CHAPTER 2: EARNINGS

2.1 Lacunae in rules/ decisions

2.1.1 Western, Central, Southern: South Western, Northern and West Central Railways — Loss due to fixation of haulage rates less than the freight at base class

Fixation of haulage rates less than the base class at break even rates has resulted in loss of Rs.801.67 crore during nine months period alone

Container Corporation of India (CONCOR) was set up in 1989 with a view to capture piece meal traffic which Railway had lost to road due to introduction of train load movement of traffic. Railway Board fixes the rates of haulage charges recoverable from CONCOR. As per para 2.3 of the Memorandum of Guidelines signed between Indian Railway and CONCOR, the rail transport charges to be levied by Indian Railway on CONCOR were to be on the basis of marginal cost and normal profit.

Railway has classified the commodities carried by rail in to various classes. The freight rates charged at Class 100 are considered the break even rates. Rates below class 100 are subsidized rates provided for only those commodities where the Government has decided to give relief to common man or to those commodities which due to their physical form can not be loaded up to the carrying capacity of a wagon on which the freight is actually recovered.

While comparing the rates charged at class 100 with those recovered from CONCOR it was observed in Audit that the existing haulage rates effective from April 2006 levied on transportation of CONCOR traffic were in the range of 58 per cent to 70 per cent of freight rates at class 100. Audit scrutiny of records of six container depots over Western, Central and Western Central Railways revealed that the haulage charges recovered from CONCOR for transportation of their traffic during the period from April 2006 to March 2007 were less by Rs.801.68 crore when compared with the break even class 100. This clearly indicates that the charges recovered from CONCOR were far below the cost of operations causing loss to the Railways.

When the matter was taken up with the Railway Administration in March 2007 they stated in August 2007 that pricing policy is a complex and market sensitive issue wherein various factors like what the market can bear, CONCOR' s competitiveness with road, rail freights, costing parameters, escalation index, etc. have to be taken into account before finalizing the haulage charges. Any pricing policy in disregard of these factors can be counter productive and detrimental to CONCOR and Indian Railway's interest. The reply is not acceptable because charging rates which do not cover the cost of operations can not be termed as a good pricing policy by any logic. Further, CONCOR is a company running on commercial principles and subsidising its operations by charging low haulage rates to the detriment of Railways is not a good freight policy.

Thus fixation of haulage rates less than the base class at break even rates has resulted in loss of Rs.801.68 crore during the year 2006-07 alone.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.1.2 South Western Railway: Loss due to non-declaration of a station as Port Serving Station

Non-declaration of Tinaighat station as a Port Serving Station though it handled inward traffic of iron ore meant for a Port has resulted in short levy of freight amounting to Rs.15.54 crore

South Western Railway is a major transporter of Iron Ore meant for export to various countries. Iron Ore loaded at different loading stations is consigned to Sanvordem, Tinaighat etc. of Hubli Division for onward despatch to Marmagoa Harbour (MRH) by Trucks/Barges. These stations, thus, primarily deal with the inward traffic of iron ore meant for MRH Port.

Railway Board introduced with effect from 1 December 2005 a separate class 'Iron Ore booked to Ports and stations/sidings serving Ports' (class 180) under the main Commodity Head 'ores'. The Zonal Railway, however, declared (December 2005) only Sanvordem station as a Port Serving Station although Iron Ore booked to both Tinaighat and Sanvordem was meant for export through MRH Port.

After a further review, Railway Board reiterated (May 2006) that stations/sidings, which primarily dealt with inward traffic of Iron Ore meant for Ports, were to be treated as 'Stations/Sidings serving Port'. As per the dynamic pricing policy introduced with effect from 1 April 2006, Iron Ore booked to Stations/ Sidings serving Ports attracted Busy Route Surcharge at the rate of 10 per cent with the existing class 180. On the other hand, Class assigned to Iron Ore booked to other stations was 160 with Busy Season Surcharge of five per cent up to 30 June 2006, class 170 with effect from 1 July 2006 and class 170 with Busy Season Surcharge of 4 per cent with effect from 1 November 2006. Even after the issue of the order by Railway Board, Zonal Railway Administration did not declare Tinaighat station as a 'Station Serving Port'. Reasons for not following the Railway Board instructions by the Railways were not on record.

Since Tinaighat station was not declared as a Port serving station, Iron Ore booked to this station continued to be charged at class 160/ 170 with Busy Season Surcharges as applicable from time to time instead of at class 180 and the Busy Route Surcharge at the rate of 10 per cent. This has resulted in short levy of freight and consequential recurring loss of revenue. The loss for the ten months period from June 2006 to March 2007 was Rs.15.54 Crore. The loss will continue till the Railway Board orders are implemented and Tinaighat is declared as a Port serving station.

When the matter was taken up by Audit (March 2007), Railway stated (July 2007) that Tinaighat (TGT) was not declared as 'port serving station' because they were not aware of the fact that the ore was unloaded at TGT and the lead from TGT to Murmagoa Harbur (MRH) being in excess of 80 kms. It was also added that Railway derived benefit on account of improved wagon turnround by notifying TGT for inward traffic. Railway's reply is not acceptable because Railway Administration was aware of the fact that ore traffic meant for export via MRH port was being unloaded at TGT and the station was required to be declared as serving station of the port. By notifying TGT for inward traffic consignors/ consignees also stood to gain by way of faster movement of the product.

The matter was brought to the notice of Railway Board in August 2007; their reply has not been received (December 2007).

2.1.3 Southern Railway: Avoidable loss due to non-cancellation of a pair of passenger trains

Railway's failure in not canceling a pair of uneconomic passenger trains resulted in an avoidable loss of Rs.10.96 core

Madurai (MDU) - Bodinaickanur (BDNK), an island Metre Gauge (MG) section (90 Kms.) is an uneconomic branch line. The major portion of earnings on this line was limited to parcel earnings from cardamom traffic. Prior to 15 August 1998, the operation of a pair of passenger train services everyday between MDU-BDNK-MDU was meeting the requirements. However, considering the persistent demand from the traveling public and the merchant community, an additional pair of passenger train services was introduced in the section from 15 August 1998.

Due to poor patronisation of the trains in the section, Divisional Operating Manager (DOM) proposed (October 2000) to cancel one pair of passenger trains. The proposal was not agreed to by the Senior Divisional Commercial Manager, MDU on the plea that cancellation of one pair of passenger trains would result in non-clearance of parcels at BDNK and lesser earnings. As such, two pairs of passenger train services continued to run in the section.

A review in Audit of the records connected with the operation of two pairs of passenger trains on the section during four years period (2002-03 to 2005-06) revealed that against the operating expenses of Rs.27.23 crore, the earnings realized were Rs.5.31 crore only. Thus, there was a net loss of Rs.21.92 crore. Had the Railway cancelled one pair of passenger train services as proposed by DOM/MDU in the year 2000 itself, net loss to the extent of Rs.10.96 crore could have been avoided. Even if Zonal Railway's own estimation communicated to Railway Board through financial results of the working of uneconomic branch lines is considered, net loss in providing services on this uneconomic branch line for the period comes to Rs.6.84 crore. Loss would continue till the cancellation of one pair of train service.

On this being taken up in Audit (December 2006), Railway Administration stated (March 2007) that the additional train services were run to capture the cardamom parcel traffic and to avoid crew accommodation problem at BDNK. It was also stated that the Division is planning to cancel one pair of train. Railway's reply is not acceptable in view of the fact that Railway could have cleared the cardamom parcel traffic by increasing the composition of one pair of train by providing additional SLRs or attaching parcel vans. Further, incurring such a huge loss by continuing a pair of train in operation to solve the crew accommodation problem was not justified.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.1.4 Central Railway: Loss due to running of a Millennium Special Parcel Train

The failure of the Railway Administration to take remedial measure for making the train profitable or discontinue its services resulted in loss of Rs.5.41 crore per annum

As contemplated by Railway Board, Central Railway sent a proposal in August 2002 for running of 'Parcel Special Train' on Mumbai - Guwahati route. Running of the train was justified on the ground that the route was very popular for transportation of parcel traffic. Railway Board approved the proposal in September 2002 and asked Central Railway to commence services from 8 October 2002. Initially this parcel train started from Lokmanya Tilak Terminal to Guwahati but the originating point was shifted to Kalyan from 13 July 2004.

Audit scrutiny of records of Central Railway revealed that a cost study conducted by the Traffic Costing Cell of Accounts indicated that Railway was losing Rs.12.30 lakh per trip on the operations of the parcel special. However, no action was taken either to make the train profitable or to discontinue its services.

Using the statistics maintained by Central Railway, an independent costing exercise by Audit found that the actual loss per trip was Rs.15.50 lakh. This was confirmed by Railway's Costing Cell. Thus, Railway had suffered a loss of Rs.5.41 crore on the 76 trips made by the train during the calendar year 2006 alone.

When the matter was taken up with Railway Administration in April 2007, they stated (July 2007) that Millennium Special Train although a parcel train can not be categorized as such because it is handled like a goods train. They thus calculated the cost by using goods statistics and argued that the train was earning profit. The reply is not acceptable. Even if statistics maintained by Railway Board are to be believed, the cost of hauling a coaching train up to Guwahati works out to Rs.18.67 lakh and thus the net loss works out to Rs.3.71 crore during the calendar year 2006 alone. The loss works out to Rs.6.49 crore if the cost of hauling a goods train is taken into account.

Thus the failure of the Railway Administration to take remedial measures for making the train profitable or discontinue its services has resulted in loss of Rs.5.41 crore per annum.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.1.5 South Central and Central Railways: Injudicious grant of 50 per cent concession to short lead traffic up to 50 KMs.

Railway granted concession in freight for short lead traffic up to 50 KMs. resulting in operational losses and lesser realisation of earnings to the tune of Rs.102.12 crore

As per rules of Indian Railway Conference Association, Goods Tariff, the minimum distance on which freight is charged is 100 kms. Keeping in view the gradual declining trend in average distance of movement of major commodities and to capture such short lead traffic, Railway granted (April 1999) a concession of 25 per cent in freight rates for all commodities for traffic hauled up to a distance of 50 KMs. The concession was enhanced to 50 per cent under the rationalised freight structure effective from April 2003 in view of a phenomenal increase in the earnings after allowing 25 per cent concession. Railway Board also granted concession in freight for 51-75 KMs slab (25 per cent) and 76-90 KMs slab (10 per cent).

With a view to evaluate the reasonableness of such concession, Audit reviewed the position with regard to coal traffic received at Kothagudem Thermal Power Station siding (KTPG) from Rudrampur siding (RUSG) during the years 2003-04 to 2006-07. Distance between two sidings was 25 KMs. As such, 50 per cent concession in freight was admissible. As the class assigned to commodity 'coal' was 130 up to March 2005 and 140 thereafter, profit to the extent of 30 per cent (up to March 2005) and up to 40 per cent thereafter was expected to the Railway after meeting out the expenditure. However, it was noticed that actual earnings fell short by Rs.29.88 crore of the expected earnings at class 130/140 during these four years.

Audit observed that in short lead traffic up to 50 KMs no idle freight element was involved because activities like loading, unloading and creation of vacuum air were common irrespective of distance. Railway was granting 50 per cent concession for only about 20 per cent saving in journey time. Audit analysis revealed that in this particular case, Railway could not get back even the expenditure incurred during the first two years and barely met it in the subsequent year. This has resulted in an operational loss of Rs.4.72 crore during the years 2003-04 to 2006-07.

On Central Railway, coal traffic is booked from Ghugus colliery siding to Chandrapur Thermal Power Station siding involving a distance of 42 KMs. Railway allowed 50 per cent concession in freight from April 2003 onwards. Due to this, actual earnings during the years 2003-04 to 2006-07 fell short by Rs.72.24 crore of the expected earnings at class 130/140.

On this being pointed out (January 2006/January 2007) by the Audit, South Central Railway Administration stated that this was a policy decision taken by the Railway Board and referred the matter to Railway Board (March 2006).

Thus, it is evident that 50 per cent concession allowed by the Railway for short lead traffic up to 50 KMs is not justified. This decision has led to loss of Rs.102.12 crore. There is an urgent need to review the grant of graded concession in short lead traffic on financial grounds.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.1.6 Southern Railway: Avoidable loss due to running of MG special trains

Railways' decision to run Special trains on MG sections resulted in operational loss of Rs.4.34 crore. The loss could have been reduced by Rs.1.14 crore if the trains had been categorised as Express trains

On the requests from the Association of devotees of a temple at Melmaruvathur, Southern Railway Administration arranged Special trains with limited stoppages from various stations to Melmaruvathur and back on Broad Gauge (BG) and Meter Gauge (MG) sections during December and January every year since 1998-99. This arrangement was made to clear the extra rush of passenger traffic arising on the eve of an annual festival.

A review of records revealed that during the period 2003-04 to 2005-06, Railway Administration had run special trains on both BG and MG sections with almost same number of stoppages between the specified pair of stations. While the Special trains run on BG sections (524 Nos) were categorized as Express trains. The Special trains run on MG sections (308 Nos.) were categorised as Passenger/Fast Passenger. Reasons for the different categorization were not available on record.

Railway's decision to provide Special trains on MG sections as Passenger/Fast Passenger trains was not justified because these trains maintained the same speed as that of the normal Mail/Express trains on these routes and the intermediate stoppages of the trains were less than those of regular trains. Cost of haulage of Special trains during the three years on MG sections works out to Rs.5.73 crore against corresponding earning of Rs.1.39 crore resulting in operational loss of Rs.4.34 crore. Had the Railway Administration categorized these Special trains as Express trains, the operational loss could have been reduced by Rs.1.14 crore which represent the difference between the Express and Ordinary fares in all Special trains on MG sections.

On this being taken up in Audit (May 2007), Railway stated (September 2007) that due to Gauge conversion and truncation/isolation of MG routes, transit time increased, warranting levy of passenger rate. Railway also considered its social commitments in public transportation service. Railway's arguments are not acceptable as Express trains can not be classified as passenger trains on a simple plea that these are run via longer route due to which passengers are charged for the longer route. Categorisation of the special trains as passenger trains with almost the same speed as those of express trains on same stretch can not be considered as fulfillment of social commitments.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.1.7 Northeast Frontier Railway: Loss of revenue due to irregular grant of benefit of telescopic freight rates on continuous distance basis for traffic moving through break-of-gauge transshipment point

Irregular grant of benefit of telescopic freight rates on continuous distance basis for traffic moving through the break-of gauge transshipment point at Lumding has resulted in loss of revenue of Rs.3.89 crore

Railway Board empowered zonal railways in 1994 and 1997 to allow movement of traffic through closed transshipment points and extend the benefit of telescopic freight rates on continuous distance basis for traffic booked from one gauge to a destination on another gauge, subject to the condition that the transshipment will be done by the party at their cost and no Railway staff or any additional facility be given by the Railway for such movement. It was further stipulated that Zonal Railway may introduce these special arrangements after obtaining Financial Adviser and Chief Accounts Officer's concurrence and General Manager's approval. Accordingly, General Manager, Northeast Frontier Railway issued instructions from time to time for the same.

Scrutiny of records revealed that during the period April 2004 to March 2007, huge quantity (54 lakh quintals) of traffic (paper, alum, industrial salt, iodised salt, cement, urea, sugar, wheat etc.) were booked to and from three stations test-checked (Panchgram, Silchar and Karimganj) through the break-of-gauge transshipment point at Lumding (opened in January 1994 and is still in operation). Though the benefit of telescopic freight rate on continuous distance basis is granted to the parties, the transshipment of entire freight traffic at Lumding, is, however, done by the handling contractors at the cost of the Railways. The amount of freight charged on telescopic rate was Rs.63.35 crore as against the chargeable freight of Rs.67.24 crore. This has resulted in less collection of freight to the tune of Rs.3.89 crore.

Further scrutiny revealed that though the Commercial Department was aware of the incurrence of the expenditure towards transshipment at Lumding and also agreed (June 2003) to levy transshipment charges, yet no action/ decision has been taken either by the Railway Administration or the Railway Board till date.

