formation of full rakes, they were detained. Had the Railway Administration taken remedial measures earlier, the detention to stock could have been avoided.

Thus, due to inadequate management, wagons being dealt with at the two stations were being detained due to which the Railway Administration suffered loss of earning capacity amounting to Rs.15.40 crore (Rs.3.77 crore in respect of Manmad and Rs.11.63 crore in respect of Khadki) during the period January 1999 to March 2005.

The matter was taken up with the Railway Board in October 2005. They reiterated (December 2005) the reply furnished earlier by Railway Administration which is not tenable as explained above.

2.4.2 Western Railway: Improper management leading to avoidable detention to wagons

Improper management of loco trips for placement/withdrawal of wagons in a Workshop and returning of locos without load despite the fact that wagons were waiting for withdrawal after periodical overhauling has resulted in loss of earning capacity of Rs.9.35 crore

The performance of Railways as a 'Goods Carrier' depends, among other things, on optimum utilization of rolling stock assets with minimum detention.

Partapnagar (PRTN) Workshop of Western Railway carries out Periodical Overhaul (POH) of four wheeler tank wagons and Narrow Gauge coaches and Routine Overhaul (ROH) of eight wheeler tank wagons (BTPN). The stock earmarked for POH is sent to and withdrawn from the Workshop after POH/ROH by Operating staff of Karachiya yard situated at a distance of approximately 11 kms.

Audit scrutiny of records of POH activities of PRTN Workshop revealed that the four wheeler tank wagons were detained in the workshop for periods ranging from 2 to 216 days prior to taking them for POH and for periods ranging from 2 to 101 days after the wagons were turned out after carrying out POH. Out of 3,235 wagons sent to PRTN Workshop for POH during May 2001 to March 2005, 2,512 wagons were detained for 40,745 days prior to taking them for POH. Similarly during the same period 2,251 wagons were detained for 14,528 days as they were not withdrawn immediately. It was noticed in Audit that on 159 occasions the engines deputed to Workshop returned empty despite the fact that wagons after POH were waiting for withdrawal and many a times the tank wagons suffered detention as the same were received without steam cleaning. Audit observed that even after allowing 6 days' period for completion of POH activity and two days for withdrawal of each wagon the total detention during the period May 2001 to March 2005 works out to 35,699 days resulting in loss of earning capacity of Rs.9.35 crore.

In reply to audit objection issued in July 2004 the Workshop authorities stated in October 2004 that the detention prior to POH was due to irregular/bunched feeding of wagons. It was also stated that capacity of the workshop was only to take three wagons at a time for POH activities and whenever more than three wagons were received, they were helpless in avoiding detention. The detention after POH was attributed to non-withdrawal of the same by Operating Department.

In this connection audit is of the view that though the detention to wagons prior to taking them for POH was not totally avoidable, this could have been reduced by sending them after steam cleaning as required. Moreover, non-withdrawal of wagons after POH and return of engine without load, even when wagons were ready to be taken out, indicates improper planning and lack of coordination amongst Workshop authorities and operating staff. The loss of earning capacity due to non-withdrawal of wagons after POH within a reasonable period of two days works out to Rs.2.60 crore.

When the matter was brought to the notice of Railway Administration (March 2005) they stated in June 2005 that the loss of earning capacity worked out by Audit is not correct. As per Railway Administration's calculation the loss works out to Rs.2.29 crore. If the wagons are brought in piece meal the cost of deployment of engine would have been Rs.2.49 crore. They also stated that if more than two to three trips in a month are made to the workshop it will choke up the main line resulting in detention to passenger trains.

The contention of the Railway Administration and the loss of Rs.2.29 crore worked out by them are based on the figures of net earning after providing the cost of all operations including the engine hire charges. The loss of earning capacity worked out by Audit, however, is based on the earning capacity of a wagon as published in the Annual Statistical Statements of Indian Railways. Moreover, the Railway Administration's apprehension of choking up of main lines is not based on a correct appreciation of audit contention. It was observed by audit that in fact the locomotives visited PRTN Workshop at an average of 14 days in a month. Out of 910 occasions on which the locomotives visited the workshop, on 159 days it was returned empty despite the fact that overhauled wagons were waiting for withdrawal from the workshop. With better management of the same number of trips, detention could have been avoided.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.4.3 South Central Railway: Loss due to detention of loaded rakes

Unnecessary detention of rakes led to loss of earning capacity amounting to Rs.7.16 crore

The performance of a Railway depends, among other things, on optimum utilization of its rolling stock with minimum detention and improved turn around.

