

“Loss of opportunity to earn additional freight and extra expenditure on haulage: South Western Railway (SWR)”

MINISTRY OF RAILWAYS (RAILWAY BOARD)

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

HUNDRED SECOND REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2332

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Presented to Lok Sabha on:

Laid in Rajya Sabha on:

LOK SABHA SECRETARIAT
NEW DELHI

February, 2024 /Magha, 1945 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2023-24)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri Thalikkottai Rajuthevar Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Vishnu Dayal Ram
7. Shri Pratap Chandra Sarangi
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Shri Brijendra Singh
11. Shri Rajiv Ranjan Singh *alias* Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabbhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohli
17. Dr. K. Laxman
18. Shri Derek O' Brien¹
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

SECRETARIAT

- | | | | |
|----|-----------------------|---|-------------------|
| 1. | Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. | Shri Partha Goswami | - | Director |
| 3. | Dr. Faiz Ahmad | - | Under Secretary |
| 4. | Shri Charanjeet Singh | - | Executive Officer |

¹ Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24) having been authorised by the Committee, do present this Hundred Second Report (Seventeenth Lok Sabha) on "Loss of opportunity to earn additional freight and extra expenditure on haulage: South Western Railway (SWR)" based on Para 2.2 of C&AG Report No. 25 of 2022 relating to the Ministry of Railways (Railway Board).

2. The C&AG Report No. 25 of 2022 was laid on the Table of the House on 21.12.2022.

3. The Public Accounts Committee (2023-2024), selected the aforesaid subject for detailed examination and took oral evidence of the representatives of the Ministry of Railways (Railway Board) on the subject matter on 21 November, 2023. Based on the oral evidence and written replies, the Committee examined the subject in detail.

4. Public Accounts Committee (2023-2024) considered and adopted the Draft Report on the aforementioned subject at their Sitting held on 05.02.2024. The Minutes of the Sittings are appended to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

7. The Committee would like to express their thanks to the representatives of the Ministry of Railways (Railway Board) for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

NEW DELHI:
February, 2024
Magha 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

PART- I

INTRODUCTION

1. The Committee have learnt that South Western Railway South Western Railway (SWR) Administration failed to supply BOXNHA rakes with BOXNEL wagons on the Tornagallu - Ranjitpura route resulting in loss of opportunity to earn additional freight of Rs. 48.24 crore for the period from 2013-14 to 2020-21. Besides, SWR also incurred an extra expenditure of Rs. 5.22 crore on haulage of excess number of rakes during this period.
2. The C&AG Report No. 25 of 2022 for the year ended 2022 contains significant results of the compliance audit of the Ministry of Railways of the Union Government.
3. Public accounts Committee (2023-24), selected the aforesaid C&AG Report for examination and report.
4. The Public Accounts Committee (2023-24), considered the subject for detailed examination, took oral evidence of the representatives and other officials of Ministry of Railways on 21.11.2023 and obtained written replies on the same. Based on the oral evidence and written replies, the Committee examined the subject in detail.
5. **Para no 2.2 “Loss of opportunity to earn additional freight and extra expenditure on haulage”**

“Ministry of Railways (MoR) sanctioned (December 2007) the Torangullu (TNGL) - Ranjitpura (RNJP) route as 25 tonnes Axle load routes for loading of Iron Ore in specified wagons. BOXNEL, BOBSNMI and BOYEL wagons were cleared for operation on this route with a Permissible Carrying Capacity (PCC) ranging from 68