Failure of the Railway Administration in due observance of Board's order had led to irregular grant of benefit of telescopic freight rates on continuous distance basis and consequential loss of revenue to the tune of Rs.3.89 crore during the period April 2004 to March 2007.

The matter was brought to the notice of Railway Administration and Railway Board in May 2007 and August 2007 respectively; their reply has not been received (December 2007).

2.1.8 Northeast Frontier: Railway — *Avoidable loss of revenue due to injudicious introduction of 'Two leg' freight incentive scheme*

Introduction of 'Two Leg' freight incentive scheme without assessing its financial viability resulted in avoidable loss of Rs.2.44 crore

In order to increase the rail borne traffic, a few comprehensive freight incentive schemes were introduced by the Railway Board in March 2006 to be made effective from 1 April 2006. The 'Two Leg' freight incentive scheme was one such scheme which provided for point-to-point transport service of block rake traffic. Under this scheme composite class rates were to be charged at lower classes LR1 and LR2 in busy (1 November to 30 June) and lean (1 July to 31 October) seasons respectively. Initially, the scheme was open for all commodities. However, from 23 August 2006 i.e. five months after introduction of the scheme, coal and coke were excluded from the purview of this scheme.

A review conducted in audit on the performance of the scheme revealed that though adequate circulation was stated to have been made in the media regarding the benefits of the scheme, yet during the period the scheme was in operation (July 2006 to September 2006), the average quantity of coal booked per month did not improve as compared to that in the preceding and succeeding periods. Also, the amount of freight earned was much lower when compared with the freight realisable under normal class rate.

Further, scrutiny of records in respect of Rangiya station test checked during the period July 2006 to September 2006 revealed that out of 94,495.3 tons of non-sponsored coal booked to a few foreign Railway stations, 38,767.7 tons (41.03 per cent) only were booked under the scheme. The average monthly loading was 31,498.4 tons as against the average monthly loading of 53,297.9 tons and 65,410.3 tons in the preceding and succeeding periods respectively. The quantum of freight earned on concessional rates was Rs.3.24 crore against Rs.5.68 crore realisable under normal class rate. This has resulted in short realisation of revenue to the tune of Rs.2.44 crore [Rs.5.68 crore (-) Rs.3.24 crore] during the period July 2006 to September 2006.

When the matter was brought to the notice of Railway Administration in March 2007, they stated (October 2007) that the average quantity of coal booked per month improved during the operation of the scheme (1 April 2006 to 22 August 2006). This argument is not acceptable because the Railway Administration commented on the total coal booking (in terms of wagons) over the entire Railway during the operation of the scheme instead of commenting specifically on the performance under the 'Two leg' scheme as objected by Audit. Moreover, during the operation of the scheme, less quantity of coal was booked under the incentive scheme than the quantity of coal booked normally. Further, Railway Administration also stated that during the operation of the scheme, out of 91 rakes, only 15 rakes have been booked under the 'Two leg' scheme from Rangia. This clearly shows that the very purpose for introduction of this scheme was defeated as the scheme was not studied/ understood properly before its implementation nor did the earnings have improved.

The matter was brought to the notice of railway Board in September 2007; their reply has not been received (December 2007).

2.1.9 South Central and: Central Railways Loss of revenue due to irregular grant of concession in freight

Railway Board's failure in notifying qualifying routes clearly for concession in freight in a scheme implemented on experimental basis resulted in loss of Rs.2.61 crore

With a view to utilise the transportation capacity of Indian Railways and to attract incremental traffic, Railway Board introduced (July 2005) a scheme of freight concession on specified traffic in empty flow direction of covered wagons. The scheme was initially introduced on experimental basis for three months period. Concession at the rate of 20 per cent in freight was allowed under the scheme for the incremental traffic beyond 110 per cent of the number of rakes loaded during the corresponding month of the previous year.

Railway Board notified the empty flow direction which was applicable on South Central Railway for the specified traffic originating from sidings on the entire Zone booked to destinations on Central, Western, West Central and Northern Railways. The scheme was extended under the name "Incentive Scheme for Traditional Empty Flow Direction" up to March 2006 with some minor changes in the terms and conditions. Under this new scheme, the empty flow direction notified was only from Nanded Division to destinations on Central Railway. Subsequently this scheme was extended to all customers for a period of one year from April 2006 and Western and North Western Railways were also added to the list of destinations qualifying for empty flow movement.

Audit noticed that no traffic was booked under the scheme from Nanded Division during July 2005 to March 2007. However, concession amounting to Rs.2.89 crore was allowed to five cement companies located in the jurisdiction of Secunderabad Division in respect of 124 rakes of cement booked in notified empty flow direction during the period from July 2005 to March 2006. After taking into account the concession that could have been earned by the cement companies under 'Non-peak period concession' scheme, the net gain to the cement companies by way of freight concession was Rs.2.21 crore.

Further analysis in Audit revealed that the cement consignments booked to avail of the concession under the scheme were to those destinations to which cement was regularly booked by rail even before the introduction of the scheme. Incremental traffic was due to general increase in cement bookings and not due to diversion of road traffic to rail. The cement traffic had gone up even after the scheme was restricted to Nanded Division from April 2006.

Scrutiny of Railway Board's records revealed that as per approved scheme, Traffic Transportation Directorate of the Railway Board was to specify section wise empty flow direction but the order notified it Zonal Railway wise. Minister of Railway had also asked the Railway Board to simplify empty flow directions issue in the content of the order. Though the scheme initially introduced for three months was to be extended after review of results achieved, it was extended without analysing the success or failure of the scheme.

Similar review on Central Railway revealed that two cement companies viz. Birla Super Cement Siding, Hotgi and ACC siding,Wadi located in the jurisdiction of Sholapur Division were granted concession of Rs.1.33 crore under the scheme during the period October 2005 to March 2006 for Birla Super Cement siding, Hotgi and from February 2006 to March 2006 for ACC siding, Wadi. This resulted in a loss of Rs.0.40 crore after taking into account the benefit of Rs.0.93 crore admissible under 'Non –peak season concession.

Thus, introduction of the scheme without specifying the sections of empty flow direction has resulted in loss of Rs.3.01 crore (Rs.2.61 crore on South Central and Rs.0.40 crore on Central Railway).

On the matter being taken up in Audit (March 2007) South Central Railway Administration stated (May 2007) that the issue pertains to a policy decision taken by the Railway Board.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.1.10 South Central: Railway — Irregular benefit of Engine on Load (EOL) scheme to a cement siding

Railway's decision to implement EOL scheme partially to privately owned wagons has resulted in an intended benefit of Rs.0.85 crore to a siding owner

Railway Board introduced (June 1997) EOL scheme with a view to reduce detention of wagons at terminals/sidings due to delay in receiving the locomotive. This scheme was expected to improve the turn round of wagons as the locomotive bringing the empty/loaded rake into the terminal/siding is kept attached with the rake during loading/unloading operation and after the operation, the rake is moved out. Further, after rationalisation of the scheme (July 2004), siding owners were allowed to utilize the engine during free time and for loading/unloading of the rake without any payment of engine hire charges.

South Central Railway implemented (18.9.2003) the scheme on Rajashree cement siding (served by Malkhaid Road). Although the outward traffic from this siding was of cement (in bags), cement (loose) and clinker, the scheme was demanded by the siding owner for cement (loose) only. While the cement (in bags) and clinker were booked from the siding in railway wagons, cement (loose) was booked in BCCW wagons acquired by the siding owner under Own Your Wagon Scheme (OYWS) on which a concession of 22.5 per cent in freight was admissible and demurrage charges were not leviable if wagons were detained. Prior to the implementation of EOL, siding owner was using own locomotive for shunting operations involved in loading cement (loose) in BCCW wagons. But, under EOL, Railway Administration placed the locomotive at the disposal of siding owner for the free time allowed under the scheme (three hours per rake). Siding owner had no choice to opt on rake- to-rake basis for booking cement (loose) as this commodity was specified by them for EOL.

Audit observed that out of 976 BCCW rakes loaded with cement (Loose) in the siding during the period September 2003 to March 2007, the EOL scheme was applied to only 443 rakes. Railway Administration, after accepting the irregular options exercised by the siding owner, did not levy any engine hire charges for their detention in respect of remaining 533 rakes. Railway made available their locomotive for 2134 hours in respect of 976 rakes.

Since the main objective of the EOL scheme was to increase the turn round of Railway wagons, extension of the scheme to this siding for loading cement (loose) in privately owned BCCW wagons was not in order. In fact, the quantum of time taken by the siding owner for loading the material in the private wagons was irrelevant to Railway. This has resulted in an intentional benefit of Rs.0.85 crore to the siding owner.

On this matter being pointed out (April 2007) by Audit, Railway stated (July 2007) that BCCW wagons, though owned by the party, were earning freight for the Railway and by extending the EOL scheme for BCCW wagons, their turn round increased which resulted in more freight earning to the Railway. Railways contention is not acceptable because EOL scheme was intended to reduce detention to railway wagons and the objective was not achieved as such wagons were out of the purview of this scheme.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.2 Non-observance/ incorrect application of rules

2.2.1 East Coast Railway: Non-realisation/ accountal of punitive charges

Non-observance of procedure for levy and collection of punitive charges on overloaded wagons has resulted in non-recovery of Rs.11.42 crore

Commodities in loose form are to be weighed on a weighbridge at the forwarding station. In case there is no weighbridge at the forwarding station, the wagon is to be weighed at a convenient weighbridge enroute or at destination before effecting delivery. Rules also provide that advice of the net weight found on weighment should be sent to the forwarding stations, destination stations and to the Traffic Accounts office of the destination stations so as to enable them to recover the normal freight and punitive charges before delivery of consignments.

A review of the weighment activity of In-motion-electronic weighbridge (IMEWB) at Simhachalam North (SCMN) Station in Waltair Division revealed that during 2006 on an average about 36 per cent wagons were found overloaded. Weighment advices for such overloading were not sent to the destination stations as well as to the Traffic Accounts office of the destination stations. Instead these were sent to the Divisional Commercial Office who in turn advised the destination stations [Visakhapatnam Port Trust (VZP) in most of the cases] for realisation of punitive charges towards overloaded rakes. As a result, the bills of punitive charges at VZP, were being raised belatedly and realisation of the same was not satisfactory. An amount of Rs.3.88 crore for the period of April 2004 to March 2007 remained unrealised from different parties as on 1 April 2007. The outstanding amounts of punitive charges were also not being reflected in the outstanding list/Balance Sheet of the station. The Traffic Accounts office remained in dark due to non-furnishing of weighment advice to them.

Similar scrutiny of records of the In-motion weighbridge at Paradeep Station and of Paradeep Phosphates Limited (PPL)/Paradeep revealed that on receipt of the monthly weighment statements of overloading along with the statement of punitive charges, the bills were preferred against the PPL authorities for realisation of punitive charges for Rs.1.73 crore for the period from April 2006 to 20 February 2007 which remained unrealised. In this case also, the outstanding amount was not reflected either in the Balance Sheet or in the Outstanding List.

Scrutiny of records maintained by Paradeep Port Trust (PPT) Authority revealed that the weighbridge at Paradeep was installed in March 2006. However, PPT agreed to raise bills and collect punitive charges only after a meeting held on 6 September 2006. This resulted in accumulation and non-realisation of punitive charges to the tune of Rs.5.81 crore as on 19 June 2007. PPT started reflecting outstanding punitive charges in the Balance Sheet only from April 2007.

Thus, by not following the codal provisions Railway dues could not be realised expeditiously and a sum of Rs.11.42 crore remained unrealized. Further non-reflection of outstanding Railway's dues in outstanding list/ Balance sheet in violation of codal provisions might lead to lack of pursuance of cases and consequential loss of revenue.

The matter was brought to the notice of the Railway Administration and Railway Board in April 2007 and October 2007 respectively; their reply has not been received (December 2007).

2.2.2 Central Railway: Short-recovery of maintenance charges of privately owned special type wagons

The failure of the Railway Administration to enter into an agreement laying down the terms and conditions for levy of maintenance charges before the commencement of the movement of special type wagons has resulted in short recovery of Rs.2.30 crore

Railway Board had issued instructions in December 1990 to Zonal Railways to ensure that all movements of special type of wagons were covered under an agreement to be executed between Railways and the owners of the wagons in the prescribed format. Railway Board's instructions issued in April 1993 stipulate that wherever the periodical over hauling as well as maintenance of privately owned wagons was done by Railways, a charge of five per cent on the current capital cost of the wagons was to be recovered from the owners. In terms of instruction issued in January 1994, the current capital cost of wagons whose manufacture had been discontinued was to be worked out on the basis of last manufacture cost to be increased at the rate of 10 per cent per annum. With effect from April 2003, the average inflation rate as per RBI's price index was to be adopted for assessing the current capital cost of the wagons.

Audit scrutiny of records of Mechanical and Commercial Department of Central Railway revealed that in the nineties Ministry of Industry on behalf of some cement companies had approached Railway Board for introduction of special type of wagons for carriage of cement provided some rebate in freight was granted. Railway Board had agreed to give a rebate of 22.5 per cent in the tariff rate for the bulk movement of cement in privately owned wagons. However, the cost of maintenance of these wagons was to be charged separately covered under a separate agreement. As per notification issued in July 1995, rebate of 22.5 per cent in freight was granted for bulk movement of loose cement in special type of wagons from cement plants to Kalamboli in Bombay. This rebate was to remain in force for a period of ten years.

Though M/S Bulk Cement Corporation (India) Ltd introduced 125 special type of wagons between 25 July 1997 and 17 October 1997 for movement of cement from their plant at Wadi to Kalamboli, Central Railway asked them to sign the agreement only in January 1999. The company disputed certain clauses of the agreement and stated in February 1999 that they would pay the maintenance charges equal to the actual amount spent by Railway. Railway Administration could not resolve the dispute for almost eight years and agreement was ultimately signed in April 2007 without incorporating the changes introduced in the method of calculation of current capital cost of the wagons. In the meantime Railway Administration raised bills for maintenance charges as per instruction issued by Railway Board from time to time but the company paid them only partially disputing the method of calculation. The total amount recoverable from M/S BCC (I) Ltd till March 2007 works out to Rs.2.30 crore.

When the matter was taken up with the Railway Administration in March 2007, they admitted in June 2007 that a sum of Rs.1.50 crore was recoverable on account of maintenance charges for the past period up to June 2006 and efforts are on for realisation of the same. The reply is not acceptable because Railway Administration is yet to raise the bill for the period from July 2006 to June 2007 for which amount of Rs.0.80 crore has become due. Moreover, the company vide their letter of January 2007 has requested not to levy the maintenance charges at all.

Thus the failure of the Railway Administration to enter into an agreement laying down the terms and conditions for levy of maintenance charges before the commencement of the movement of special type wagons has resulted in short recovery of Rs.2.30 crore.

The matter was brought to the notice of Railway Board in October 2007, their reply has not been received (December 2007).

2.2.3 Northern and Eastern Railways: Loss due to irregular booking of traffic at trainload class rates

Irregular grant of trainload rate benefit for traffic booked to/ from stations neither notified as capable of full/ half rake handling nor approved as two point combination stations has resulted in loss of Rs.2.99 crore

Rules provide that 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 or approved as two-point combination rake loading/ receiving stations. Besides, indents for two-point rakes can also be accepted for approved combination of two points, wherein each point is at least a half rake point. Chief Operating Managers/ Chief Freight Traffic Managers of Zonal Railways can permit booking of a rake from and to a stations/ sidings which are not otherwise notified as a full rake handling or unapproved as two-point combination, after taking formal approval of the Railway Board. However, in all such cases, when the traffic is booked from and to such stations not notified as full rake handling stations or approved two-point combination freight is to be charged at wagonload class rates.

While Operating Departments of the Zonal Railways compile and notify full/ half rake handling points, Railway Board notifies the names of stations approved for two-point combination rake loading. Such lists were notified by Railway Board on 4 May 2005, 20 June 2005, 29 July 2005 and 14 November 2005.