Maharastra State Electricity Board (MSEB) siding is 5 kms. away from its serving station viz. Parli Vaijnath (PRLI). The siding is notified as an independent booking point for charging freight on through distance basis since the siding has all the facilities to receive and dispatch rakes without being dealt at serving station.

Review of the records of siding/ station revealed that coal rakes received at PRLI station for MSEB siding were detained in the station yards for about 2 hours 12 minutes on an average, even after allowing 30 minutes for change of crew and fuelling of engines. As the rake was not to be handled at the serving station (PRLI) before its despatch into the siding, Audit is of the view that there was no necessity for this detention. Total detention on this account was worked out to 34,411 wagon days with consequential loss of earning capacity of Rs.5.66 crore in respect of 2,153 rakes detained during the period April 2002 to September 2004. Even after the rakes were physically placed in the siding, extra time on an average of 38 minutes per rake was taken to issue placement memo. Detention on this account worked out to 8411 wagon days with consequential loss of earning capacity of Rs.1.50 crore during the same period.

When the matter was brought to the notice of the Railway Administration (March 2005), they attributed (June 2005) the detention to non-availability of adequate reception lines (only two lines exist), non-availability of shunting neck at MSEB siding/ PRLI, inadequate tippler capacity at MSEB/ PRLI and inability of MSEB/ PRLI to accept coal rakes freely during plant maintenance period.

These reasons given by Railway Administration are attributable to siding owners and not to the Railways. Audit is of the view that the Railway Administration should have invoked the provisions of the siding agreement and levied demurrage/ detention charges to discourage such detentions.

In a subsequent discussion in August 2005 Railway Administration admitted that detention in the serving station as well as in the siding was totally avoidable and assured that necessary action will be taken to avoid detention.

The matter was taken up with the Railway Board in August 2005. Their reply has not been received so far (December 2005).

2.4.4 North Central Railway : Loss due to detention of wagons in workshop awaiting formation of rake

Unnecessary and avoidable detention to wagons for loading scrap in the Store depot of Wagon Repair Workshop, Jhansi resulted in loss of earning capacity of Rs.6.34 crore

Wagon fleet is one of the major inputs of Railways for freight movement. Detention of wagons in yards, stations, sidings etc. affects the turn round of wagons and results in loss of their earning potential.

Rules provide that indents for supply of wagons for loading railway material and stores, indicating number and descriptions of wagons required, should be sent to the Station Master or Goods Clerk concerned who, on receipt of the wagons, should inform the indenter about their availability for loading.

The Store Depot of Wagon Repair Workshop, Jhansi (JHS) sells scrap of wheel sets, wheel centre/ discs and light metal scrap to the Wheel and Axle Plant, Yelahanka, Bangalore, on transfer price.

Audit scrutiny of records maintained at JHS revealed that the workshop authorities placed no indents for wagons/ rakes on the Operating Department for loading scrap material. On the contrary, they loaded scrap material directly in wagons (BOX ‘N’, BOX ‘C’ and BCN) in piecemeal, by detaining the wagons declared fit after periodical overhaul (POH) and those received in the workshop for POH. It was observed that these wagons were handed over for onward movement only after full rake was formed. Though the Senior Divisional Operations Manager, JHS requested (March 2003) the Chief Workshop Manager to issue instructions to his staff to observe procedures and not load wagons without registration and allotment of wagons, no remedial action has been taken so far (July 2005) and the irregular practice is continuing.

Failure of the Railway Administration to follow prescribed procedures for indenting and supply of wagons resulted in unnecessary and avoidable detention to wagons (ranging between 3 to 257 days) to the extent of 76,002.5 wagon days during the period December 2002 to March 2005 and led to loss of earning capacity of Rs.6.34 crore. It was also observed that during the same period, indents for similar wagons were outstanding with the Railway Administration, suggesting that the wagons could have been more gainfully utilised elsewhere.

The matter was taken up in March 2005. Though no formal reply has been received so far (July 2005), the Railway Administration, in a meeting (20 July 2005) contended that the daily arising of wheels scrap in the workshop was of one wagon and there was not much space available in the workshop to store the wheels scrap, which could be loaded in a rake. They further contended that the workshop authorities were examining the various alternatives to handle the scrap for transporting to Bangalore.