tonnes to 77 tonnes with loading tolerance of two tonnes. Two to three dedicated BOXNHA (BOXN Higher Axle) rakes of BOXNEL wagons with PCC of 77 tonnes were in use on this 23 km stretch till 2011-12 for transporting Iron Ore. Review of records of Mechanical/Operating department, South Western Railway (SWR)/Hubli pertaining to the period of 2013-14 to 2017 and from 2020-21 onwards (till September 2021) revealed that a total 6587 rakes (on an average 1013 rakes per year) were loaded from RNJP to JSW Steel Ltd. (JSWT)/TNGL during the period. For loading Iron Ore, BOXN rakes consisting of BOXNHS/BOXNHL wagons having PCC ranging from 68 - 70 tonnes per wagon were supplied to JSWT instead of BOXNHA rakes consisting of BOXNEL wagons or higher capacity wagons. Records were not made available to verify the reasons for stoppage of operation of BOXNEL wagons or non-supply of other wagons having the similar PCC. Review of the Wagon Holding of SWR also revealed that BOXNEL wagons were not available under holding. Audit observed that the rake size of 59 BOXNHS/BOXNHL wagons could carry 4130 tonnes per rake against 4484 tonnes that could have been carried in the BOXNHA rakes with BOXNEL wagons. A total weight of 354 tonnes per rake was less carried during the period. Thus, non-supply of the BOXNHA rakes with BOXNEL wagons by SWR Administration resulted in foregone opportunity to earn an additional freight amounting to ₹ 48.24 crore. Further, the line capacity of notified route of RNJPTNGL/JSWT remained underutilized due to non-supply of higher capacity rakes/wagons during the period. SWR Administration also did not make concerted efforts to include BOXNHA rakes with BOXNEL wagons or wagons of similar PCC in Wagons Holding of SWR for arranging supply of the appropriate rakes at RNJP. Audit also noticed that during the period, 6587 rakes moved from RNJP to JSWT with approximate tonnage of 2,60,37,492 tonnes whereas only 5806 rakes of higher Axle load carrying 76 tonnes per wagon would have been sufficient to carry the same tonnage. Thus, the SWR Administration incurred an extra expenditure amounting to ₹ 5.22 crore towards haulage of 781 rakes in excess. The matter was taken up with MoR in May 2022. In reply, they stated (July 2022) that four BOXNEL rakes which were supplied for loading of Iron Ore between RNJP-JSWT route were in operation up to 2011-12. These BOXNEL rakes were sent to ECoR as per the Railway Board's instructions due to higher demand over ECoR. It was also stated that two BOBSN rakes (first rake in 2013-

14 and second rake in 2016-17) were supplied which have PCC of 62 tonnes for loading in 25T Axle route. These rakes having higher capacity for loading in 25 tonnes Axle route in RNJP-TNGL were in operation from 2013-14 until now and utilized sufficiently. The reply of MoR was not acceptable. The SWR Administration failed to have higher PCC rakes/wagons in its holding to cater to the need of increased demand of Iron Ore on RNJP to JSWT route. The PCC of BOBSN wagons supplied by SWR were of 62 tonnes capacity which was far less as compared to BOXNEL with PCC of 76 tonnes even though the route was notified for 25 T Axle Load and has the capacity to run rakes of higher capacity wagons (76 tonnes). Further, in respect of haulage of 781 excess rakes, MoR has not clarified the issue. The fact will remain same as the supply of rakes with lesser PCC will require more rakes when compared to rakes with higher PCC. Thus, failure of SWR Administration to supply the BOXNHA rakes with BOXNEL wagons resulted in loss of opportunity to earn an additional freight amounting to Rs. 48.24 crore for the period from 2013-14 to 2020-21 onwards. The Railway Administration also incurred an extra expenditure amounting to Rs. 5.22 crore on haulage of 781 rakes in excess during the period”.

6. The Ministry in their Background Note have stated as under:

“The Rolling Stock utilization is planned and monitored by Railway Board in consultation with Zonal Railways after assessing the requirement and efficient utilization within the overall network of Indian Railway for optimizing the fulfillment of available traffic demand. After 2010 there is a continuous decrease in Iron Ore demand on SWR. Supreme Court imposed ban on iron ore loading for export in Goa and Karnataka in 2012. Due to this, iron ore loading drastically came down. Earlier, BOXNEL rakes were provided to SWR for loading of iron ore in RNJP-JSWT circuit upto 2011-12 where 25T axle load was permissible. Four (4) BOXNEL rakes were in operation between RNJP-TNGL section upto 2011. Meanwhile, in 2011, JSWT commissioned track hopper infrastructure for unloading iron ore for BOBSN type of rakes. This infrastructure enables efficient unloading and turn-round of BOBSN rakes on an average of 1.5 rakes per day. JSWT siding Free time notified for BOXN rake is 8 hours and BOBSN rake is 2.5 hours. Hence to optimize freight loading in RNJP-JSWT section BOBSN type of rakes are fit to be chosen for loading and unloading.