Northern Railway

Incorrect charging of freight on foodgrain traffic at trainload class rates for non-notified stations was pointed out in Paragraph 2.2.9 of Report No.6 of 2006 (Railways) of the Comptroller and Auditor General of India. The Railway Board, while agreeing with the Audit contention in their Action Taken Note (October 2006), had advised the concerned Zonal Railways to recover the undercharges. However, out of the total amount of Rs.1.16 crore pointed therein, the Railways have been able to recover only Rs.0.12 crore so far (May 2007).

Audit scrutiny of booking of traffic from two-point combinations revealed that though Garwha Road – Daltonganj, Koderma – Hazaribagh Road, Koderma – Dhanbad, Hazaribagh Road – Dhanbad (East Central Railway), Dharmanagar – Churaibari (Northeast Frontier Railway), Bhagalpur – Jamalpur (Eastern Railway) and Jammu Tawi – Chandigarh (Northern Railway) were not included in any of the lists approved by the Railway Board, the Railway Administrations were incorrectly extending the benefit of trainload class rates (instead of levying wagonload class rates) even during the period when the above two-point combinations were not included in the list.

As per approved list of two-point combination stations, though the following pair of stations were not eligible for booking or receiving traffic as two-points combination as indicated in the notification against each, Northern Railway has incorrectly booked foodgrain traffic by allowing benefit of trainload rates:

S. No.	Name of station	Name of Railway	Date of notification
1	Khurda Road and Bhubaneshwar	East Coast Railway	20 June 2005 and 29 July 2005
2	Satna and Katni Murwara	West Central Railway	4 May 2005 and 20 June 2005
3	Luckeesarai and Jamui	East Central Railway	4 May 2005 and 20 June 2005

The irregular booking of traffic to these stations giving undue benefit of train load rates has resulted in under charges of Rs.0.79 crore.

Similarly, though following stations of Northern Railway were not eligible for receiving traffic as two point combination, undue benefit of train load rates resulted in short levy of Rs.0.55 crore:

S.No.	Name of station	Name of Railway	Date of notification
1.	Dhandari Kalan and Mandi Gobindgarh, Dhandari Kalan and Suranussi	Northern Railway	4 May 2005
2.	Suranussi and Jammu Tawi	Northern Railway	4 May 2005, 20 June 2005and 29 July 2005

Thus, lack of application of correct rates resulted in short-recovery of Rs.1.34 crore (Rs.0.79 crore in the case of outward foodgrain traffic and Rs.0.55 crore in the case of inward steel traffic) during the period May 2005 to November 2005.

Though the Railway Administration admitted (October 2006) the undercharges in freight (in respect of outward foodgrain traffic), yet, no recovery has been made so far (June 2007) nor has any action been initiated against the defaulting staff.

Eastern Railway

Scrutiny of records revealed that Central Pit Siding, Giridih, was not notified as a full rake handling siding but the freight in respect of outward traffic (ROM Coal) was charged at trainload class rate (i.e. concessional rate). As per assessment in Audit the incorrect charging of freight at the lower rate resulted in short recovery of Rs.1.65 crore during the period April 2005 to March 2007

When the matter was taken up with the Railway Administration (March 2007) they accepted (May 2007) that siding was not notified as a full rake handling point. However, they stated that it is a full rake siding in two spurs, capable of accommodating a full rake in one placement. So charging of freight at train-load rate was in order. The reply is not acceptable. It was observed that due to speed restriction and gradient problems in the section, loaded rakes were drawn out in two trips when tow engines were attached and in four trips when single engine was used. Further, for splitting up and piecemeal movement of rakes no shunting charges are being realized. The benefit of through distance while charging freight is also given instead of levying siding charges, although the trains are required to be dealt with at the station from which the siding takes off. Thus, though the siding did not have the capacity to handle full rake consignment, freight was charged at train-load class rate instead of wagon load class rate which resulted in short realisations of Rs.1.65 crore.

The matter was brought to the notice of Railway Administrations and Railway Board in January 2007 and September/ October 2007 respectively; their reply has not been received (December 2007).

2.2.4 Northeast Frontier Railway: Loss due to irregular charging of freight on 'Paid' basis instead of 'To Pay' basis

Failure of Railway Administration to levy 'to Pay' surcharge on delayed payment of freight for foodgrain traffic rebooked from New Bongaigaon station led to non-realisation of surcharge amounting to Rs.1.55 crore

Ministry of Railways (Railway Board) had instructed that with effect from 1 October 1986, the Centralised Booking Scheme of foodgrain traffic for stations in Assam and Northeastern region will be operated only through the Centralised Booking Cell (C.B. Cell) at New Bongaigaon (NBQ). The scheme further envisages that Food Corporation of India (FCI) would book all consignments in block rakes to NBQ in the first instance and an officer of the Food Corporation of India (FCI) would intimate the names/ destination stations to which the traffic was to be re-booked at NBQ 24 hours in advance.

While implementing the scheme, the Board had further stipulated (1994, 1999 and 2002) that further extension of the scheme would depend on the basis of an Appreciation Report on the working of the scheme to be submitted by the Northeast Frontier Railway to the Board well before the expiry of the scheme.

During the period April 2004 to February 2007, 247 lakh quintals of foodgrain traffic moving in rake load from NBQ to nine BG stations test checked revealed that FCI rakes booked on 'Paid' basis upto NBQ were diverted by the Railway Administration to the final destinations without unloading and collection of freight from NBQ to final destination as the routing was not done through the C.B. Cell at NBQ. Railway Receipts (RRs) were issued after delays of 14 to 340 days without levy of 'To Pay' surcharge resulting in loss of revenue to the tune of Rs.1.55 crore.

Audit also observed that despite Board's directives, the scheme was continued without submission of Appreciation Report on the working of the scheme. The Railway Board also gave post facto approval for continuation of the scheme till March 2007 ignoring the fact that GM (C) had recommended withdrawal of scheme except for Lumding Division and Rangapara section of Rangiya Division.

With gradual improvement in the Railway Transportation System following adoption of unigauge track system with loading/ unloading facilities available in many stations, there is hardly any justification for continuance of the Scheme.

Thus, the injudicious continuance of the Scheme and non-levy of the 'To Pay' surcharge has resulted in loss of revenue of Rs.1.55 crore during the period April 2004 to February 2007. The loss will accumulate further unless any remedial/ corrective action is taken in this regard.

The matter was brought to the notice of the Railway Administration and Railway Board in March 2007 and August 2007 respectively; their reply has not been received (December 2007).

2.2.5 Northern Railway: Loss of revenue due to irregular booking of traffic as 'Paid'

Failure of Railway Administration to levy 'To Pay' surcharge on delayed payment of freight charges resulted in loss of revenue of Rs.1.47 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, the 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.

Mention was made in previous Reports of the Comptroller and Auditor General of India about failure to treat traffic as 'To Pay' traffic in spite of delayed payment. As a sequel to this, the Railway Board issued instructions in October 1998 (to all Zonal Railways) and April 2004 (to Northern Railway). It was stated that the provisions contained in Para 1451(c) of IRCM were to be adhered to both in letter and spirit and the discretion contained therein continues to apply as before.

In spite of these oft repeated orders, the irregularity continues on Northern Railway and this was again pointed out vide Para 2.2.5 of the Report of the Comptroller and Auditor General of India No.6 of 2006.

While the Action Taken Note is yet to be received from the Ministry of Railways (Railway Board), a further scrutiny of 16 stations of Northern Railway revealed that in contravention of rules outlined above and the Railway Board's directives of 1998 and 2004, Railways failed to levy 'To Pay' surcharge in respect of 120 rakes of foodgrain traffic, though there were delays ranging from two to three days in payment of freight. This resulted in loss of revenue amounting to Rs.1.47 crore during the period April 2005 to May 2006. This irregularity was also not detected by the Traffic Inspectors of Account during their periodical check of station records.

It was also observed that though the Railway Administration had circulated necessary instructions in this regard to Chief Goods Supervisor (CGS), the station staff failed to adhere to them.

The continuance of such irregularities, in spite of the Audit objections and the repeated instructions of the Railway Board not only results in leakage of revenue, but also indicates a general apathy towards the application of rules and orders by the staff/ officers concerned, from the stage the consignments are booked at the station to the mandatory check of station records by the Traffic Inspectors of Account. No action has been taken by the Zonal Railway to fix responsibility for the lapses and consequent loss.

The matter was brought to the notice of the Railway Administration and Railway Board in January 2007 and June 2007 respectively; their reply has not been received (December 2007).

2.2.6 Western Railway: Loss due to running of empty wagons

Injudicious supply of full rakes against the demand of mini rakes has resulted in running of wagons empty causing loss of earning potential of Rs.3.98 crore and additional expenditure of Rs.1.05 crore on their haulage

With a view to attract short lead, less than standard train load traffic, the Railway Board introduced the Mini Rake Scheme (MRS) as a marketing strategy on experimental basis for one year effective from October 2001. Under this scheme, initially the rakes consisting of 20 BCX wagons were proposed to be run for a distance up to 300 Km. Subsequently the rakes consisting of BRN and BCN were also permitted and the distance limit was increased to 400 Kms. For this purpose each Zonal Railway was permitted to have a maximum of ten Mini Rakes and the receiving Railway of Mini Rakes was to return them either empty or loaded if they had sufficient traffic to destination on the owning Railway of the Mini Rake within the permitted distance of 300 Kms or 400 Kms.

Audit scrutiny of records of four siding viz. Gujarat Narmada Fertilizer Corporation, Bharuch, Indian Farmers Fertilizer Cooperative Ltd., Kalol, Krishak Bharati Cooperative Ltd, Surat and Gujarat State Fertilizer Corporation, Bajwa revealed that against the indents of mini rakes, Railway Administration had supplied full rakes of 40 BCN wagons. The parties, however, loaded only 20 wagons and remaining 20 were allowed to move empty. This has resulted in loss of Rs.0.79 crore on account of earning potential of empty wagons during the period from June 2005 to September 2006 besides incurring an expenditure of Rs.0.23 crore on hauling cost of the wagons.

Similar review of inward traffic at Surat Station of Western Railway revealed that they had received rakes consisting of 40 BCN wagons half of which were empty. The Railway, besides incurring expenditure of Rs.0.82 crore on empty running of 1680 wagons, has lost Rs.3.19 crore on account of earning potential of these wagons during September 2005 to January 2007.

In reply to Audit observation made in January 2007, the Chief Operation Manager, Western Railway stated in March 2007 that full rakes were supplied against the demand of mini rakes to ensure maximum utilisation of the stock as the loading points and destination points were on the routes of empty movement and in any case they were going empty. The reply is not acceptable because as per instructions on running mini rakes under MRS, Zonal Railway were supposed to have special rakes of 20 BCX/BCN/BRN wagons and there was no provision to supply full rakes. Moreover, an analysis of receipt and dispatch of wagons at Bharuch siding revealed that in most of the cases the movement was not in the empty direction and after loading the rakes were dispatched to other directions.

Thus injudicious supply of full rakes against the demand of mini rakes has resulted in running of wagons as empty causing loss of earning potential of Rs.3.98 crore and additional expenditure of Rs.1.05 crore on their haulage.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.2.7 Western Railway: Loss of revenue due to non-supply of standard size rakes

Failure of the Railway Administration to supply standard size rakes to the party has not only resulted in passing on unintended benefit of Rs.0.24 crore on account of booking of traffic at train load rates but also caused loss of revenue to the tune of Rs.0.96 crore due to underutilization of line, power and crew capacity

Railway Board, in August 1998, prescribed the rake sizes of different types of wagons and stipulated that in order to avail the benefit of train load rates, consignors have to indent for the prescribed number of wagons. It was also stipulated that when owing to shortage of wagons, standard size rakes can not be supplied, the reasons for short supply should be recorded and the benefit of train load rates should not be denied to the party. The standard size prescribed in respect of four wheeler tank wagons was 70 wagons up to 30 April 2005 and 72 tank wagons thereafter.

Caustic Soda is regularly booked from Grasim Siding, Nagda over Western Railway to Renukot station of East Central Railway. Audit scrutiny of records of the siding revealed that the Siding Authorities had placed indents for supply of standard size rakes of 72 tank wagons on each occasion. However, rakes supplied by Divisional Authorities were less by two to 29 wagons on 51 occasions out of a total of 62 occasions during April 2004 to March 2007. Non-supply of indented wagons has not only resulted in passing on unintended benefit of Rs.0.24 crore on account of booking of traffic at train load rates but also caused loss of revenue to the tune of Rs.0.96 crore due to underutilization of line, power and crew capacity. In this connection the following comments arise:

- Though the party has been indenting for a standard size rake of 72 tank wagons, Railway in 94 per cent cases failed to supply the same. This indicates that even after lapse of more than nine years no efforts have been made to implement Railway Board's orders.
- Audit also observed that a large number of fit four wheeler tank wagons were unnecessarily detained in various yards or erroneously dispatched to workshops along with wagons due for periodical overhauling. Thus while

on one hand Railway was not able to form standard size rakes, on the other it allowed its costly assets to remain idle. This indicates lack of proper monitoring and management of the wagons.

The matter was taken up with the Railway Administration and Railway Board in March 2007 and October 2007 respectively, their reply has not been received (December 2007).

2.2.8 Central Railway: Incorrect computation of siding charges leading to short recovery

The failure of Railway Administration to compute the siding charges on the basis of cost of locomotives actually used has resulted in short recovery of Rs.1.61 crore from three sidings

In terms of para 2517 of Indian Railway Commercial Manual Volume II, in addition to freight charges to and from the station serving a siding, Railway also recovers siding charges for placement and removal of wagons meant for loading or unloading. The siding charges are fixed either on 'per trip' basis, a trip being defined as one movement of an engine to and from the siding or on the basis of actual time taken by the engine for placement/or removal of wagons. Siding charges on 'per trip' basis are calculated by conducting trials to arrive at average time taken under different situations. Railway Board notified the all India per hour cost of shunting and train engines run with diesel or electrical power. Railway Board also clarified (November 2000) that, in case, loads cannot be hauled by a single engine and double or multiple engines are used for handling of loads, siding charges should be calculated on the basis of the number of engine actually used.

Audit scrutiny of records of three sidings viz. Bharat Petroleum Corporation Ltd. (BRSG), Hindustan Petroleum Corporation Ltd. (VOSG) and Rashtriya Chemicals and Fertilizers Ltd. (FZSG) served by Trombay station of Central Railway revealed that though the placement/removal of wagons in these sidings was being done by more than one engine, the siding charges were calculated and recovered on the basis of all India cost of single engine. The incorrect calculation has resulted in short recovery of Rs.1.61 crore during 2004-05 to 2005-06.

When the matter was taken up with the Railway Administration in April 2007, they admitted (June 2007) the use of multiple locos for placement/removal. The reasons furnished were that they were using WDS-4 engines which were not capable of pulling full load. They also added that the sidings charges were being recovered on the basis of single engine cost because full load could have been placed by using single WDS-6 or WDM-2 type loco. The argument is not tenable in view of Railway Board's clarification of November 2000 wherein it has been clearly stated that siding charges should be recovered by taking the number of locomotives actually used.

Thus, the failure of Railway Administration to compute the siding charges on the basis of cost of locomotives actually used has resulted in short recovery of Rs.1.61 crore from three sidings.

The matter was brought to the notice of railway Board in October 2007; their reply has not been received (December 2007).

2.2.9 North Eastern Railway: Non-levy of reservation fee

Failure of Railway Administration to levy reservation fee on second class tickets in Uttaranchal Sampark Kranti Express during the period October 2004 to March 2007 led to loss of revenue of Rs.0.83 crore

As per Indian Railway Conference Association (IRCA), Coaching Tariff, reservation fee of Rs.15 will be levied (with effect from 1 April 2003) on Second Class Chair Car (Reserved) fare on all express trains except Jan Shatabdi, Shatabdi, Rajdhani Express trains.

During audit scrutiny, it was revealed that reservation fee at the rate of Rs.15 leviable on 553733 second class tickets, sold from booking window (at Kathgodam, Haldwani, Lalkuan and Rudrapur City etc.), for Uttaranchal Sampark Kranti Express (5035/5036) was not levied during the period from October 2004 to March 2007. This resulted in loss of revenue to the tune of Rs.0.83 crore (Rs.15X553733).

When the matter was brought to the notice of Railway in January 2007, they stated (August 2007) that it does not ipso facto imply that second class chair car has to run as reserved class only. Moreover, as per Railway Board's letter (March 1993) only sleeper and higher class has been specified as reserved class. There is no mention of ordinary second class chair car.

The reply of Railway Administration is not acceptable because they already reported that before linking the train to computer reservation system, it was not certain whether sitting charges were leviable or not. It was, however, observed that no action to ascertain the correct position was taken. As per IRCA, Coaching Tariff, it is clear that reservation fee (Rs.15) has to be levied on second class tickets. Further, in manual ticket booking, the loss of revenue could have been avoided by issuing reservation tickets of Rs.15 along with second class tickets.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.3 Routing deficiencies/ incorrect computation of distance

2.3.1 Western Railway: Loss of revenue due to incorrect booking and withdrawal of route from the purview of Rationalisation Scheme

Failure of the station staff to charge the traffic correctly as per Rationalisation Order and injudicious decision of the Railway Board to discontinue the relevant provision of Rationalisation Scheme after June 2006 resulted in loss of revenue to the tune of Rs.3.93 crore

As per provisions of Rule 125(1) (b), in the absence of specific instructions from the sender or his authorised agent, goods are dispatched by the shortest route and freight charges recovered by the cheapest route. However, Central

Government under Section 71(1) (b) of the Railway Act, 1989 may, if it is of the opinion that it is necessary in the public interest to do so, by general or special 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.

Keeping in view the operational constraints, Railway Board issued General Order (Rationalisation Scheme) effective from 1 August 1997 stipulating that rake load traffic from all BG stations of Western Railway (except Kota Division) to BG stations on Northern, Eastern, North Eastern and Northeast Frontier Railways, for which the shortest route was via Bhopal, should be booked and charged via Bayana-Tundla. The validity of this scheme was extended up to 30 June 2006 by issuing orders from time to time.

Audit scrutiny of the records of Gandhidham, Mundra Port, Kandla Port, Kankariya, Bhuj, Bhimsar, Chirai and Maliya Miyana stations of Western Railway revealed that though till June 2006 the traffic from these stations to BG stations on Northern, Eastern, North Eastern and Northeast Frontier Railways was to be booked and charged via Bayana Tundla in terms Para 6.2 of General Order No. 1 of 2000, the same was erroneously charged via Bandikui-Bharatpur-Tundla resulting in short recovery of Rs.2.05 crore during the period from July 2005 to 30 June 2006.

It was also noticed that though Western Railway had recommended for continuance of the provisions of booking and charging said traffic via Bayana Tundla beyond 30 June 2006, the same was not agreed to by Railway Board on the grounds that Tundla- Kanpur section was oversaturated and Bayana-Tundla was a single line section. The stand taken by Board was, however, not justified because this traffic was actually being moved by Bayana-Tundla-Kanpur and also that Bayana-Tundla section was a double line section. Discontinuance of the provision of booking and charging the traffic by actually carried route has resulted in further loss of Rs.1.88 crore for the period from 1 July 2006 to March 2007.

Thus failure of the station staff to charge the traffic correctly as per Rationalisation Order and injudicious decision of the Railway Board to discontinue the relevant provision of Rationalisation Scheme after June 2006 has resulted in loss of revenue to the tune of Rs.3.93 crore.

The matter was brought to the notice of Railway Administration and Railway Board in May 2007 and August 2007 respectively; their reply has not been received (December 2007).

2.3.2 South Western and: Northern Railways — Loss of freight due to incorrect notification of chargeable distance in the Local Distance Table

Incorrect notification of chargeable distance in the Local Distance Table by South Western Railway and failure of Northern Railway to compute the distances correctly has resulted in short recovery of freight of Rs.3.45 crore

The chargeable distance between the originating and destination stations is one of the variables used for arriving at the freight to be charged. This is notified in the Local Distance Table (LDT) by the Zonal Railway. The Ministry of Railways (Railway Board) decided (February-2003 and September-2004) that actual engineering distances up to two decimal places of the various sections from originating station to destination station may be added up and the distance so aggregated be rounded off to the next higher kilometer for deriving the chargeable distance. Audit scrutiny of records of two Railways revealed as under.

South Western Railway

As per provisions in the Goods Tariff, the chargeable distance between Castle rock and Kulem stations was to be taken as two and a half times of the normal distance due to the gradient involved.

A check of Working Time Table (WTT) of the Zonal Railway revealed that the distance between Castle rock and Kulem stations was 26.21 Kms. So, the chargeable distance should have been taken as 58.97 Kms. But, the chargeable distance notified in the LDT was 54.46 Kms only i.e. 4.51 KMs less.

At the instance of Audit, the matter was referred to the Engineering Department who also confirmed (January-2007) that the distance in WTT was correct.

Thus, incorrect notification of the chargeable distance in the LDT by the CCM has resulted in levy of lesser freight to the extent of Rs.2.33 crore during the period January-2005 to March 2007 in respect of Iron ore booked to Sanvordem and Kulem stations from Ranjithpura/ Kariganur and MSPL siding.

The matter was taken up with the Railway Administration and Railway Board in February 2007 and September 2007 respectively, their reply has not been received.

Northern Railway

An audit scrutiny of records of 43 stations for the period January 2005 to March 2007 of Northern Railway revealed that in respect of foodgrain traffic booked by these stations during the above period, the chargeable distance was not computed correctly resulting in under charge of freight amounting to Rs.1.12 crore. Railway also failed to detect these irregularities during prescribed internal checks.

Thus, failure of the Railway Administration to compute chargeable distance correctly resulted in loss of Rs.1.12 crore on account of under charge of freight.

The matter was taken up with the Railway Administration and Railway Board in January 2007 and October 2007 respectively; their reply has not been received (December 2007).

2.3.3 Eastern Railway: Non-observance of rules in Passenger Booking

Railway Administration's failure to suitably modify/update the Passenger Reservation System (PRS) resulted in loss of revenue to the tune of Rs.1.13 crore

Rules provide distance restrictions for passengers travelling a short distance in certain identified long distance Mail/Express Trains including Super Fast Trains. The distance restrictions vary from train to train and are applicable on certain sections of train's route. In such cases if a passenger wants to travel by a distance restricted train, he must hold a ticket for the first station after the restricted distance. Accordingly a few such trains on Eastern Railway have 'Distance Restriction in booking of passenger traffic'. Hence tickets for these trains are to be issued to the passengers for a stipulated minimum distance, as per distance restrictions attached to the respective classes of coach.

A test check by Audit of the records of PRS/Kolkata, for the period from January 2005 to December 2006 in respect of 9 trains originating from Howrah and Sealdah stations revealed that despite having Distance Restriction stipulation in force for these trains, tickets were not being issued as per above restriction clause. It was found that in the instant cases, the Railway Administration did not issue necessary orders to modify the software according to the Distance Restriction Stipulation. As a result of non-inclusion of the above restriction in the system (PRS), there was an undercharge of Rs.1.13 crore over the said period in respect of nine trains. The position in respect of the above trains in the Down Direction was not available with Audit as the controlling Database Centers for these trains are maintained in up country locations.

The matter was brought to the notice of Railway Administration in April 2007. In their reply, while accepting the loss of Rs.1.13 crore, they stated (September 2007) that the booking of passengers through the PRS in reserved segment by all the trains is based on existing guidelines of April 1999 as well as financial prudence that uncovered portion of remote location quota to be utilised for shorter distance journey to earn more revenue. Audit has cited only those cases where the reservation for shorter distance has been done for uncovered portion of remote location quotas. As such there was no violation of distance restriction since the short distance reservation was being done as per normal practice to yield more revenue to Railway. The reply is not acceptable. The guidelines issued in April 1999 nowhere states that existing rules regarding charging of fare on minimum restricted distance should not be followed. In principle, the rule discourages the booking of passengers for short distances. But it does not forbid any booking for short distances despite the distance restrictions. At the same time it clearly stipulates that the fare in such cases should be collected keeping in view the rule of charging fare on minimum restricted distance. Thus the fact remains that in these instance, distance restrictions were not being followed in realisation of fare for minimum restricted distance.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.4 Detention of rolling stock

2.4.1 East Central: Railway — Abnormal detention of high power electric goods loco at homing shed

Non-availability of vital equipments during maintenance of WAG-9 locomotives led to stabling of 17 locos for 3839 days resulting in a loss of earning capacity to the extent of Rs.47.83 crore

Annual and intermediate overhauling (AOH & IOH) of 3 Phase Electric Goods locomotives (WAG-9) is done at the Electric loco shed (ELS), Gomoh (GMO). The normal schedule time for AOH and IOH of a loco is 4 days and 10 days respectively.

Scrutiny of records of overhauling of locos by Electric loco shed/Gomoh revealed that during the period from April 2004 to 15 February 2006, 16 locos were stabled in the shed beyond the normal schedule time. The main constraint was short-supply of 3 phase Traction Motors, a spare required for AOH/ IOH.

A review of records of raising demand and receipt of critical items, however, revealed that receipt was not commensurate with their demand. In view of this, Railway Board, in a meeting held in June 2004, had decided that Chittaranjan Locomotive Works (CLW) with its present capacity would provide three rotors/ three stators and three traction motors in a month after meeting its own production requirement in coming months in view of the critical position of this item and all out efforts were to be made by GMO shed to commission two locomotives by August 2004 and remaining locos at the rate of two locos per month thereafter. The Railway was also directed to arrange their requirement with utmost urgency from other sources (Transfer of Technology partner).

A detailed scrutiny of records for the periods 2004-05, 2005-06 and 2006-07 (upto December 2006) revealed that 17 locos, were stabled in the shed beyond the normal time schedule for AOH ranging between 15 days and 603 days. The total stabling of these locos in excess of AOH time worked out to 3839 days with loss of earning capacity of Rs.47.83 crore. Review of follow up action on the decision taken in the meeting of June 2004 revealed that:-

(i) CLW had failed to adhere to their commitment on supply of these items.

(ii) The first two locos stabled prior to August 2004 were commissioned in January 2005 and December 2005. The planning for commissioning two stabled locos after August 2004 was not successful. In fact, it was noticed that ELS/Gomoh had to remove equipments from healthy WAG-9 locos visiting for AOH at Gomoh and fit them to stabled ones resulting in fit locos being stabled.

As against the actual demand of 62 Stators and 73 Rotors during 2003-04, 56 Stators and 57 Rotors during 2004-05 and 76 Stators and 84 Rotors during 2005-06, the actual receipt was 30 Stators 39 Rotors, 31 Stators 20 Rotors and

12 Stators 8 Rotors respectively. Obviously, the requirement of ELS/Gomoh was not commensurate with the demand. In addition, ELS/Gomoh had taken a long time to dispatch the equipments to CLW for repairs ranging from 10 days to 650 days. The outsourcing of repairs/procurement of equipments from other sources had not been contemplated till January 2006.

Keeping in view, the demand for electric power in Dhanbad Division, it was necessary for Railway Administration to avoid abnormal stabling of locos for want of equipment as it resulted in low utilisation of electric engine hours and fall in goods carried and freight earned. Electric Goods loco in East Central Railway worked only for 14 hours on an average per day as against All India Railways average of 17.48 hours per day per engine.

Thus, non-availability of vital equipments during maintenance of WAG-9 locomotives led to stabling of 17 locos for 3839 days resulting in a loss of earning capacity to the extent of Rs.47.83 crore.

The matter was brought to the notice of Railway Administration and Railway Board in February 2007 and October 2007 respectively; their reply has not been received (December 2007).

2.4.2 North Western: Railway — Loss of earnings due to delay in Periodical Overhauling of coaches and wagons

Railway's inefficiency and bad workmanship resulted in delay in the Periodical overhauling of coaches and wagons and a consequent loss of earning capacity to the tune of Rs.24.18 crore

Periodical/Nominated Periodical overhauling (POH/NPOH} of coaches and wagons is carried out in Carriage and Wagon Workshops. Specific periods have been prescribed for the completion of these works. Railway Board's orders (1985) are that vehicles overhauled in all respects should be offered for an examination to Neutral Control (NC) wing of Workshop. This wing checks that POH/NPOH of the rolling stock carried out in the Workshop is with reference to the prescribed standards and correct/complete in all respects.

A review of records of NC wing connected with the examination and rejection of periodical overhauled wagons and Non-AC coaches at Carriage and Wagon Workshop, Ajmer revealed that during the year 2004-05 to 2006-07, Workshop offered 2889 coaches for examination to NC wing. Defects were pointed out in 1770 coaches (61 per cent). Out of these, 362 coaches (20 per cent) were those for which the total time taken by the Workshop for POH and rectification of defects was in excess of the prescribed time for POH. Audit noticed that after adding a grace period of three days in each case in respect of these 362 coaches for NC wing examination etc., Workshop took 7272 days in excess (89 per cent) of prescribed time for POH resulting in a loss of earning capacity to the extent of Rs.9.59 crore.

Similarly, during the same period, workshop offered 1068 wagons for examination to NC wing after POH out of which 498 (47 per cent) were found with certain defects. Out of these 498 wagons, 443 wagons (89 per cent) were those where POH and rectification of defects could not be carried out within the prescribed time for POH. After allowing grace period of three days, Workshop took 20378 days in excess (460 per cent) of the prescribed time for POH resulting in loss of earning capacity to the extent of Rs.14.59 crore.

Thus, a large number of coaches and wagons which had undergone POH by the workshop were found defective/deficient by the NC wing indicating the bad workmanship of the Workshop. Moreover, Workshop took considerably long period for the POH of coaches and wagons in comparison to the time allowed indicating inefficient working. This has resulted in a total loss of earning capacity to the extent of Rs.24.18 crore.

On this being taken up in Audit (March 2007), Railway stated (May 2007) that bad workmanship and lack of full fledged infrastructures were the main reasons for the high rejection of stock by the NC wing. However, POH was completed and defects rectified during the prescribed POH time cycles. Railway's reply is not acceptable as lack of full fledged infrastructure has no link with the heavy rejections since stock rejected was cleared on the second occasion. For each vehicle, POH should have been completed during the period prescribed and cleared thereafter by the NC wing.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.4.3 Eastern Railway: Stabling of electric locos on account of non-availability of wheel discs

Poor planning in re-disking of wheels led to detention of 23 locos for a total of 3281 days and loss of earning capacity of Rs.8.30 crore

Electric loco shed, Asansol undertakes the job of wheel changing as and when required apart from the normal maintenance of electric locos. The defective/low size wheels are removed from the locos and sent to Kanchrapara Workshop (nearly 160 kms away) for repair. The process of repairing takes some time and as such the shed maintains a stock of spare wheels [recommended Unit Exchange Spare (UES) is 15 per cent] to prevent stabling of locos for want of wheels.

Scrutiny of records revealed that during 2004-05 and 2005-06 stabling of 23 locos took place in the Loco Shed for a period from 22 days to 430 days due to shortage of spare wheels in the stock as well as due to inordinate delay (average 73 days) in the process of repairing of defective wheel discs. The delay occurred at every stage as is evident from the following position:

(i) Time taken in dispatching wheels to Kanchrapara ranged between 6 days and 77 days.

(ii) Time taken in repairing ranged between 13 days and 143 days.

(iii) There was a long time gap between the date of challan and the date of despatch of wheels while returning them to Asansol.

Thus Railway’s failure in maintaining stock of spare wheels and inordinate delay in the process of repairing defective wheels discs led to detention of 23 locos for a total of 3281 days and resultant loss of earning capacity of Rs.8.30 crore.

When the matter was taken up (April 2007), the Railway Administration stated (June 2007) that the detention had occurred due to scarcity of wheel discs caused due to inadequate supply of material from the trade. In spite of timely projection of demands to Railway Board, only partial quantities of supplies of wheel discs could be allotted by Railway Board.

The reply is not acceptable because the stabling of locos was mainly due to shortage of wheels in the stock as well as inordinate delay in the process of repairing of defective wheel discs. Non-supply of wheel discs from trade might have some bearings on the consolidated requirement of Kanchrapara Workshop and not on Asansol shed.

The problem of shortage of wheels in the stock was aggravated by inadequate demand placed by Asansol loco shed on Kancharapara for the period 2003-04, 2004-05 and 2005-06. The records revealed that no demand was placed in the year 2003-04 and 2004-05 and in the year 2005-06, demand was placed for only 18 wheel sets as against the required recoupment of 86 wheel sets in the stock. Thus, poor planning in the loco shed led to deletion of locos resulting in loss of earning capacity of Rs.8.30 crore.

The matter was taken up with the Railway Board in August 2007; their reply has not been received (December 2007).

2.4.4 West Central Railway: Erroneous dispatch of fit wagons to workshop

The failure of the Railway Administration to implement Railway Board's instructions regarding avoiding despatch of fit wagons to Workshop has resulted in loss of Rs.14.65 crore

Erroneous despatch of wagons neither due for periodical overhauling (POH)/ Routine overhauling (ROH) nor requiring any other repair leading to loss of Rs.8.71 crore on account of their earning capacity due to avoidable detention was commented vide Para 2.3.3 of the Report of Comptroller & Auditor General of India - Union Government (Railways) for the year ended March 2003. As a remedial measure to avoid such irregularity Railway Board issued instructions (October 2003) to Chief Operation Managers of all Zonal Railways stipulating that wagons which were neither due for POH/ROH nor marked by Carriage and Wagon staff as such should in no circumstances be dispatched to Workshop.

Scrutiny of records relating to receipt and despatch of wagons in Kota Workshop of West Central Railway during the period November 2003 to December 2006 revealed that despite instructions of the Board there was no improvement in the system and fit wagons were regularly received from all over the Zonal Railways. It was noticed that Kota workshop had returned 1032 eight wheel and 459 four wheel wagons as they were neither due nor marked for POH/ROH. As a result, these wagons remained unutilized for periods ranging from two to 207 days. The irregular practice of sending fit wagons with POH/ROH due wagons to Workshop has resulted in loss of Rs.14.65

crore (Rs.12.16 crore on account of earning potential and Rs.2.49 crore on account of unnecessary haulage to and from Kota Workshop).

The matter was brought to the notice of Railway Administration and Railway Board in April 2007 and October 2007 respectively. Railway Board stated (December 2007) that Kota Workshop deals with tank wagons and for safety purpose POL tank wagons are required to be protected by guard wagons which were returned by the Workshop as they were not due for POH. It has also been stated that this was not a case of mis-dispatch. The reply is not acceptable because a total of 11723 other wagons were sent to Kota Workshop along with 21841 POL tank wagons during 2003-04 to 2006-07. The enormity of other wagons, thus, indicates that all these were not sent as guard wagons. Moreover, a large number of tank wagons which were not due for POH were also returned by Kota Workshop.

2.4.5 West Central Railway: Loss due to heavy detention to loaded wagons

The failure of Railway Administration to arrange locomotives for withdrawal and movement of rakes loaded in Diamond Cement Siding at Damoh has resulted in loss of Rs.9.43 crore on account of earning potential of wagons

Maintaining effective control over detention to wagons is an essential parameter for judging the efficiency of a yard, siding or goods shed. Less detention to wagons means better turn round and increase in Railways earnings.

Scrutiny of records of Diamond Cement Siding at Damoh station of West Central Railway revealed that wagons loaded in the siding were waiting for withdrawals and onward despatch to ultimate destinations for period ranging from six hours to 113 hours. It was observed that out of 1457 rakes loaded in the sidings during the period April 2004 to February 2007 , 699 rakes were detained for a total period of 4,45,135 hours resulting in loss of their earning potential of Rs.9.43 crore. Station Manager, Damoh has attributed the detention to non-availability of locomotives due to their supply from far off places. It was also added that the detention could be avoided provided locomotives were made available at the expected time of completion of loading.

When the matter was taken up with Railway Administration in April 2007 they agreed with (July 2007) the reasons furnished by Station Manager and added that besides time required for loading and movement of train from loading point to destination there are other factors such as checking by Carriage and Wagon staff, time required for placement etc. for which time is consumed. They also stated that it was difficult to ensure withdrawal of a rake immediately on completion of loading because it was difficult to adjudge the exact time of completion of loading. They stressed that keeping in view the above factors, the detention occurring at Damoh was correct and acceptable.

The reply is not acceptable because the detention pointed out by Audit was excluding the time required for checking and placement. The argument of Railway that it was difficult to adjudge the exact time of completion of loading is not tenable because time for loading/ unloading is prescribed and any extra time taken by party attracts levy of demurrage charge. Moreover, the Audit had pointed only those cases where the detention was beyond six hours extending up to 113 hours. Further analysis by Audit revealed that out of 699 rakes, 320 rakes (45 per cent) were detained for more than 12 hours each and this indicates that Railway's planning for arranging locomotives was not proper.

Thus the failure of Railway Administration to arrange locomotives for withdrawal and movement of rakes loaded in Diamond Cement Siding at Damoh has resulted in loss of Rs.9.43 crore on account of earning potential of wagons.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.4.6 Eastern and Western: Railways — Detention of wagons due to delay in repair of defective wagons

Railway Administration's failure to get newly built defective wagons repaired in time resulted in heavy detention and consequential loss of earning capacity to the tune of Rs.6.88 crore

Railway Board executes agreements with the different wagon builders for manufacturing and supply of wagons to the Zonal Railways. Clause 15 of the General Conditions of Contract stipulated that if any wagon is found defective within the warranty period (30 months from the date of delivery or 24 months from the date of commissioning, whichever is earlier), the Railway Administration shall be at liberty to rectify the defect, and deduct the cost of such repair from the contractor.

Eastern Railway

Scrutiny of records of four divisions on Eastern Railway revealed that on two divisions (Howrah and Asansol) a large number of wagons suffered considerable detention due to defects noticed during the warranty period. In Howrah Divisions, 31 newly built wagons manufactured by different wagon builders remained out of service for a period ranging from 4 to 263 days (aggregating a total of 1944 days) during June 2000 to April 2006. Although the Railway Administration informed the concerned wagon builders about the defects, the firms rectified the defects in six cases only and that too after considerable delay. As the manufactures did not attend to the defects of the remaining 25 defective wagons, these were repaired by the Railway Administration themselves and in the process, the wagons suffered huge detention. It was noticed that wagons builders were taking advantages of lack of clauses stipulating time within which wagons should be repaired during warranty period in the general conditions of the contract. As such, considering the apathy of the firms to attend to the defects, the Railway Administration could have rectified the defects themselves with their available infrastructure, without waiting indefinitely for the builders to attend to them.

Similar position also existed in Asansol Division where 329 wagons suffered a total detention of 2062 days during the period from 2002-03 to 2006-07.

Allowing five days in each case as a reasonable period for repair, Railway suffered a loss of Rs.1.99 crore (0.93 crore Howrah Division + 1.06 crore Asansol Division) on account of earning capacity of these newly built wagons.

Western Railway

In Ahmedabad Division 55 BCNAHs wagons remained idle within warranty period due to manufacturing defect in side bearer springs. The idle period during 2003-04 to 2004-05 ranged from 9 to 384 days (aggregating a total of 8443 days) leading to loss of earning capacity of Rs.4.89 crore.

When the matter was taken up (March 2007), the Eastern Railway Administration stated (June 2007) that absence of precise warranty clause resulted in delay in attending to the wagons and the matter had been referred to Railway Board. They, however, added that there was no loss of earnings in absolute sense due to waiting for warranty repair as there was no wear and tear of the wagons referred to on account of use. Generally, such wagons are utilized beyond their codal life, thus giving additional earnings.

Audit contention has been accepted by the Railway Administration. However their further contention that such wagons are utilized beyond their codal life for additional earnings appears to be contradictory, as wagons awaiting warranty repair cannot be construed as being utilized beyond their codal life, and giving additional earnings.

The matter was brought to the notice of Railway Board in August 2007; their reply has not been received (December 2007).

2.4.7 Western Railway: Loss of earning potential of wagons due to non-removal of bottlenecks for placement of a full rake in a siding

Delay of about seven years on the part of Railway to take action for provision of cross over to facilitate placement of full rake and non-commencement of the sanctioned work resulted in loss of earning of Rs.6.28 crore

With a view avoid unnecessary handling at loading/unloading points and en-route, Railway Board had introduced the concept of booking of goods traffic in full rake load. Consequently to encourage the parties to offer traffic in train load, separate train load classification with concession in freight rates was also introduced. In order to facilitate faster movement and avoid detention to wagons, Zonal Railways were instructed to review the train load handling facilities at stations and sidings and notify the names of such stations so that indents from parties can be accepted only at those stations/siding which have the requisite facilities for booking of rake load traffic.

During Audit inspection of Grasim Industries Siding at Nagda station of Western Railway in September 2006 it was noticed that the siding was notified for booking and receiving of traffic in train load in March 1998. However, due to shunting neck problems, each rake meant for loading/unloading in the siding was broken into two parts and each part was placed in the siding separately. Audit scrutiny of records relating to placement and removal of wagons for the period January 2006 to February 2007 revealed that as against the maximum permissible free time of 7 and 9 hours for completion of loading/unloading, the time actually taken ranged between 10 hours and 84 hours. Besides, undue benefit of double free time to the siding for completion of loading/unloading, this also resulted in avoidable detention of 4,69,654 hours to 35,799 wagons (four wheeled) causing loss of earning potential of Rs.6.28 crore. It was also observed that though the Western Railway Administration was fully aware that due to shunting neck problems the wagons were being detained in the station yard for abnormally long period, no action was taken by them to remove the bottlenecks for seven years. Only in January 2005, a proposal was mooted for provision of crossover connecting line No. 9 with the shunting neck at a cost of 0.26 crore. Though the proposal was sanctioned in January 2006, Railway Administration was yet to commence the work.

Thus, the delay of almost seven years on the part of Railway Administration to take action for provision of cross over to facilitate placement of full rake and delay in commencement of the work sanctioned one year and eight months back has not only resulted in loss of earning of Rs.6.28 crore but would cause recurring loss till the sanctioned work is carried out.

The matter was brought to the notice of Railway Administration and Railway Board in June 2007 and September 2007 respectively; their reply has not been received (December 2007).

2.4.8 Western Railway: Loss on account of heavy detention to wagons

Supply of wagons in piece meal and delay in despatch after completion of loading has resulted in loss of Rs.5.13 crore on account of earning potential of wagons

The operational efficiency of any transport system depends on the optimum use of its rolling stock. Unnecessary detention to wagons causes loss to their earning potential and increases their turn round time. It is, therefore, imperative that the wagons are placed for loading/unloading immediately on receipt at a station and removed/despatched to its destination as soon as the loading/unloading is completed.

Audit scrutiny of records of GR Siding, Bajuwa revealed that there was continuous demand from M/S Indian Oil Corporation Limited, Gujarat Refinery for covered bogie wagons to load bitumen in containers. It was noticed that out of a total indents of 46, the wagons in respect of 20 indents were supplied in piece meal. The gap between the placement of first and second or subsequent lots ranged from 24 hours to 288 hours causing heavy detention to the wagons loaded in the first lot which remained in the yard till the completion of loading of subsequent lots. Even after completion of the loading of all the wagons, they were not sent to their destinations and were detained further in the yard for a period ranging from 6 hours to 320 hours. It was also observed that the party had not accepted the placement of wagons most of the times because of difference in the working hours of their plant. Though there were several requests from the party to regulate placement as per their timings, Railway had not taken any corrective action leading to unnecessary detention to wagons. Audit has assessed that the wagons were detained for total period of 1,98,796 hours causing loss of Rs.5.48 crore on account of their earning potential. It was also observed that though Railway Administration had levied demurrage charges of Rs.1.06 crore, the actual recovery was only Rs.0.35 crore and remaining amount of Rs.0.71 crore (66 per cent) was waived. Thus there was net loss of Rs.5.13 crore on account of earning potential of wagons due to heavy detention.

The matter was brought to the notice of Railway Administration and Railway Board in April 2007 and October 2007 respectively; their reply has not been received (December 2007).

2.4.9 North Central and South Central Railways : Loss due to injudicious waiver of demurrage charges

Failure to observe guidelines regarding waiver of demurrage charges resulted in loss of Rs.11.41 crore on account of net earning capacity of tank wagons

Demurrage is a charge levied to compensate loss caused to Railway due to extra time taken by the party in loading/unloading of goods resulting in detention to wagons. Discretionary powers have been delegated to officers at various levels for waiver of demurrage charges.

Railway Board's guidelines (October 2004) provide that in case of accrual of demurrage charges due to the reasons beyond the control of the consignor/consignee (labour strike, transportation strike, general bandhs, agitation, riots, curfew, fire, explosion, heavy rains or other abnormal/unforeseen circumstances and Act of God, act of war and act of public enemies), the waiver of the same should be considered on merits of individual case. The guidelines further mention that the demurrage charges should not be waived in the routine manner and granted only on justified and meritorious fact and speaking orders recorded in all such cases.

North Central Railway

Indian Oil Corporation (IOC) siding located at Baad (BAD) station has been booking petroleum products to various destinations. The siding has mechanical facilities for loading of the Petroleum products and operates round the clock. The loading of a rake was required to be carried within the permissible free time and in case of failure to do so, the demurrage charges were be levied for the period of detention.

During November 2004 to December 2006, IOC siding, BAD dispatched 2513 rakes to various destinations. Of these, 1902 rakes (76 per cent) were detained beyond permissible free time. Accordingly, the Railway Administration levied demurrage charges amounting to Rs.3.46 crore on IOC/BAD.

Audit scrutiny of the records of the IOC sidings, BAD, however, revealed that Railway Authorities waived off the demurrage charges to the tune of Rs.2.41 crore at IOC's request in a routine manner on the grounds that the rakes were placed at odd hours, wagon placed were sick, the placement of rakes was without prior intimation to IOC Authorities and that maintenance of track was poor. Further test check of the records revealed that the reasons given by IOC for seeking waiver of demurrage charges were not available on records. This indicated that while considering the waiver of demurrage charges, the competent Authorities did not analyse and verify the real causes of detention of tank wagons and as such the waiver of demurrage charges was done is a routine manner.

As against the demurrage charges of Rs.3.46 crore levied during the period November 2004 to December 2006, the demurrage charges waived off and actually realised were Rs.2.41 crore and Rs.1.05 crore , respectively. Since, the detention of tank wagons by IOC beyond permissible free time caused the Railways loss of earning capacity of Rs.6.33 crore of these tank wagons, the injudicious waiver of demurrage charges by the competent authority resulted in net loss of earning capacity of Rs.5.28 crore to the Railway.

South Central Railway

On three sidings of South Central Railway, out of the demurrage charges of Rs.9.13 crore accrued during the period November 2004 to May/July 2006, the demurrage charges waived off and actually realised were Rs.6.13 crore and Rs.3.00 crore respectively. The waiver was granted as a routine exercise.

When the matter was taken up with the Railway Administration (April 2007), they stated (September 2007) that the waiver was granted judiciously and on meritorious facts after analysing the causes and was a marketing strategy to boost up the earning. The average detention of the rake was merely two hours approximately on loading/unloading account excluding free time. Waiver of demurrage charges were discretionary powers of the competent authorities which were exercised taking into account all the factors including forward looking marketing strategies and enhancement of revenue to the Zonal Railways. The reply is not acceptable because the grounds on which waiver of demurrage was applied by IOC and accepted by Railways such as placement of wagons at odd hours or during the change of shift, without advance intimation and supply of unfit wagons indicates the inefficient functioning of Railway.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.4.10 Eastern Railway: Loss due to delay in disposal of unconnected tank wagons

Failure of the Railway Administration to ensure prompt disposal and decanting of unconnected tank wagons led to loss of earning capacity of Rs.4.42 crore

Mention was made in para 2.1.4 (iii) of Report of Comptroller and Auditor General of India – Union Government (Railways) for the year ended 31 March 1998, about the delay in disposal of unconnected tank wagons. The Railway Board, in their Action Taken Note, had stated that extra care was being taken to ensure reduction in arising of unconnected wagons, so as to tackle the problem at the very base.

A similar case of abnormal detention of 28 unconnected tank wagons at product checking point Budge Budge (BGB) was pointed out in April 2005. A review of the position again February 2007 revealed that 17 wagons were still lying unconnected at BGB and seven of these had been detained since 1998-99 and 1999-2000. It was found that 28 unconnected wagons received at BGB between September 1999 and October 2004, suffered considerable detention, ranging from 289 days to 3096 days. The Railway Administration suffered a loss of 43679 wagon days (excluding 300 wagon days of permissible detention) during the period from September 1999 to February 2007 with consequential loss of earning capacity of Rs.4.42 crore.

On the matter again taken up (February 2007) with Divisional Authorities, the Sr. Divisional Commercial Manager, Sealdah Division admitted (March 2007) that the wagons suffered detention due to the indifferent approach of the Operating Department as no effective measures were taken by them to resolve the problem.

Poor management with regard to prompt disposal and decanting of unconnected tank wagons led to loss of earning capacity of Rs.4.42 crore. Further due to such prolonged storage (more than 7 years) the liquid consignment had solidified and the long detention had severely damaged the wagons. The Railways would thus have no option but to ultimately condemn/write off these wagons.

The matter was brought to the notice of the Railway Administration and Railway Board in April 2007 and August 2007 respectively; their reply has not been received (December 2007).

2.4.11 North Central Railway: Loss of earning due to excessive detention of wagons

> Failure of the Railway Administration to avoid excessive detention of wagons resulted in consequential loss of earning capacity of wagons to the tune of Rs.2.35 crore

Excessive and unnecessary detention to idling stock affects the earning of the Railway adversely. The Railways fix targets for detention from time to time. The target for detention of wagons handled in terminal Goods stations was revised in May 2005. For Naini, it was fixed 12.30 hours.

Steel Authority of India Limited sidings at Naini (SAIL/NYN) has been receiving half rakes loads of steel alongwith half rake for SAIL Siding, Panki. The working hours of SAIL/NYN are 6 to 22 hours. The permissible free time of 8 hours for unloading are prescribed for open wagons like BOXN, BOX and BRN and BOST.

Audit scrutiny of records of SAIL/NYN for the period April 2004 to March 2007, revealed that 2663/BOXN, BOX BRN and BOST wagons in two point rakes were received at SAIL/NYN from various steel plants. Some wagons were also received with mixed rakes. Of these 2661 (99.92 per cent) were detained beyond the permissible target fixed. However no demurrage charges has been levied on SAIL/NYN siding during April 2004 to January 2007 except Rs.8640/- as the detention was on the part of the Railway. The excessive detention ranged between 5.35 hours to 521.05 hours. The net loss of earning capacity due to avoidable detention suffered by 2661 wagons (6652.5 in terms of Four Wheeled Unit) worked out to Rs.2.35 crore.

The matter was taken up with the Railway Administration in November 2006, who contended (March 2007) that the detention was caused due to poor condition of track in siding as placement becomes impossible during night hours. They further added that normally two-point rakes were being handled and worked out with Kanpur Goods (CPC) or Panki (PNK) special and after release, the wagons were brought to Chheoki (COI) yard for attaching with the released stock from COI (NYN).

The reasons attributed to the abnormal detention to wagons by the Railway Administration were not acceptable as they did not take any effective action to get the track problem solved even after request made by the SAIL authorities as early as February 2000. The working hours of SAIL/NYN sidings were six to 22 hours and detention hours during night have not been included in the excessive detention hours for working out the loss. Further, detention target was fixed after taking into consideration the time required for arranging power and all other activities necessary i.e. terminal infrastructure, past performance and future potential to improve.

Thus, failure of the Railway Administration to avoid excessive detention of wagons beyond the norms resulted in consequential loss of earning capacity of wagons to the tune of Rs.2.35 crore.

When the matter was taken up with the Railway Administration in May 2007, they stated (September 2007) that target of 12-30 hours fixed for Naini is for block rakes booked for goods shed and not for part loads booked for SAIL siding and coming in two point combination in mixed condition for which sorting was required before placement. Wagons unloaded from SAIL siding was bound to wait to COI yard till its part rake returned from PNK or CPC after unloading. They added that by rationalising freight rates of steel and permitting two-point loading, the Railways had won back its market share lost to road. The reply is not acceptable as integrity of two point rakes of empty wagons was not maintained which would be clear by the fact that out of 232 rakes received, integrity of 161 rakes was not maintained. It was also noticed that wagons unloaded at SAIL siding, Naini indicated that Railway had continuously lost its traffic.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.4.12 North Western Railway: Despatch of coaches not due for POH to Railway Workshop

Coaches not due for Periodical Overhauling or special repairs were detained at Workshop and the Station Yard resulting in loss of earning capacity of Rs.2.90 crore

Railway coaches need to be utilised most effectively as they directly relate with the Passenger services and Railway earnings. Rules stipulate that coaches requiring either special repair which cannot be attended to at the maintenance depot or requiring Periodical overhaul (POL) as per prescribed time schedule shall only be sent to a Carriage Workshop. In order to facilitate proper identification of coaches due for POH, due date is marked. No coach can be sent to Workshop prior to the due date of POH and a prior permission of the Chief Workshop Engineer (CWE) is also to be obtained before their dispatch to Workshop.

A review of records of Carriage Workshop, Ajmer, which carry out POH and special repairs of coaches belonging to Northern, North Western, Western and West Central Railways (excluding Air conditioned coaches of Rajdhani / Shatabdi Express trains and coaches of Janshatabdi Express trains), revealed that during 2002-03 to 2006-07 (up to December 2006), 92 coaches were wrongly sent to Ajmer for onward despatch to Workshop although these were neither due for POH nor any special repair was required. While 17 coaches belonged to other than the nominated Railways, four coaches pertained to Janshatabdi Express trains. Workshop returned 52 such coaches with in a day, however, remaining 40 coaches were detained unnecessarily for a total period of 1060 days. The reasons for detention were non-acceptance of these coaches by the Operating department due to lack of space in Ajmer yard, abnormal time taken by Workshop authorities in taking a decision for sending some coaches to Bhopal workshop for mid life rehabilitation and in despatching a Janshatabdi coach to its nominated Workshop.

Coaches were also detained for total 1128 days during this period in Ajmer yard when these were received from Divisions and again when received from Workshop for their return to Divisions due to delayed availability of Locomotives, lack of space in Workshop, delay in receiving instructions from Headquarters office for return and also delay in getting trains with suitable loading capacities for attaching the coaches.

Detention of coaches in the Workshop and the Yard, ranged individually from two to 205 days, resulting in a loss of earning capacity to the extant of Rs.2.90 crore [Workshop - Rs.1.40 crore and Yard - Rs.1.50 crore].

On this being taken up (June 2005 and February 2007) in Audit, Workshop Administration accepted the facts but stated that every undue coach sent to Workshop for repair fell under ineffective percentage. Railways remarks are not acceptable as provisions contained in Para 1518(2) of Indian Railway Code for Mechanical Department are not applicable here as the ineffective percentage of rolling stock is meant for stock due for repairs and not for fit rolling stock. Further the permission of CWE was not obtained prior to the despatch of coaches not due for POH.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.4.13 Central Railway: Improper handling of tank wagons leading to loss of their earning capacity

Failure of the Railway Administration to take proper action for immediate release of wagons received in a yard for traffic use has resulted in idling of costly assets and consequent loss of earning capacity to the tune of Rs.2.19 crore

As per rules laid down in Chapter XVII of the Indian Railway Commercial Manual Volume II, the Train Branch or such other staff of the Operating Department as detailed by the Divisional Railway Manager should enter the particulars of all wagons empty or loaded, received at or despatched from the station in a wagon exchange book. All the wagons received or dispatched should be checked for any defects before they are placed for loading or unloading. The wagons should not be detained at stations or yard without a specific reason.

Audit scrutiny of records of Trombay yard revealed that 12 tank wagons received between September 2002 and March 2006 were allowed to be shuttled between Bharat Petroleum Corporation Limited siding (BRSG)/Hindustan Petroleum Corporation Limited Siding (VOSG), Kurla yard and Trombay Yard for a period ranging from 418 days to 1,785 days. Railway Administration neither tried to find out as to how these wagons had reached Trombay partially loaded nor took appropriate action for their release to traffic. This has resulted in idling of these wagons for a total of 9,624 days and consequent loss of earning potential of Rs.2.19 crore after allowing 10 days for each wagon for unloading of contents and making fit for use.

When the matter was taken up with Railway Administration in February 2007, they admitted that some of the wagons were handed over to the oil sidings for unloading of the contents but the oil companies had declined to unload as the contents were contaminated. It was also stated that three out of 12 wagons had already been cleared. The reply of the Railway Administration is not convincing. Scrutiny of records reveals that though five more wagons were unloaded in Parel Workshop in June and July 2007, these were still lying in the yard for sending them for traffic use. Had the wagons been examined on their arrival and action taken to get them cleared of whatever contents were in them, they could have been offered for traffic use. Instead they were allowed to shuttle from one place to another without taking proper action. Even eight months after the matter was brought to their notice, nine wagons were still idling (July 2007).

Thus the failure of the Railway Administration to take proper action for immediate release of wagons received in a yard for traffic use has resulted in idling of costly assets and consequent loss of earning capacity to the tune of Rs.2.19 crore.

The matter was brought to the notice of Railway Board in August 2007; their reply has not been received (December 2007).

2.4.14 South Eastern Railway: Avoidable detention of uncleaned wagons

Railway Administration's failure in timely cleaning of wagons led to a loss of earning capacity of Rs.1.89 crore

Bondamunda (BNDM) a major yard in Chakradharpur (CKP) Division of South Eastern Railway caters to the wagon requirements of indentors including Rourkela Steel Plant. As per extant orders, Railway Administration should provide clean and dried wagons to consignees for loading. The empty wagons, after unloading at destination stations, arrive at the BNDM Yard for cleaning of left over contents before being handed over for mechanical check and their subsequent delivery to the indentors.

Review of records of the yard, however, revealed avoidable detention of wagons on account of delay in cleaning process. A total of 70 wagons were cleaned after a delay ranging from 04 to 537 days from their date of arrival after allowing 7 days for cleaning purpose during the period from July 2005 to February 2007. When the detention of wagons assumed high proportion, the yard authorities informed both the Divisional Authorities of Operating and Commercial Departments (August 2006 and September 2006) of heavy accumulation of uncleaned wagons received at the yard which contained left over materials weighing three to seven tons. It was also requested to frame a suitable procedure/system for cleaning of wagons so as to address the problem of continuous detention to wagons and thus avoiding under-utilisation of wagon fleet. However, no tangible results were visible. During the period from April 2005 to December 2006, 44334 wagons could be supplied against the indents of 44787 (a shortfall of 453), which established failure in timely action for having 70 wagons cleaned. Finally, Railway Administration processed for disposal of the uncleaned materials through auction. 26 wagons were cleaned by March 2006 with the help of the indentors of wagons and 44 wagons by outside agency by February 2007.

The matter was taken up (March 2007) with Railway Administration and their reply has not been received. However, in his remarks on the draft para Sr. Divisional Operating Manager, CKP accepted that since wagons were not cleaned and dried, therefore, they could not supplied to consignee. It was further explained that timely cleaning could not be effected because of lack of either defined role of any department or any standard procedure to accomplish cleaning of such large numbers of wagons. To regularise the system of cleaning the matter was referred to Divisional Railway Manager/CKP for issuance of Joint Procedure Order either at the Divisional level or by the Headquarters.

Thus lack of a coordinated effort by the Operating and Commercial Departments and delay in taking initiative to solve the problem led to avoidable detention and consequential loss of earning capacity of Rs.1.89 crore on this account.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.4.15 Eastern Railway: Wrong despatch of wagons

Railway's failure in despatching the wagons to the work sites where the materials were required led to unnecessary detention resulting in loss of earning capacity of Rs.1.24 crore

A work of replacement of worn out liver frame on 'age-cum-condition basis' by panel interlocking at different stations over Malda Division commenced in 2003, the date of completion of which was extended upto 31 March 2008. The locations of the work (Barharoah-Kiul section) were at a long distance from Malda Station.

Scrutiny of records revealed that the wagons carrying signaling equipment required for the work were booked to Malda Station by Liluah Construction Depot (LCD), Belur, instead of booking to the stations where the materials were required. This wrong despatch of wagons thus necessitated rebooking of the consignments to Sahibgunj, Sabour and Jamalpur where the work was actually in progress. It was only in March 2004, that Malda Division authorities took notice of the matter and requested LCD, Belur to dispatch the wagons directly to Sahibgunj. However, LCD Belur continued to dispatch the wagons to Malda Station and rebooking from Malda Station to Sahibgunj and other stations also continued. It was found that during January 2003 to April 2005, 42 loaded wagons, initially received at Malda Station, were rebooked to other stations over Malda Division. As a result of this wrong dispatch arising out of lack of coordination between the concerned departments, the wagons suffered substantial detention ranging from 20 days to 182 days (aggregating a total of 2454 wagons days) leading to loss of earning capacity amounting to Rs.1.24 crore.

The matter was brought to the notice of Railway Board in September 2007. In their reply they stated (December 2007) that departmental disposal (loading/ unloading) is done generally after complying with the need of mercantile obligation which gives additional earnings. There was no shortfall in supply of wagons during the said period. Audit has ignored the cancellation of indents in respect of Bangladesh traffic. The reason was inability of Bangladesh to accept traffic as indented and not Eastern Railway's inability to supply the wagons. Therefore, the direct cost calculation of loss of earning capacity to the tune of 1.24 crore seems theoretical. The reply is not tenable. Review of commodity-wise loading and ODR statement over Malda division for the period from 2002-03 to October 2006 revealed that wagons indented for BDR traffic were cancelled subsequently after a period ranging from one month to seven months from the date of initial indent. This action on the part of the Railway Administration very much indicates that there was short supply of wagons at that point/period of time i.e. in 10 day period.

2.4.16 Southern Railway,: RCF, Kapurthala and ICF — *Loss of earning capacity due to non-induction of newly manufactured coaches into service*

Lack of coordination between Zonal Railway and two production units resulted in delay in the induction of newly manufactured coaches in to service and loss of earning capacity of Rs.2.70 crore

Railway Board decided (March 2006) to provide Centre Buffer Coupler (CBC) coaches in four trains over Southern Railway during 2006-07. Accordingly the manufacturing of various types of CBC Coaches was distributed between Integral Coach Factory, Perambur (ICF) and Rail Coach Factory, Kapurthala (RCF). Railway Board also instructed both Production Units to ensure that coaches of one lot were turned out in one hook to make possible the movement of coaches to base depot as the CBC coaches had to be moved separately and could not be moved attached to screw coupling trains. Since the manufacture of different types of CBC coaches, which were to form part of the trains, was distributed between two production units, a synchronization of the production of parts for a lot was necessary to avoid unnecessary idling of coaching stock. For ensuring this, production units were to indicate the target dates for the manufacture of each type of the lot to the Railway Board.

A review of record by Audit revealed that ICF manufactured and placed (05-9-2006) 16 CBC coaches (12 GSCN, 3 ACCW and 1WCB) valuing Rs.10.94 crore at Villivakkam yard for onward despatch to base depot at Basin Bridge. However, these coaches remained stabled at four different locations without induction into service due to non-receipt of ACCN and SLR type CBC coaches from RCF. Out of total ordered quantity of 74 coaches, RCF despatched 9 ACCN and 10 SLR coaches to Southern Railway between September and November 2006. These were, however, received by Southern Railway on 5 March 2007 and inducted in to service on 14 March 2007.

Thus, failure of ICF and RCF to synchronise the production of lots as per directions of Board, led to idling of CBC coaches costing Rs.10.94 crore manufactured and supplied by ICF and consequential loss of earning capacity of Rs.2.70 crore.

The matter was brought to the notice of Railway Administration and Railway Board in March 2007 and September 2007 respectively; their reply has not been received (December 2007).

2.4.17 West Central: Railway — *Irregular booking of passenger coaches for mid-life rehabilitation*

The failure of Railways to take adequate precautions before sending coaches for rehabilitation has resulted in avoidable expenditure on haulage and loss of earning potential of Rs.1.36 crore

Railway Board had set up facilities of heavy corrosion repair cum periodical overhauling (POH) at Coach Rehabilitation Workshop, Bhopal (CRWS/BPL) in order to restore a passenger coach to its normal health after completing 12 years of service. As per conditions laid down by Central Railway in April 1995, only the ICF built coaches with all ICF coil bogies in the age group of 12 to 15 years were to be sent to CRWS/BPL. Coaches that had been rehabilitated or had undergone heavy interior rehabilitation earlier were not to be sent again. It was also stipulated that BEML coaches with ICF all coil bogies and BEML with MAN bogies should also not be sent for rehabilitation.

Audit scrutiny of records of CRWS/BPL revealed that the Railways were not following the instructions. During the period 2001 to 2007 a total of 267 coaches which didn't require mid life rehabilitation were sent to CRWS/BPL resulting in avoidable expenditure on unnecessary haulage to and from Bhopal and loss of their earning potential as given below:

- CRWS/BPL received 267 coaches which were not required to be sent to them as they were not fulfilling the criteria for mid life rehabilitation. Railways incurred avoidable expenditure of Rs.0.76 crore on unnecessarily hauling them to Bhopal and back.
- Out of 267 coaches received, 100 coaches (24 coaches already rehabilitated, 13 under aged not qualifying for rehabilitation, 11 BEML made and 52 coaches on other accounts) had not met the conditions for rehabilitation and were thus returned by CRWS to the respective Railways from where they were received. Apart from the period lost in transit which could not be assessed in Audit, these coaches were detained unnecessarily in CRWS/BPL for a total period of 908 days resulting in loss of earning potential of Rs.0.60 crore.

When the matter was taken up with the Railway Board in September 2007 they stated in November 2007 that instructions have been reiterated to all concerned for booking only those coaches which are due for mid life rehabilitation. As regards expenditure on unnecessary haulage, it has been stated that additional haulage is only marginal and there was no loss of earning as most of the coaches sent to Bhopal were due for POH. The reply is not tenable because the expenditure incurred on unnecessary haulage was to the tune of Rs.0.76 crore and loss of earnings pointed out by Audit is only for those coaches which were neither due for POH nor required to be sent to Bhopal for rehabilitation.

Thus the failure of Railways to take adequate precautions before sending coaches for rehabilitation has resulted in avoidable expenditure on haulage and loss of earning potential of Rs.1.36 crore.

2.4.18 Southern Railway: Loss of earning capacity due to non-electrification of two sidings

Due to Railway's failure in getting two private sidings electrified at the cost of siding owners, diesel locomotives had to be used causing detention to wagons with consequent loss of earning capacity of Rs.4.96 crore

Electrification of siding lines taking off from continuous electrified sections was necessary to avoid detention in placement of wagons. Where sidings are non-electrified, diesel locomotives are brought from near by stations/sheds for the placement/release of wagons involving significant cost.

As per Railway Board's orders (September 1994), electrification of existing sidings at Railway's cost could be done if found to be justified. Board's orders (September 2000) clarified that Railways would bear the cost of electrification of existing siding, if the Rate of Return on the traffic offered in the previous 24 months was 14 per cent. If it was not financially justified, the siding owner was to bear either the full cost of electrification or to arrange a diesel locomotive. Railway Board issued revised guidelines (March/ May 2005) for the electrification of sidings at Railway's cost, provided minimum guaranteed traffic was offered. A written undertaking from the siding owners, to this effect was to be obtained. It was further clarified that sidings with traffic lesser than the prescribed limits would be closed if the owner did not undertake to electrify it at his cost.

It was noticed that Sankarigurg siding takes off from the Salem-Erode section electrified in the year1992. The siding was not electrified at that time as the siding owners didn't deposit the cost of electrification. Railway proposed (April 2005) its electrification at a cost of Rs.2.31 crore with ROR of the work assessed at (-) 2.30 per cent. Proposal, though not justified, was made on the plea that availability of diesel locomotives for placement/removal would be a problem leading to heavy detention of wagons/locomotives.

Similarly, Pattabiram Military siding takes off from section Chennai Central-Arakkonam electrified in the year 1979. A portion of the line (0.666 km) leading to the FCI siding is used for transportation of traffic to FCI and two defence sidings. Railway proposed (April 2005) for its electrification at a cost of Rs.4.00 Crore without assessing ROR. The matter regarding electrification of these sidings at the cost of the siding owners was taken up with the siding owners in December 2005/April 2006 but had not been carried out (March 2007).

Proposals for the electrification of these two sidings at Railway's cost as per Railway Board's guidelines issued in May 2005 were not considered as traffic offered by the siding owners and track Kilometers to be wired were not meeting the requirement. Railway should have then got these sidings electrified at siding owner's cost. Non-electrification of these two sidings has resulted in utilization of diesel locomotives for placement/removal of wagons from the serving station and shunting operations inside the sidings besides detention to wagons. The loss of earning capacity on account of detention to wagons was Rs.4.96 crore during the years 2005-06 and 2006-07.

The matter was brought to the notice of Railway Administration in January 2007; their reply has not been received (December 2007).

2.5 Miscellaneous irregularities

2.5.1 North Western Railway: Non-receipt of appropriate share in earnings from a tourist train

Incorrect execution of an agreement by the Zonal Railway with a Corporation ignoring Railway Board decision resulted in non-recovery of Rs.5.05 crore

A Broad Gauge train Palace on Wheels was introduced (September 1995) by the Railway in joint collaboration with the Rajasthan Tourism Development

Corporation (RTDC). Earnings realised from the operation of this tourist train were to be shared between Railway and RTDC in the ratio of 55:45. However, Railway failed to execute a written agreement in this regard with RTDC who adopted the earning share ratio as 50:50. This resulted in loss of Rs.4.17 crore to the Railway up to March 2001which was commented in Paragraph 2.4.3 of the Report of the Comptroller & Auditor General of India on Union Government (Railways) No. 9 of 2002 (year ended March 2001). In the Action Taken Note (August 2002), the Ministry of Railways (Railway Board) apprised Audit that a new sharing ratio 56:44 would be implemented with effect from introduction of the tourist train i.e. September 1995.

A review of records maintained in Commercial department of Zonal Railways revealed that contrary to the decision of Railway Board (September 2001) to share the earnings realised from the tourist train in the ratio of 56:44 from the date of introduction of the train, the Chief Commercial Manager (CCM) entered into an agreement with RTDC in November 2002 for division of earnings in the ratio of 56:44 from April 2001 instead of September 1995. Railway again sought (September 2005) the payments of arrears amounting to Rs.5.05 crore assessed for the period September 1995 to March 2001 from RTDC who refused to pay the arrears on the grounds that as per the agreement, the revenue sharing is applicable from April 2001.Moreover, when this issue was referred (April & June 2006) by the Zonal Railway to the Railway Board, it was decided (July 2006) by them that since the agreement was signed in April 2001, sharing of earnings in ratio 56:44 should be from April 2001 only.

On this being taken up by Audit in March 2007, Railway stated (April 2007) that the matter had again been referred to Railway Board for seeking further clarification. Reply is not acceptable in view of the fact that CCM had executed an agreement with RTDC which was contrary to the Railway Board directives and Ministry of Railway (Railway Board) assurance to Audit in reply to the Action Taken Note.

An incorrect/injudicious action on the part of the CCM has made the whole issue disputed and chances of recovery of disputed amount (Rs.5.05 core) are very remote.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.2 South Western Railway: Loss due to delay in revising free time

Delay in assessing free time applicable for the recovery of wagon hire charges and in the implementation of recommended limit resulted in extra benefit to a Port Trust of Rs.3.26 crore

Railway levy wagon hire charges in respect of those Railway wagons which are retained on Marmugoa Port Trust (MPT) beyond permissible free time allowed. Free time allowed prior to Gauge Conversion in November1997 was 32 hours.

In MPT yard, there are four Receipt and Despatch lines and three loading points. At two loading points, loading is manual (through pay loaders) and at the third, mechanised loading was introduced in September 2005 with loading being done through conveyer belts.

After gauge conversion (1997), Railway Administration conducted a time and motion study (October 1999 and November 2000) and revised the free time to 15 hours effective from 1 May 2002. Railway also started preferring wagon hire charges bills after allowing the revised free time. However, MPT refused to pay the bills on the plea that they had not participated in the time and motion study conducted by the Railway. Though MPT participation was not mandatory, Railway accepted their viewpoint and conducted (April & June 2003) another time and motion study in which MPT also participated. The results of the study were the same (15 hours). Railway, however, took another 15 months in getting MPT acceptance to the revised free time and the agreement effective from 1 October 2004 was executed in August 2004.

As per agreement, period up to 30 September 2004 was to be dealt separately. But, no modalities for assessing the free time to be adopted for earlier period were specified. There was also no evidence to show that Railway had taken any action to deal the matter effectively after the execution of the agreement. As such, MPT has not paid charges related to 29 months period (1 May 2002 to 30 September 2004). Railway has, thus, suffered a loss of Rs3.02 crore being the differential amount of wagon hire charges after applying free time at the rates of 15 hours and 32 hours.

Though the next revision was due from 1 October 2005, Railway conducted time and motion study in June 2006. The free time of 9 hours was assessed in the fresh time and motion study. However, this could not be made applicable till March 2007. Railway did not revise the free time from 01.10.2005 as per the agreement. The revision had become necessary due to the introduction of mechanized loading at loading point No. 3 in September 2005. Railway conducted the next time and motion study along with the MPT representative in June 2006 only as a result of which a downward revision of free time to nine hours (with a further scope for reduction) has been recommended. Revised free time has not been effected till March 2007.

Delay in revision has resulted in undue benefit of excess free time to the MPT at a loss of Rs.3.26 crore to Railway during the period January 2006 to March 2007.

The matter was taken up by Audit in April 2007. Railway Administration stated (August 2007) that revised wagon hire charges (Rs.1.80 crore) from May 2002 to September 2004 and from July 2005 to May 2006 had been realized by adjusting from the terminal charges payable by Railways to MPT. MPT authorities had not agreed for the revision of free time to nine hours on the plea that they were not associated with the time and motion study and hence Division would be asked to conduct a fresh study in their association. Railway's reply is not tenable as the adjustment made relates to only difference in per day wagon hire charges rates revised by Board from time to time. No wagon hire charges have actually been paid by MPT for the period

May 2002 to September 2004 at the pre-revised rates. Moreover MPT representative was a party to the time and motion study conducted in June 2006. One more time and motion study would only mean further delay in revising free time which will only be detrimental to Railways' interests.

The matter was brought to the notice of Railway Board in October 2007; their reply has not been received (December 2007).

2.5.3 East Central Railway: Loss due to supply of unfit tank wagons

Supply of unfit tank wagons for loading of POL traffic resulted in avoidable expenditure of Rs.1.34 crore on their empty haulage, besides loss of freight of Rs.3.76 crore

A comment, on supply of unfit wagons for loading of Petroleum Oil and Lubricant (POL) traffic highlighting Railway's failure to arrange for cleaning of tank wagons at Carriage and Wagon Depot Garhara before despatch to the IOC siding leading to their rejection by the siding authorities and consequential loss of freight to the tune of Rs.1.40 crore besides avoidable expenditure of Rs.0.28 crore on empty haulage of these unfit empty wagon, was made in paragraph 2.4.9 of the Report of CAG of India – Union Government (Railways) for the year ended 31 March 2003. Though the Action Taken Note on this para was to be furnished by the Railway Board within four months after the Report was laid on the table of the Parliament, the same is yet to be received.

Scrutiny of records of ACP siding, Simaria and IORG siding, Barauni revealed that as many as 2289 tank wagons were declared unfit for loading and were run empty with the loaded rakes entailing expenditure of Rs.1.34 crore on empty haulage and loss of freight of Rs.3.76 crore during the period 2002-03 to 2006-07. These wagons were rejected at the loading point by the siding owner because the wagons contained black, hard sludge and defective filling pipes etc. Reasons for this were attributed to non-availability of steam/ chemical cleaning facilities at C&W examination Depot/ Garhara. As such, only the normal examination like fitness of centre valve, bottom discharge valve, B/Flange was done before declaring the wagons fit for loading.

When the issue of unfit wagons and their empty haulage was taken up with the Railway Administration, they stated (August 2006) that the wagons are examined under overhead electric traction which is extremely unsafe, hence the wagon could not be properly examined. The detachment of oil tank wagons declared unfit is difficult on account of various shunting operations which are considered not desirable from safety point of view. The Railway Administration accepted that wagons are not being examined properly. Providing suitable site for proper examination of tank wagons is their responsibility in which they failed. Supply of unfit wagons continued and resulted in empty haulage costing Rs.1.34 crore besides loss of freight of Rs.3.76 crore.

The matter was brought to the notice of Railway Administration and Railway Board in May 2007 and October 2007 respectively; their reply has not been received (December 2007).

2.5.4 South Western Railway: Non-levy of siding charges due to incorrect grant of independent point status to an outlying siding

Incorrect declaration of an outlying siding as an independent booking point although the traffic was dealt with at the serving station resulted in non-levy of siding charges (Rs.1.08 crore) and loss of earning capacity (Rs.1.36 crore) due to detention of Locomotives and empty wagons in side the siding

Siding charges are recoverable from the Siding owner at the rates fixed by Railway Board from time to time for round trips performed by Railway engine from the serving station to the siding and back for placement/removal of wagons. However, where a siding possesses complete facility for direct reception and despatch of trains without being dealt at the serving station, freight is chargeable on through distance basis.

M/s Chowgule & Co., a private outlying siding, was opened for traffic in February 2003. Siding takes off in mid section between Kalem (KM) and Sanvordem Curchorem (SVM) stations on Londa - Vasco-da-gama section at Km 61/10-11. This siding is under the operating control of Station Master (SM) of KM station and no operating staff performs duties at the take off point. For controlling the traffic to the siding, Station Working Rules stipulate that the points and crossings provided at the take off point can be operated only with the keys kept in the custody of SM of KM station. Whenever, a train goes to or come from siding, the points are operated with the held of a points man who accompany driver from KM station after obtaining keys and ensuring that section is closed for other train movements. SM/ KM resume working on the main line after ensuring that all the points of outlying siding are set and secured. Apparently, train movements into and out of the siding are dealt at KM station due to specific location of the take off point in the middle of the section. It was observed in Audit that time required between two Key operations in a round trip was 1.05 hour on average. Empty wagons and Locomotives were also detained inside the siding.

Though the siding had no facility for direct reception/ dispatch of trains, Railway Board declared (February 2003) the siding as an independent booking point. As a result, freight was charged on through distance basis by adding the distance between KM station and the siding (3 Kms.). Since the trains meant for siding were being dealt at serving station, the charging of freight upto buffer end of siding was not justified and led to non-levy of siding charges of Rs.1.08 crore during the period February 2003 to March 2007. Beside this, detention of empty wagons and Locomotives detained inside the siding, after allowing 45 minutes period for train operations from KM station to siding and back, resulted in loss of earning capacity to the extent of Rs.1.36 crore during the period April 2003 to March 2007.

On this being taken up by Audit in February 2007, Railway Administration stated (June 2007) that charging of freight on through distance basis was in order as it was to be allowed for train load traffic going into the siding directly or indirectly with the engine pulling and pushing provided there was no detention to engines, except for change of ends and no separate shunting staff were required exclusively for this purpose. Railways contention is not acceptable in view of the fact that powers as well as the wagons were detained on regular basis at KM station/siding premises for want of path on main line and a points man was deputed each time for operating the points/levers at take off points and inside siding. Further, this siding cannot be considered as an independent booking point as it does not takes off at KM station but in the mid section where no cabin facility has been provided.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.5 East Coast Railway: Loss of revenue on reversal of engine due to non-commissioning of tie line

Railway Administration had to sustain recurring loss of revenue of Rs.1.27 crore per annum towards extra haulage due to reversal of engine because of non-commissioning of constructed tie line

To avoid reversal of engine for traffic coming from Titlagarh and going towards Titlagarh from Koraput - Rayagada (KR) section, the Keutiguda–Theruvali bye pass line (tie line) was completed in 1996 with a gradient of 1 in 100. However, the line was not opened for traffic and the main objective to avoid reversal of engines was not achieved.