Arising of scrap in the workshop is a regular feature. The arguments brought out above reinforce the audit contention that the Railway Administration should have adopted suitable arrangements for storing/ transporting the same, instead of resorting to practices in contravention of the existing procedures and detaining wagons unnecessarily for long duration.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.4.5 Eastern Railway: Avoidable detention of wagons loaded with coaches earmarked for periodical overhauling

Due to lack of infrastructure and delay in condemnation of narrow gauge coaches wagons carrying such coaches were detained unnecessarily in Kancharapara workshop and Halisahar yard leading to loss of earning capacity worth Rs.4.48 crore

Kanchrapara (KPA) workshop on Eastern Railway has been nominated for periodical overhauling (POH) of Narrow Gauge (NG) coaches. Coaches due for POH are sent to Halisahar (HLR) yard by the Divisions after loading on Broad Gauge (BG) open flat wagons. After initial checking at the yard the coaches in need of POH are sent to KPA. As the workshop does not have NG line to stable these coaches on receipt in the workshop, these coaches are unloaded from the BG wagons directly on to shop floor by crane. On completion of POH, these coaches are again loaded on BG wagons for despatch to yard.

An audit review (August 2004) of the records of KPA workshop for the period from December 1997 to December 2003 revealed that 19 BG flat wagons carrying 19 NG coaches were received at HLR for onward movement to KPA for POH. Out of these 19 coaches, seven coaches were found repairable during initial checking and were sent to KPA for POH. Ten coaches found beyond economic repair were decided to be processed for condemnation at HLR. Two coaches were to be sent to Motibagh workshop, Nagpur. It was seen in Audit that wagons carrying these coaches were detained unnecessarily for long periods of time at the HLR yard as well as workshop. Wagons carrying NG coaches to be processed for condemnation were detained for periods ranging between 2,730 days (i.e. over seven years) and 554 days, whereas the wagons carrying coaches for POH were detained for periods ranging between 525 days and 129 days. Two wagons carrying coaches to be sent to Motibagh were released after delays of 316 days and 126 days.

Thus, due to non-provision of NG line in KPA workshop and failure on the part of the Railway Administration to expedite the process of condemnation, these wagons were detained unnecessarily in KPA workshop and HLR yard for a total of 15,293 wagon days. This led to loss of earning capacity to the tune of Rs.4.48 crore during the period December 1997 to December 2003.

The Railway Administration in an earlier reply attributed (April 2004) the detention to the bunching of coaches as well as non-availability of bearings of these coaches.

When the matter was taken up in March 2005 the Railway Administration admitted (June 2005) that due to lack of infrastructure, POH of NG coaches was taking time. However, they claimed that efforts were always made to turn out NG coaches at an increased rate. They also stated that Divisions send overaged and condemnable coaches hence time was taken for processing their condemnation. Main constraint in releasing wagons carrying coaches was non-availability of infrastructure at Kanchrapara workshop to dispose off condemned coaches. On this ground Railway Administration has stated that financial implication of the detention may be treated as incidental and unavoidable.

The reply cannot be accepted. Kanchrapara workshop has been entrusted with POH of NG coaches since long and Railway Administration should have provided NG line at KPA to stable these coaches so that wagons carrying NG coaches could be released expeditiously and detention of wagons avoided. The process of condemnation is not carried out in the workshop but at the Halisahar yard itself, which is a part of the scrap yard. The condemnation process in the HLR, therefore, should not have taken excessive time. Audit considers, therefore, that the loss due to inordinate delay in undertaking POH as well as delay in processing condemnation of coaches cannot be termed as incidental and unavoidable.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).

2.4.6 East Central Railway: Loss of earning capacity due to avoidable detention of wagons loaded with scrap

Unnecessary detention of 804 wagons, not earmarked for carrying departmental materials in Plant Depot, Mughalsarai, resulted in loss of earning capacity of Rs.4.38 crore

Railways utilise wagons for transportation of different consignments to and from Plant Depot, Mughalsarai for their departmental use. For optimum utilisation of rolling stock, it is imperative that the detention of wagons be reduced to the minimum because detention of wagons in yards, sidings etc. affects the turn round of wagons adversely and results in loss of earnings to the Railways. In view of the prevailing situation of acute scarcity of wagons and paucity of transport capacity vis-à-vis the large number of pending demands, the Railway Board directed (March 1995) that the wagons should be released in time without any delay whatsoever.