Subsequently, two BOBSN rakes were supplied for loading during 2013-14 (First rake) & 2016-17 (second rake) in SWR, which has higher capacity for loading in 25T Axle route between RNJP-JSWT. BOBSN rakes have permissible carrying capacity (PCC) of 69T over 25T Axle route as against PCC of 60T over CC+8 routes. These BOXNEL rakes were sent to EcoRly as per Railway Boards instructions due to higher demand over EcoR sector. Due to closure of Donimalai Mines in RNJP, BOBSN rakes were withdrawn in June 2018 due to no demand for iron ore in this sector. Again, two BOBSN rakes were re-inducted in October, 2020 due to re-opening of Donimalai Mines and increased demands for iron ore loading between RNJP-JSWT sector. SWR was given BOBSNM wagon which has payload of 69T on 25T axle load and better turn round time because of loading time of 2.5 hours only against 8 hour of BOXNEL wagons. With Engine on Load unloading facility in BOBSNM1, the Rolling Stock detention is further reduced by saving time in bringing loco and the attachment, pressure ready, BPC validation, etc. BOBSNM1 wagons were introduced because the customer, JSW(T) has constructed and installed the necessary infrastructure for unloading of BOBSNM1 on the basis of better efficiency in operation. Hence, there was no revenue loss to the Railways.

7. When the Committee asked as to how the Railways arrived at the figure of freight amounting to Rs. 48.24 crore, a representative replied as under:

“Actually, this calculation is based on how much could have been earned had the higher capacity rakes been operated on this line versus what is actually being earned by using a lower capacity rake. In this kind of issues, I think the exact amount is basically shows an order of magnitude. It is not as if railways has really lost this much amount but it represents the order of magnitude that had they operated higher capacity wagons as per the capability and capacity of the line, the earnings would have been more. This is the crux of the para.”

8. On enquiring about the reasons for stopping the operation of BOXNEL wagons or not supplying other wagons with a similar PCC on this route, the Ministry in their written reply stated as under:

“The BOXNEW/wagons were transferred out of SWR to EcoR with routes having more capacity for running trains with these wagons on account of longer routes/track kilometers fit for carrying them where they have been utilized more effectively & efficiently. In 2011-12 JSWT started installation of track hopper facility which started operation in the year 2016-17 with induction of 2 BOBSN rakes. It may be noted that the track capable of running high-capacity wagons was 23 Km only and the requirement of rakes was less than 2 per day before 2011-12. Therefore, it was not considered reasonable to further induct or continue the operation of high-capacity wagons in SWR when these rakes could be used more effectively, efficiently and remuneratively in other railways where tracks fit for running these high-capacity wagons was substantially more. Hence the high-capacity wagons/rakes being operated on SWR were transferred to ECoR”.

9. On being enquired about the reasons of not providing the records to the audit, as Audit has stated that records were not made available to verify the reasons for stoppage of operation of BOXNEL wagons or non-supply of other wagons having the similar PCC, the Ministry, in their written reply, stated as under:

“All available records were provided to audit.”

10. On being asked why were BOXNHS/BOXNHL wagons with a lower PCC supplied to JSW Steel Ltd. instead of the higher capacity BOXNHA rakes, as specified by the MoR, the Ministry stated in their written reply as under:

“Since the high capacity wagons (BOXNHA) were not available with SWR, the wagons available like BOXNHS, BOXNHL were supplied for loading to meet the customer demand”.

11. When asked as to what actions are being taken to address this issue, as the report highlights that extra expenditure was incurred due to the haulage of 781 excess rakes, the Ministry stated in their written reply as under:

“Usage of excess rakes appears to have been arrived at on the basis of difference between the tonnage carried by high capacity wagons & that carried by other wagons. However, Audit has not taken into consideration the effective utilization of high-capacity rakes in EcoR, which resulted into additional earning and saving of several such rakes in ECoR. If it were to be considered in totality over the Indian Railways, there is no haulage of excess rakes, as pointed out by Audit”.