Review of records revealed that the line was not opened for traffic in view of Commissioner of Railway Safety's (CRS) stipulation to obtain Railway Board's condonation for adopting gradient steeper than 1 in 260. The administrative approval of Railway Board for providing the gradient of grade 1 in 100 on the above tie line from Ch.164.34 to Ch.1126.68 was sought for in January 1999 after a delay of 2 years. Thereafter, there was no follow-up with the Railway Board to expedite the approval. In the meantime, the reversal of engine continued and Railway Administration had to suffer a recurring loss of Rs.1.27 crore per annum.

After a lapse of 6 years, the Railway Board advised the Railway (May 2005) to explore the possibility of flattening the gradient at least to 1 in 260. East Coast Railway informed (September 2005) Railway Board that in order to maintain gradient of 1 in 260 in extra length of one km, Rs.5.66 crore has to be provided. The work of re-grading was, however, undertaken without Railway Board's approval and an amount of Rs.3.06 crore had been incurred till June 2007.

It was also noticed that track material was found missing when fresh survey was conducted. The cost of replacement of the missing materials was assessed at Rs.0.86 crore.

The matter was taken up with the Railway Administration in April 2007, they stated (August 2007) that tie line was not commissioned due to redefinition of yard limits i.e. Cabin ‘A’ on KR section as Block hut and Cabin ‘B’ located on Raipur-Vizianagaram line as the cabin of Block hut ‘A’. The projected loss of extra haulage due to continuance of reversal of engine is hypothetical. The reply is not acceptable because the tie line with infringing grade could not be commissioned for want of Railway Board/CRS’s sanction and change of drawings to suit the operational norms. Loss was calculated in audit on the basis of actual figures for three years.

Thus, reversal of engine due to delay in obtaining Railway Board/ CRS’s approval resulted in recurring loss of Rs.1.27 crore per annum and would continue till opening of the tie line for traffic apart from loss of materials (Rs.0.86 crore).

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.6 West Central Railway: Non-recovery of stacking charges

The failure of the Railway Administration to stop the party from stacking its goods on the platform and to demand stacking charges has resulted in non-recovery of Rs.1.24 crore

Para 1406 of Indian Railway Code for Commercial Department, stipulate that in order to avoid heavy accumulation of goods in the goods shed platforms, a limit may be fixed by Railway Administration on the quantity of goods to be registered. However, Zonal Railways were authorised (May 2000) to allow stacking of goods by parties ten days in advance provided it does not cause hold up of other traffic.

Audit scrutiny of records of Katni Murwara station of West Central Railway revealed that a local agent of two Mumbai based companies viz. M/S Phulchand Export Ltd. and M/S Samruddha Overseas Ltd. had placed indents on 5 February and 12 March 2004 for supply of 50 rakes (25 for each party) of BOXN wagons for transportation of iron ore to Vishakhapatnam Port. These indents were duly registered. Simultaneously an application for allowing advance stacking was also made by the parties. Though no written permission for stacking was available in the records, letter dated 31 March 2004 sent to Divisional Railway Manager (DRM), Jabalpur by Chief Goods Supervisor (CGS) indicates that party had started stacking their goods from 29 March 2004 as per telephonic message received from Chief Commercial Manager (CCM), Jabalpur. It was seen that while the demands of the parties remained pending for reasons not on record, their advance stacking of goods was treated as unauthorised and Chief Goods Supervisor was advised to recover stacking charges as per rules. Despite this the party continued to stack their goods till September 2004. The Railway Administration started supply of rakes to party in August 2004 and the party loaded eight rakes till September 2004. Further supply of rakes to the party was stopped as some of the rakes loaded by M/S Samruddha Overseas Ltd. were found heavily overloaded causing loss of revenue as well as endangering the safety of track. It was also observed by Audit that though party was requested by CGS to settle the issue of payment of stacking charges, no specific demand was made till October 2004. Initially the stacking charges were assessed at Rs.2.18 crore but later on re-calculated as Rs.1.36 crore. After forfeiture of the wagon registration fee of Rs.0.09 crore and adjustment of Rs.0.03 crore on account of sale proceeds of iron ore not removed by party, a sum of Rs.1.24 crore was still recoverable from the party. The party has, however, not paid these charges and asked for waiver stating that they had started stacking the material in anticipation of supply of rakes as their demand had already been registered.

When the matter was brought to the notice of Railway Board in September 2007 they stated that the party had commenced stacking without obtaining permission for advance stacking of goods and this was declared unauthorised. It has also been stated that West Central Railway has been advised to file a civil suit against the party for realization of Railway dues. The reply is not acceptable as Railway had allowed the party to continue stacking for about five months without written permission. Not stopping the party from stacking the goods tantamount to approval of their action.

Thus the failure of the Railway Administration to stop the party from stacking its goods on the platform and to make specific demand for payment stacking charges has resulted in non-recovery of Rs.1.24 crore.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.7 North Western: Railway — Loss due to avoidable diversion of loaded rakes

Railways inefficiency in monitoring the despatch and unloading of loaded rakes resulted in avoidable expenditure of Rs.1.29 crore

Railways objective of economical transportation and maximisation of revenue is dependent *inter-alia* on efficient utilisation of wagons and proper planning in transportation. In order to achieve a better turn-round of wagons, their detention in loading/unloading, in-transit and in the yards is to be minimised.

North Western Railway came in existence in October 2002 by joining certain sections of Northern Railway and Western Railway. Railway Board, while estimating the requirement of rails for all Zonal Railways and their Construction Organisations for year 2002-03 for placing a combined purchase order on M/s Steel Authority of India Ltd. (SAIL), included a requirement of 12200 MT rails for three ongoing Gauge conversion projects, which lateron became part of North Western Railway. Details of Projects and consignees intimated in February 2003 were as under-

Sl.No.	Project	Quantity	Consignee at
1	Chittaurgarh-Udaipur	4400 MT	Chittaurgarh
2	Agra Fort-Bandikui	2200 MT	Chittaurgarh
3	Luni-Barmer-Munabao	5600 MT	Barmer

A loaded rake comprising of 39 wagons, initially booked at Bhilai Steel Plant (BSP) on 8 March 2003 to Engineering Workshop, Sabarmati (Western Railway), was re-booked on 14 March 2003 to Chanderia for North Western Railway. It was detained there for 13 days before unloading. When this rake was being unloaded, another such rake comprising of 40 wagons was booked from BSP on 26 March 2003 which reached Chanderia on 28 March 2003. In view of the space scarcity there, second rake was re-booked to Samdari via Sawai Madhopur-Marwar which could actually be unloaded at three stations viz. Luni (15 wagons), Hanuwant (12 wagons) and Salwas (13 wagons). Similarly the third rake despatched from BSP to Barmer on 13 April 2003 reached Samdari on 19 April 2003. But due to non- availability of broad gauge line beyond Samdari to Barmer, the rake was detained at Samadari and then diverted on 26 April 2003 to Bharatpur via Marwar- Sawai Madhopur. Avoidable diversion of loaded rakes resulted in extra burden of freight to the extent of Rs.0.86 crore besides detention charges (Rs.0.43 crore).

On this being taken up in Audit (March 2007), Railway Administration accepted all the facts (May 2007) but stated that diversion and detention of loaded rakes were unavoidable due to odd circumstances prevailing like initial allotment of rails to the parental Railways, monitoring of despatches by parental Railways, non-availability of timely information about despatches in the newly created zone and labor problems etc. Railways argument is not tenable in view of the fact that ultimate consignees were communicated to the Zone well in advance and extra expenditure could have been avoided had the Zone monitored the movement of the rakes and related unloading arrangements effectively.

Railways inefficiency in dealing with the despatch and unloading of loaded rakes has, thus, resulted in an avoidable expenditure of Rs.1.29 crore.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.8 East Central Railway: Non-recovery of charges for loaded un-connected coal wagons

Failure to impose traffic restriction on the siding resulted in non-recovery of charges for loaded un-connected coal wagons (Rs.1.69 crore) and other charges (Rs.0.18 crore) from a closed siding

The costs of material together with freight-charges in respect of un-connected wagons are recovered when released to a third party (other than consignee or consigner). Similarly the cost of materials contained in cases of missing wagons together with freight charges is payable to the consignee or adjustable against the cost of material recoverable from parties to whom un-connected wagons are released.

Audit scrutiny of records of Coal Area Manager, Dhanbad revealed that M/s Hindustan Fertilizer Corporation (HFC), Simaria siding (SAE) had consumed un-connected coal wagons. Joint reconciliation for missing vis-à-vis un-connected wagons for the period 1973 to March 1986 conducted in March 1988 had revealed that amount recoverable on account of uncorrected wagons from HFC was Rs.2.99 crore as against Rs.2.68 crore payable to them for their missing wagons. Thus, an amount of Rs.0.31 crore was recoverable. The recoverable increased to Rs.0.66 crore during 1986 to 1989 and Railway asked HFC to pay this amount by August 1990. Though the party had not paid the amount, yet Railway continued to deliver them unconnected wagons till closure of sidings in March 1998.

Final assessment of payable and recoverable amount for the period 1973-2001 was done in December 2001. After off setting the amount payable for 3504 missing wagons and recoverable towards 4340 un-connected coal wagons consumed by M/s HFC, an amount of Rs.1.69 crore remained un-recovered till date in addition to other charges of Rs.0.18 crore. In the year 2002, finding no other alternative to recover the outstanding dues, the matter was referred to Legal Advisor, Railway Board. They also failed to come out with any concrete steps for recovery and asked the Railway Administration to provide further details of past practice followed and complete details of recovery. The amount has not been recovered so far (September 2007).

When the matter was taken up with Railway Administration in November 2006, they stated (January 2007) that a liquidator is being appointed for realizing the outstanding dues. The reply is not acceptable because as per Company Law, a liquidator can only be appointed by the Court of Law. The Railway has no authority to appoint a liquidator. Though HFC siding was closed, the company is still functioning. In such a situation, a liquidator can not be appointed.

The matter was brought to the notice of Railway Administration and Railway Board in February 2007 and August 2007 respectively; their reply has not been received (December 2007).

2.5.9 Southern Railway: Loss of earning capacity of test wagons and overweight charge due to an un-commissioned defective weighbridge

Delayed decision by the Railway to reject an un-commissioned defective weighbridge resulted in loss of Rs.1.45 crore on account of earning capacity of two test wagons beside irrecoverable penal charges for overloading

Railway Board has prescribed that at new major loading points involving bulk loading, an in-motion-electronic weighbridge must be provided in the yard layout to avoid possibility of any overloading. Such provision was also considered necessary to have a check on the overloading over and above the permitted enhanced loading.

Milavittan (MVN) is Goods shed booking bulk loads of Gypsum, Salt etc. to various destinations. In view of heavy traffic, Railway erected/installed (April 1999) an in-motion-electronic weighbridge there. The weighbridge never performed as per weight accuracy criteria fixed by the RDSO and was, therefore, not commissioned/ put to use. Even the original equipment manufacturer could not rectify the defects. Trials were taken on un-commissioned weighbridge frequently (twenty times) between July 2001 and July 2005 and Railway failed in taking any effective action during eight years to bring the weighbridge to a usable condition. Railway decided to reject the weighbridge only in November 2006 although the weighbridge was defective as well as uncommissioned all along and a fresh proposal for purchasing a new in-motion-weighbridge for MVN was made (February 2007).

As a result of inordinate delay in taking decision on the defective weighbridge, two wagons received at MVN after POH in year 2001 from Carriage Workshop, Perambur for use as test wagons to test the accuracy of the installed weighbridge remained un-utilised for the intended purpose for a period of five years as of March 2007. This resulted in loss of earning capacity of the wagons to the extent of Rs.1.45 crore. Moreover, due to defective weighbridge, the loads booked from MVN could not be weighed. Only a limited number of Gypsum loads (796) were weighed en-route at in-motion-weighbridge at Chengalpattu (CGL) during the year 2006-07 of which overloading was detected in 108 loads (14 per cent) involving charges amounting to Rs.0.10 crore towards for overweight detected. Similar charges due for un-weighed loads for the years 2002-03 to 2006-07,with reference to the results for year 2006-07, works out to Rs.0.70 core.

On this being taken up by Audit in June 2006, Railway stated that the test wagons were to be treated as departmental wagons. Railway's reply is not acceptable as two test wagons were received from the Carriage Workshop, Perambur after periodical overhaul and were, therefore, normal wagons which could have been put to effective use.

The matter was brought to the notice of Railway Board in September 2007; their reply has not been received (December 2007).

2.5.10 East Central Railway: Non-realisation of Wharfage and Demurrage Charges

Delayed and inadequate action to sell off palm oil loaded on unreleased tank wagons booked for Nepal resulted in accumulation of Railways dues worth Rs.0.97 crore

Demurrage is a charge levied and recovered to compensate loss caused to Railway due to extra time taken by the party in loading/unloading of goods resulting in detention of wagons whereas wharfage charge is realised in case a consignment is not removed from railway premises, either in part or full on the date of delivery. Further section 83/84 of Railway Act 1989 provides that if the party fails to pay on demand any charges due from them in respect of any consignment, the Railway Administration may detain such consignments or part thereof and sell it by public auction to realise dues.

Scrutiny of records revealed that consignments of palm crude oil for destination in Nepal were being booked by M/s Hindustan Storage and Distribution Ltd. It was noticed that the party had failed to unload one rake of 70 oil tank wagons placed for unloading on 4 February 2004 within free time allowed for want of Road Tankers. Accordingly seven tank lorries and 13 oil tank wagons were detained (19 March 2004) and the total dues (Rs.0.97 crore) had accrued against the party. A notice was served on the party under the provisions of Railway Act, 1989. Besides 13 wagons of previous rake, one more rake of 70 oil tank wagons was placed for unloading on 19 March 2004. The party requested Railways to recover Railway dues by auctioning the contents of wagons.

Total outstanding dues accrued up to 22 May 2004 against the party was to the tune of Rs.0.90 crore. The Railway Administration on the request of party decided (May 2004) to detain 343.80 metric tonne of palm oil on 16 road lorries against the Railway dues and asked the party to ensure clearance of all dues at the earliest. However, the party did not make any payment. Again in February 2005 on the request of party, the Railway Administration decided that on deposit of Rs.0.12 crore three tank lorries having crude palm oil would be released and subsequently on deposit of Rs.0.04 crore against each tank lorry, 14 lorries would be released and remaining two detained as lien consignment against the wharfage accrued. The party, however, got released only six oil tank lorries leaving back 10 lorries till date (August 2007). The value of palm oil contained in 10 lorries works out only to Rs.0.38 crore. However, the sample test of palm oil revealed (April 2007) that it had got high acidic value and was adulterated with the passage of time. The Railway is also required to pay custom duty on the goods imported to Nepal via India but detained and ultimately disposed off in India by Public auction, as the custom duty leviable thereon are payable by the importer under para 9A of Indo-Nepal Treaty. In the present case an amount of Rs.0.47 crore has become due for payment toward custom duty on the consignment detained in India. Since the palm oil had lost its value as per sample test report, there is hardly any chance for recovering Railway due through auction at this point of time. The total outstanding dues against the party towards demurrage and wharfage charge as on 19 March 2007 work out to Rs.0.97 crore.

Had the Railway Administration initiated timely and adequate action to sell off the palm oil immediately or taken steps to ensure recovery from the other transactions of the party with other Railways, the losses and liability could have been minimised/ avoided.

The matter was brought to the notice of Railway Administration and Railway Board in May 2007 and October 2007 respectively; their reply has not been received (December 2007).