Audit scrutiny revealed that during the period April 2002 to March 2005, 828 wagons carrying departmental materials meant for fabrication of bridge girders, platform shelters, foot over bridges, cc cribs, rail panels, bridge slabs, 3-rail panels, 20-rail panels etc., were detained for periods ranging up to 80 days in Plant Depot, Mughalsarai (from placement to release), after allowing a period of nine hours free time. Further scrutiny revealed that during the same period, a large number of indents for wagons were outstanding and these wagons, if not detained in PD/MGS, could have been more profitably utilised.

Audit scrutiny also revealed that though a sum of Rs.19.27 crore was levied for the period October 1992 to March 2005 as demurrage charges, only Rs.1.31 crore had been paid and Rs.3.89 crore was waived, leaving a balance of Rs.14.06 crore as of 31 July 2005. This defeated the purpose of levying these charges viz., to discourage misuse of wagons for warehousing purposes.

Since the contents of these wagons were meant for fabrication of materials for use on the Railways, accrual of demurrage due to unnecessary detention will unnecessarily inflate the cost of the fabricated materials.

Unnecessary detention of these wagons resulted in loss of earning capacity of Rs.4.45 crore.

When the matter was taken up (June 2005), the Railway Administration stated (August 2005) that in the instant case the transaction of demurrage charges is an inter-departmental exercise having no ultimate financial implication and that the outstanding demurrage charges amounting to Rs.14.06 crore would be liquidated in due course as requests for their waiver were in correspondence.

The contention of the Railway Administration is not acceptable on the face of the fact that the department lost the revenue of Rs.4.38 crore on account of detention of wagons and they have already recovered Rs.1.39 crore towards demurrage, which has increased the cost of material to that extent.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.4.7 Eastern Railway: Short levy of demurrage charges

Short levy of demurrage charges for detention of wagons due to inadequate line capacity in the siding resulted in loss amounting to Rs.3.96 crore

Rules provide that when wagons cannot be placed at a siding on account of siding owner's inability to accept the wagons and such wagons are detained in the serving station yard, the railways have the right to levy demurrage charges for detention beyond the prescribed free time. Rules also provide that in case of BOXN rakes, the entire group of wagons placed for loading will be treated as one unit for the purpose of levy of demurrage i.e. even if one wagon out of the group of two or more is detained for loading beyond the prescribed free time, the demurrage will be levied on all the BOXN wagons in the group.

Sodepur Colliery Siding served by Sitarampur station in Asansol Division is one such siding where an entire rake of BOXN wagons consisting of 58 wagons is sent for loading as per indent of the siding holder. Loaded wagons are charged under trainload classification. The siding has only one line with capacity to hold only 30 BOXN wagons and hence splitting of the rake is unavoidable. Until the loading of 30 wagons is completed, the remaining part of the rake consisting of 28 wagons has to be kept in the yard. Thus, the entire rake suffers detention.

Audit scrutiny of records revealed that during the period 2003-2005 (up to January 2005), 77 BOXN rakes were detained for periods ranging from 16 hours to 316 hours beyond the permissible free time; for this demurrage charges to the tune of Rs.3.96 crore had accrued. However, instead of raising demurrage charges on the entire rake as per rules, Railway Administration levied demurrage charges only on wagons left behind and thus levied only Rs.3.73 lakh during the above period. Out of this sum, Rs.2.69 lakh were waived, Rs.0.70 lakh were paid by the party and the balance of Rs.0.34 lakh were yet to be paid as of August 2005.

Thus, short levy of demurrage charges accrued due to detention of wagons caused by non-availability of facility in the siding to handle a full BOXN rake. This resulted in loss amounting to Rs.3.96 crore.

When the matter was taken up (September 2005) with the Railway Board, they stated (November 2005) that demurrage is levied only when a rake consisting of group of wagons is placed for loading or unloading and the party fails to complete the same within admissible free time. Further, placement of wagons in the siding is treated as one unit and demurrage is levied on the group of wagons placed for loading. In fact out of 58 BOXN wagons, 29 BOXN are sent to Kalipahari siding for loading. So there is no detention to empty stock during supply as pointed out. Audit has calculated the detention concentrating on supply time of an indented rake to Sodepur colliery, which is not correct. The demurrage was levied on rakes which were left behind for suffering detention beyond free time after obeying pilot visit rules.

The above reply is not tenable because the rules cited by Audit were taken from Indian Railway Commercial Manual Vol.II and an extract from Railway Board's notification of 1 August 1988. Railway Administration has admitted allotment of BOXN rake consisting of 58 wagons against trainload indents by the party. According to rules, once the rake is allotted it is the responsibility of the party to load the rakes within the free time allowed to get the benefit of train load classification. Under rules, the entire group of BOXN wagons placed for loading would be treated as one unit of the purpose of levy of demurrage charges. The calculation of detention by audit was done on the basis of Chief Trains Clerk/ Sitarampur's vetted statement of supply and drawing of wagons from the siding for the concerned period. The Railway Administration instead of raising demurrage charges on entire rake for detention of individual wagons, levied the demurrage on left behind wagons only. Thus, the demurrage charges levied were not in accordance with the rules.

2.5 Others

2.5.1 South East Central Railway: Non-recovery of shunting charges

Failure of Railway Administration to examine the working pattern of two sidings and non-levy of shunting charges as per instructions resulted in loss of revenue to the extent of Rs.2.32 crore

In December 1986, Railway Board decided that in new sidings which were constructed with facilities for handling full train loads and where trains entered into or exited from the sidings without being dealt with in the station yards, the freight charges should be levied up to the buffer end of the siding instead of up to the serving station. It was also stipulated that in such cases no siding charges will be levied. In March 1987, the above provisions were also made applicable in respect of old sidings. However, when Railway locomotives were used to perform shunting inside the siding, shunting charges as per rules were to be levied.

South Eastern Railway (SER) notified (December 2002) Bijuri and West Jhagrakhand Colliery Sidings for levying freight charges up to the buffer end of sidings and directed the staff to add 2 kms and 11 kms respectively in the distances notified up to the serving stations of these siding.

However, later on it was seen that these sidings did not have adequate facilities to handle train load traffic and Railway's locomotives were being used for shunting operations inside the sidings. Railway Administration decided (June 2004) to levy shunting charges with effect from 3 February 2004 in accordance with the Railway Board's instructions. The instructions of charging freight up to the buffer end of siding were also withdrawn from 20 July 2004 and it was decided to levy siding charges as per past practice.

Audit noted that the SER notified (December 2002) the sidings as having facilities for handling full train load traffic and decided to charge freight up to the buffer end without carrying out a study of the working pattern of handling of traffic. The incorrect decision was reversed after an indepth study was carried out by the Railway in January 2004. As a result, though Railway locomotives were used for performing shunting inside the siding, the Railway Administration failed to levy and recover the shunting charges as per Railway

Board's instruction of March 1987. The loss on this account during the period 1 January 2003 to 3 February 2004 has been assessed at Rs.2.32 crore.

When the matter was taken up (September 2005) with the Railway Board, they accepted the audit contention (November 2005) and agreed that Railway Administration had failed to levy and recover the shunting charges. However, they assured that the amount will be realised from the siding owners.

2.5.2 South Western Railway: Loss of earning capacity and undue extension of freight benefit

Inadequate facilities for handling trainloads at three stations resulted in detention to wagons and consequent loss of earning capacity of Rs.1.40 crore during three years along with unnecessary extension of trainload freight benefits (Rs.2.12 crore)

Trainload rates, which are lower than wagon load rates, are extended to goods offered in bulk for loading, where the quantity offered satisfies the minimum quantum prescribed. Trainloads do not require marshalling enroute and hence result in higher operational efficiency and better utilisation of wagons. Indents for trainload traffic should be accepted at such stations/ sidings and for such stations/ sidings, which are notified as full rake handling stations/ sidings. It is essential that the forwarding station has knowledge that trainload handling facilities are available at the destination station/ siding cited in the indent.

A review in Audit of three stations on Mysore Division of South Western Railway viz. Harihar (HRR), Haveri (HVR) and Ranibennur (RNR) indicated that even though these stations were notified for dealing with trainload traffic during the period September 1994 to October 2002, they were not capable of handling trainload rakes in one placement. Whereas the capacity for goods handling at HRR and RNR was for 20 bogie wagons only, at HVR it was for 28 bogie wagons. As rakes to be handled there were comprised of 40 BCN wagons, more than one placement was required to handle each rake. Even though the inadequacy had been continuing for a considerable period of time with corresponding loss of earnings of wagons detained due to their handling in more than one placement, necessary action to augment the capacity had yet to be taken (August 2005). This resulted in loss of earning capacity (Rs.1.40 crore) on account of detention to wagons during three years (2002-03 to 2004-05) besides undue extension of trainload freight benefit of Rs.2.12 crore.

Audit took up the matter with Railway Administration in March 2005. Railway contended on 11 May 2005 that the existing facilities were retained in order to keep down the cost during gauge conversion. It added that while carrying the traffic facility works subsequently, the works were prioritised taking into account the quantum of traffic handled and need for the optimum utilisation of the scarce resources available. Further, in response to the draft paragraph issued (May 2005) by Audit, Zonal Railway Administration contended (September 2005) that the benefit of end to end running outweigh the minor shunting that may have to be done at stations with inadequate capacity. Moreover, there was no loss as the savings of wagon time on route due to end to end running was taken into account.

These arguments are not acceptable in Audit as the work of improving handling facilities should have either been taken up prior to notification of the stations for handling trainload traffic or immediately thereafter. There was heavy regular traffic both inward and outward, at all the three stations to justify the creation of full rake handling facilities on priority basis. The issue raised by audit relates to the detentions caused to the wagons due to inadequacy of full rake handling facility and not about shunting that is required due to the inadequacy. The loss suffered on account of inadequate facilities was avoidable. Had the facilities been provided, the end to end gains referred to by the Railways would have been higher.

The matter was taken up with the Railway Board in October 2005. Their reply has not been received so far (December 2005).

2.5.3 Southern Railway: Avoidable empty haulage of Mainline Electric Multiple Unit rakes from Palghat Town to Erode for maintenance due to non-creation of facilities at Palghat

Non-creation of maintenance facilities at Palghat for Mainline Electric Multiple Unit rakes and hauling the same to electric Loco shed, Erode resulted in avoidable expenditure of Rs.1.54 crore on its haulage

A Mainline Electric Multiple Unit (MEMU) service between Palghat Town (PGTN) and Coimbatore (CBE) was introduced (August 2002) to run as train Nos. 631/632. Though creation of maintenance facility was necessary to ensure the safety, reliability and operational needs of MEMU rakes, no separate shed for this purpose was available on Southern Railway (March 2005).

A proposal for the construction of inspection pit lines for MEMU maintenance at Palghat Town (PGTN) at a total cost of Rs.29.85 lakh was made by the Divisional authorities (June 2002) seeking its inclusion in GM's out of turn sanction for the year 2002-03. This proposal was for provision of the lowest minimum facilities required to start regular inspection and maintenance of MEMUs. This proposal was not pursued as the space available at PGTN was found to be insufficient. Due to non-availability of facilities at PGTN the MEMU rake was decided to be moved to Electric Loco Shed, Erode (at a distance of 293 Kms. from Palghat) every Saturday night for weekly/ monthly maintenance.

Provision of maintenance facilities at Palghat was again proposed for inclusion in the works programmes 2003-04, 2004-05 and 2005-06. The proposal of 2003-04, though approved by the Additional Members Committee at the Board's level, was not included in the Pink Book. The Railway Board deferred the 2004-05 proposal stating that the work would be considered after the approval of the report by the Executive Directors committee. The proposal for 2005-06 was dropped in the Additional Members' Committee Meeting held in November 2004. As an interim measure for the maintenance of MEMU rakes, a proposal for the provision of pit line and stabling facilities for MEMU rakes at a total cost of Rs.79.50 lakh was initiated (January 2005) for processing for

GM's out of turn sanction. However, GM, Southern Railway approached (March 2005) the Board for sanctioning the earlier proposal (Rs.6.07 crore) made for inclusion in Works Programme 2005-06, on higher priority.

Due to non-creation of maintenance facilities at Palghat, the MEMU rake in service between Palghat Town and Coimbatore is being hauled up to Erode (293 kms.) and back every week for maintenance at Electric loco shed, Erode. During the period from August 2002 to March 2005, there were 136 trips causing an avoidable haulage cost of Rs.1.54 crore worked out by taking into account cost of hauling a coaching train (BG) per kilometer on Southern Railway as available in Annual Statistical statements (2003-04) for Indian Railways. The proposals for provision of pit lines (exclusive or with stabling line) made in 2002 and in January 2005 at the costs of Rs.29.85 lakh and Rs.79.50 lakh respectively make it clear that the provision of such minimum facilities would have avoided these trips and consequent extra cost of haulage.

When the matter was taken up with Railway Administration (May 2004 and March 2005) and Railway Board (September 2005), it was contended that movement of MEMU rakes was an interim arrangement which was essential and mandatory as successive proposals for creating infrastructure were not sanctioned by the railway Board. However, it was stated that the work of provision of maintenance facilities would be taken up on the receipt of sanction for the work and cost of energy consumed in total 136 trips was only Rs.10.69 lakh. The reply is not satisfactory because provision of the lowest minimum facility was a prerequisite and even after the introduction of MEMU rakes in August 2002, would have avoided extra haulage. No separate maintenance facility was provided even two and half years after the introduction of MEMU rakes. Moreover, reasons for considering the cost of fuel only for calculating the cost of haulage and ignoring altogether the proportionate costs of other factors like cost of repair and maintenance of rolling stock, motive power, permanent way etc., by the Railway have not been communicated in absence of which figure of Rs.10.69 lakh cannot be accepted.

2.5.4 Southern Railway: Loss due to inadequacies in handling capacities and non-electrification of loading and unloading lines

Inadequacies in loading and unloading capacities as also non-electrification of the lines at Royapuram and Walajah Road, resulted in undue detention of wagons and avoidable deployment of locos and consequent loss of revenue of Rs.2.92 crore

Orthoxylene is booked regularly from Royapuram (RPM) to Walajah Road (WJR) in rake loads of 36 to 55 tank wagons by a private firm M/s. Thirumalai Chemicals Ltd., from March 1995 onwards.

Capacity for loading and unloading at RPM and WJR was not adequate to deal with rake loads of this size. Whereas only eight wagons could be loaded at RPM at a time, unloading capacity at WJR was spread over three lines to accommodate only 28 tank wagons. Further, the loading line at RPM and the unloading lines at WJR were not electrified. As RPM and WJR stations lie in electrified sections, shunting engines had to be deployed for the placement and removal of wagons in the siding. For shunting requirements at WJR, the shunting engines had to be brought from other stations like Katpadi, Jolarpettai etc. involving extra cost of haulage apart from the detention caused to the loads, waiting for the arrival of the shunting engines.

The wagons utilised in this stream of traffic were retained in close circuit, except for the wagons, which had to be withdrawn for periodical overhaul or sick line attention. The wagon turn round in the above said circuit was 6.74 days which was very high keeping in view the distance between RPM and WJR (106 kms.).

Audit observed that inadequacy in the loading and unloading capacity at both stations and the non-electrification of the loading and unloading lines had resulted in loss of earning capacity to the extent of Rs.2.32 crore due to 15,651 wagon days detention and Rs.0.60 crore on account of 146 shunting engines deployed during the period April 2002 to March 2005.

The firm M/s. Thirumalai Chemicals Ltd. had constructed storage facility at RPM and WJR and the traffic of orthoxylene was continuing from 1995 and as such Railway Administration should have taken the initiative to enhance the handling capacities at RPM and WJR and electrify the loading and unloading lines at both the stations in view of assured traffic and thereby avoided the detention and the additional shunting. However, no proposal either for the augmentation of handling capacity or electrification of loading/ unloading lines was made by the Railway (August 2005).

Audit took up the matter with Railway Administration in February/ April 2005 who contended (October 2005) that electrification of loading and unloading lines at both the stations was not feasible due to safety considerations as during the loading and unloading operations, men climb twice on the top of wagons to open and close the lids. Moreover, loss of earning capacity was not involved as orthoxylene traffic was through unfit POL wagons and could not utilised for other traffic.

Above contention is not acceptable as during loading and unloading operations, lay bys could be top wired in such a way that placement/ release of tank wagons could be done by incoming/ outgoing electric engines as is done in other oil sidings such as M/s Indian Oil Corporation siding at Devonkunthi. Secondly, during test check in audit, it was observed that tank wagons withdrawn from this traffic were utilised for POL traffic and hence these were not unfit POL wagons and loss of earning capacity assessed by audit was real one.

The matter was taken up with the Railway Board in September 2005. Their reply has not been received so far (December 2005).