12. Upon enquiring about what additional clarifications the MoR would like to provide to substantiate and justify their stance in light of the audit report indicating dissatisfaction with the Ministry of Railways' response, the Ministry in their written reply stated as under:

“In light of the audit report indicating dissatisfaction with the Ministry of Railways' response, the Railway Board submitted its final ATN explaining the issue more clearly”.

13. When asked to provide details on the steps taken by the MoR to ensure that appropriate rakes with higher PCC are supplied for operation on the Torangullu - Ranjitpura route going forward, the Ministry stated in their written reply as under:

“As of now, there are two dedicated BOBSNM1 rakes with 25 tonne axle load wagons operating on the TNGL-RNJP section. These rakes are supplied as per the demand placed by JSWT, as the arrangement of unloading of Hopper wagons is available in SWR only with JSWT”.

14. On being asked about the measures that will be implemented to prevent such discrepancies in wagon supply and to optimize the utilization of the notified route in the future, the Ministry stated as under:

“To utilize the notified route, two BOBSNM1 rakes are deployed which are operated as closed circuit rakes”.

15. When asked as to how the MoR plan to make up for the foregone opportunity to earn an additional freight amounting to ₹48.24 crore for the period from 2013-14 to 2020-21 onwards, as mentioned in the report, the Ministry stated in their written reply as under:

“The revenue loss has been calculated based on the tonnage lost on SWR. However, the gains made in ECoR due to running of these high-capacity wagons appear to have been overlooked. Hence, if the entire operation of high capacity wagons is considered in totality there would be no loss of revenue”.

16. On being asked to explain the reasoning behind the decision to send BOXNEL rakes to East Coast Railway (ECoR) due to higher demand, and how this decision was made in light of the decreasing demand on SWR, the Ministry in their written reply stated as under:

“As mentioned in the query, to meet the high demand in ECoR, the high capacity wagons were transferred to ECoR as there was much less demand in SWR. Also as mentioned earlier, ECoR had more routes capable of running the rakes with high-capacity wagons which would result in effective & advantageous utilization of high capacity wagons in ECoR”.

17. On being asked to provide details of the criteria and considerations for selecting these rakes, and how their deployment was optimized for freight loading on the RNJP-JSWT route, the Ministry in their written reply stated as under:

“BOBSN is a specific type of wagon with side discharge requiring unloading infrastructure suitable for its operation which is not available at all terminals”.

18. On being asked about the measures taken to ensure that BOBSN rakes were effectively utilized and maintained for iron ore loading after their

re-induction in October 2020, following the reopening of Donimalai Mines, the Ministry in their written reply stated as under:

“It is informed that 340 rakes were loaded in 2021-22 & 408 rakes in 2022-23. These rakes have been worked with locomotives attached/available at terminal to operate without any detention”.

19. On being asked as to how the Ministry plans to adapt its rolling stock allocation and utilization strategies to optimize freight operations on various routes, given the evolving demands and changes in wagon types, the Ministry stated as under:

“The Rolling Stock utilization is planned and monitored by Railway Board in consultation with Zonal Railways after assessing the requirement and efficient utilization within the overall network of Indian Railway”.

Part II

Observations and Recommendations

The Committee learn that South Western Railway (SWR) Administration failed to supply BOXNHA rakes with BOXNEL wagons on the Tornagallu - Ranjitpura (TNGL- RNJP) route resulting in loss of opportunity to earn additional freight of Rs.48.24 crore for the period from 2013-14 to 2020-21. Besides, SWR also incurred an extra expenditure of Rs.5.22 crore on haulage of excess number of rakes during this period. Issues highlighted in the Audit Report have been examined by the Committee and commented upon suitably in the succeeding paragraphs.

2. Failure of South Western Railway (SWR) Administration to supply BOXNHA rakes with BOXNEL wagons on the Tornagallu - Ranjitpura route.

The Committee note from audit observation that due to failure in supply of BOXNHA rakes with BOXNEL wagons on the TNGL-RNJP route, SWR missed an opportunity to earn additional freight of Rs. 48.24 crore for the period , 2013-14 to 2020-21. SWR Administration also did not make concerted efforts to include BOXNHA rakes with BOXNEL wagons or wagons of similar PCC in Wagons Holding of SWR for arranging supply of the appropriate rakes at RNJP. From the submission of the Ministry, the Committee note that high capacity wagons (BOXNHA) were not available with SWR, and the wagons available, such as BOXNHS and BOXNHL were supplied for loading to meet the customer demand. Besides, in 2011, JSWT (JSW Steel Ltd.)

commissioned track hopper infrastructure for unloading iron ore for BOBSN type of rakes. This infrastructure enables efficient unloading and turn-round of BOBSN rakes on an average of 1.5 rakes per day. JSWT siding Free time notified for BOXN rake is 8 hours and BOBSN rake is 2.5 hours. Hence to optimize freight loading in RNJP-JSWT section BOBSN type of rakes are fit to be chosen for loading and unloading. Subsequently, two BOBSN rakes were supplied for loading during 2013-14 (First rake) & 2016-17 (second rake) in SWR, which has higher capacity for loading in 25T Axle route between RNJP-JSWT.

Observing the above facts, the Committee infer that BOXNHA rakes with BOXNEL wagons should have been procured well in time and supplied in order to ensure that losses were not incurred in the first instance. The loss of opportunity to earn additional freight amounted to loss of prospective revenue to the tune of Rs. 48.24 crore. The Committee, therefore, recommend that the Ministry need to make an estimate of requisite number of BOXNHA rakes with BOXNEL wagons with maximum carrying capacity to ensure that non-availability of such rakes/wagons does not affect Railway's operational requirements in any manner. The Committee are also of the view that their rolling stock allocation and utilization strategies are rationalized in such a way that freight operations are optimized and basic economic concept of 'cost-benefit ratio' is fulfilled. The Committee are of the view that the argument, 'No loss in totality' put forward by the Railway's on the one hand and 'Non- availability of high capacity BOXNHA wagons with the SWR', on the other, as put forth by the Ministry in their written reply are not acceptable. The

Committee also desire to be apprised of the current status in this regard.

3. Incurring excess expenditure due to haulage of 781 rakes in excess

The Committee note from audit observation that SWR Administration incurred an extra expenditure amounting to ₹ 5.22 crore towards haulage of 781 rakes in excess and this would continue till Railway Administration deploys BOXNHA rakes for operation on RNJP to JSWT route. From the submission of the Ministry, the Committee find that SWR was given BOBSNM wagons which have payload of 69T on 25T axle load and better turn round time because of loading time of 2.5 hours only against 8 hour of BOXNEL wagons. With Engine on Load unloading facility in BOBSNM1, the Rolling Stock detention is further reduced by saving time in bringing loco and the attachment, pressure ready, BPC validation, etc. BOBSNM1 wagons were introduced because the customer, JSW (T) has constructed and installed the necessary infrastructure for unloading of BOBSNM1 on the basis of better efficiency in operation. Hence, there was no revenue loss to the Railways. The Committee are of the view that SWR should take care that line capacity of notified route is optimally utilized. The Committee also recommend that the Ministry of Railways need to ensure that appropriate rakes with higher PCC are supplied on the Tornagallu - Ranjitpura route to ensure that continued loss of revenue due to excess haulage is checked forthwith. This would also result in fulfilling the basic financial logic of 'Money saved is money earned'. The Committee are also of the view that the Ministry need to examine the possibility of adoption of 'Enterprise Resource Planning'

software system to streamline collection of real time data on wagon availability, wagon allocation, and tracking and management of cargo trains. The software will empower the Railways in bringing about a holistic improvement in resource management which will, in the long run, provide enhanced service reliability, sustainable growth, and increased profitability for Indian Railways.

NEW DELHI:
February, 2024
Magha 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee