

**LOSS OF REVENUE: SOUTH WESTERN  
RAILWAY**

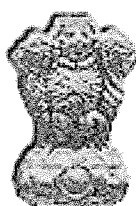
**MINISTRY OF RAILWAYS (RAILWAY BOARD)**

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

**NINETY-FIRST REPORT**

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**SEVENTEENTH LOK SABHA**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC NO. 2321

**NINETY-FIRST REPORT**

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

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**LOSS OF REVENUE: SOUTH WESTERN  
RAILWAY**

**MINISTRY OF RAILWAYS (RAILWAY BOARD)**



*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 Gohil
17. Dr. K. Laxman
18. Shri Derek O' Brien\*
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

#### SECRETARIAT

1. Dr. Sanjeev Sharma - Joint Secretary
2. Smt. Bharti Sanjeev Tuteja - Director
3. Shri Girdhari Lal - Deputy Secretary

\* 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 Ninety-First Report (Seventeenth Lok Sabha) on "Loss of revenue: South Western Railway" based on Para 2.3 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 17.01.2024. 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:**  
**17<sup>th</sup> January, 2024**  
**27 Pausha 1945 (Saka)**

**ADHIR RANJAN CHOWDHURY**  
**Chairperson,**  
**Public Accounts Committee**

## REPORT

### PART-I

#### **I. Introductory**

This Report is based on Para 2.3 of C&AG Report No.25 of 2022 on the subject, "Loss of revenue: South Western Railway pertaining to the Ministry of Railways.

#### **II. Loss of revenue: South Western Railway**

2. As per Audit Para, South Western Railway Administration leased land measuring 3.92 acre to M/s Maruthi Builders, Bengaluru for setting up a PSC Sleepers factory. The Railway Administration assessed Land License Fee (LLF) based on land value of an incorrect location which was far below the nearest location to the land leased out. This resulted in loss of revenue to the tune of Rs. 45.18 crore for the period from April 2006 to March 2021 due to non-adoption of higher land value of the nearest location for assessing the LLF. Provisions 1008 and 1023 - Management of Land of Indian Railway Code for the Engineering Department stipulates that all Railway Land should be managed on commercial lines. Railway Administration should endeavour to develop the resources and put to profitable use, any areas in its occupation by way of leasing or licensing. For fixation of Land License Fee (LLF) for Railway land licensed to private parties, a fixed rate of return (as applicable) on the market value of land as assessed by the local Revenue Authorities should be treated as 'Standard Rent'. But in actual licensing out, Railway Administration should aim at obtaining the best possible rent. It also pointed out that the assessment of market value of the land as made by the Revenue Authorities need not always be treated as final or binding. It may require to be suitably adjusted and escalated in case of non-revision of rent for longer period by the Revenue Authorities or based on information of higher price having been paid for private and other transactions of land in the vicinity. Further, Ministry of Railways (MoR) issued (February 2005) a Master Circular specifying the rates of annual license fee for licensing of railway land to the users. Examination of records revealed that Bengaluru Division (SBC) of South Western Railway (SWR) leased (February 1993) Railway land measuring 3.92 acre near Yeshwantpur yard to M/s Maruthi Builders (Agency), Bengaluru for setting up a factory to carry out the work of manufacture and supply of Pre-Stressed Concrete (PSC) Sleepers. Out of 3.92 acre, the Agency surrendered a piece of land measuring 0.42 acres in January 2015. As per the Agreement, the annual license fee was fixed at ₹ 25,000 per acre for the contract period. MoR revised (May 1996) the land license fee for the sleepers' factories. Accordingly, SWR Administration requested (January 2005) and also served (March 2005) notice to the Agency to remit the enhanced license fee with arrear. The Agency approached (2005) Civil Court against the demand for the payment of enhanced LLF. The Court stayed the order and directed the parties to settle the issue before the Arbitrator. Arbitrator concluded (April 2011) the arbitration by awarding the modalities fixed for the LLF by Railway

Administration up to 30 April 2006. The Arbitrator also directed that Railway Administration is at the liberty to fix the LLF beyond this period. During the proceedings of the arbitration, the Agency had submitted documents of the actual transaction which took place for a location (identified as Survey no. 67 in the records of Revenue Department) situated at 1.4 Km away from the land leased out. Based on the documents furnished, Arbitrator concluded the arbitration. Accounts Department of SWR after passing the award raised doubts on the proximity of the location. However, Engineering Department certified that the location (Survey no. 67) was nearer to the land leased out and evaluated LLF from 01 April 2006 based on the land value of same location. Further examination of records of Engineering Department of SWR relating to LLF from April 2006 onwards and the location surrounding the land leased, revealed that there were many other land properties which were much closer to the land leased out and having a higher market value. Audit assessed LLF based on the market value of the land (identified as Survey No. 23 in the records of Revenue Department, Government of Karnataka) which was nearest to the land leased out. It was observed that Engineering Department failed to act according to the extant codal provisions for obtaining the best possible license fee by identifying market value of nearest location. This resulted in loss of revenue to the tune of ₹ 45.18 crore as detailed in Annexure 2.6 due to non-adoption of higher land value of the nearest location for assessing LLF for the period from April 2006 to March 2021. According to Audit, the matter was brought to the notice of SWR Administration in November 2021 through Special letter. Railway Administration in its reply stated (November 2021) that the Agency had objected their demand notice issued in October 2020 and filed (January 2021) writ petition in High Court of Karnataka, Bengaluru.

Audit contended that Railway Administration's reply was not satisfactory. The Railway Administration has however not addressed the issue of why a farther location of land was used to arrive at the LLF figure. Audit's contention on the assessment of LLF was based on the nearest location having a higher land value, which is entirely different from the issues raised by the Agency in writ petition.

3. In this regard, the Ministry in their Background Note submitted as under:

**“1.0** In the year 1992, a contract for manufacture and supply of sleepers to railways was awarded to M/s Maruthi Builder vide Agt No. CS-172 of 1992 dated: 21.08.1992.

**2.0 Clause 26 of the agreement** dt 21.08.92 titled “Land” stipulates as under:

*“Adequate land subject to a minimum of 3 acres required for setting up of factory and stacking of sleepers near to the siding may be licensed out by the Purchaser to the Contractor. The annual license fee charges will be fixed at Rs. 25,000/- per acre per year. The license fee will remain unaltered for the contract period and 6 months thereafter. In*

*case of delay in supplies on account of default on the part of the Contractor, the Purchaser will reserve the right to enhance the license fee at its own discretion as per extant Railway rules and the enhanced license fee will be binding on the Contractor beyond the Original stipulated date of completion plus a period of 6 months. The land so licensed out to the Contractor shall remain in his possession during the currency/extended currency of the Contract plus 6 months as winding up period. The Contractor will not have the right to sublet, assign or mortgage the land licensed to him."*

**3.0** Accordingly, 3.92 acres of railway land was licensed to M/s Maruthi Builder in year 1992. As per the condition of Sleeper supply Agreement, Land licensing fee (LLF) @ Rs 25000/- per acre per year was fixed for the period from 1992 to Nov. 2001.

**4.0** Subsequently, 2<sup>nd</sup> tender was also awarded to M/s Maruthi Builder vide Agt no. CS-8/CE of 2000 dt 28/11/2000 to manufacture and supply sleepers. Clause no. 19 of the contract agreement title "Land" stipulates as under: *"Land required either for setting up of factory or stacking of sleepers near to the sidings may be licensed out to supplier under normal Railway rules prevalent from time to time to the extent available and surplus to the Railways requirement. The land so licensed out to the contractor shall remain in his possession during the currency/extended currency of the contractor. The contractor will not have the right to subject to assign or mortgage the land licensed to him"*.

When the Land License Fee bills were raised as per extant policies, M/s Maruthi Builder demanded for Arbitration. Railway nominated Shri R.P. Vyasas Sole Arbitrator. Sole Arbitrator decided the Land license fee for the period from 01.12.2001 to 31.03.2006 as under:

SN	Period	Land license Fee (Rs per acre/per year)
1	01.12.2001 to 31.03.2002	60,654/-
2	01.12.2002 to 31.03.2003	66,719/-
3	01.12.2003 to 31.03.2004	73,391/-
4	01.12.2004 to 31.03.2005	74,231/-
5	01.12.2005 to 31.03.2006	75,155/-

Above award was accepted by both Railway and M/s Maruthi Builder and LLF was paid by M/s Maruthi Builder accordingly. All the dues, as per



award, up to 30.04.2006 were paid by supplier. From 01.04.2006 onward, LLF was worked out as per Board's letter No.2005/LML/18/8 dated 10.02.2005. No land license agreement was made with the supplier.

6.0 Later on, M/s Maruthi Builder surrendered 0.42 Acres of land in Jan' 2015 and kept 3.5 Acres railway land. Further, bills were raised for the land license fee from 01.04.2006 onwards by a demand notice dated 30.12.2020 by Divisional Railway Manager/Bengaluru for Rs.4.78 Cr. considering base rates of Survey No. 67 (Jalanhalli land rates) and also to evict the area, if not paid. Against bills raised by Railway, M/s Maruthi Builder filed W.P. 578/2021. Hon'ble Court directed railways not to evict the railway land from M/s Maruthi Builder.

7.0 During Audit inspection, Audit observed that South Western Railway Administration leased railway land measuring 3.92 acre to M/s Maruthi Builders, Bengaluru for setting up a PSC Sleepers factory. The Railway Administration assessed Land License Fee (LLF) based on land value of an incorrect location which was far below the nearest location to the land leased out. This resulted in loss of revenue to the tune of Rs.45.18 crore for the period from April 2006 to March 2021 due to non-adoption of higher land value of the nearest location for assessing the LLF. The land rates should be considered for Survey No. 23 (Thanniranahalli) in place of Survey No. 67(Jalanhalli land rates) to work out LLF. Railway, accordingly, raised the revised LLF of 59,45,99,619/- (excluding GST) vide letter dated: 05.12.2022 considering land rates of Survey No.23 (Thanniranahalli).

8.0 M/s Maruthi Builders invoked Arbitration clause and requested General Manager on 28.12.2022 for appointment of arbitrator to General Manager. Railway has appointed Arbitrator to adjudicate the dispute arising out of the purchase order in terms of Indian Railways Standard Conditions of Contract (IRSCC) and Arbitration and Conciliation Act, 1996. Also, M/s Maruthi Builder filed petition (Com.A.A.46/2023) against revised bill before District court. Hon'ble District Court dismissed the petition of M/s Maruthi Builder.

**9.0 Action Taken by Railway:** Railway raised revised bills of Rs.59,45,99,619/- (excluding GST) for the period from 2006-2021, 2021-2022 & 2022-2023 vide letter dated 05.12.2022. Railway has started recovering dues from the concreter sleeper bills. The recovery is being made @ 10% of concrete sleeper supply bills. An amount of Rs. 73 lakhs has been recovered in 2 running bills after dispatch of concrete sleepers from concrete sleeper plant. Balance amounts will also be recovered in the future bills.

**10.0 Responsibility fixing by railway:** Being very old case, in depth scrutiny of records from 2006 has been undertaken by railway to ascertain the lapses on the part of officials involved. A committee of three SAG officers consisting

of Chief General Engineer, FA&CAO/G and ADRM/Infra/ Bengaluru Division has been nominated by Additional General Manager on 21.06.2023. The committee has been directed to submit its report within 3 months. Responsibility will be fixed after submission of committee's report."

Subsequently in their explanatory note, the Ministry elaborated as under:

1. 03.92 acres of railway land was licensed to M/s. Sri Maruthi Constructions limited (or the agency) on 21-08-1992 to establish facilities for manufacturing and supply of 2.50 lakhs concrete sleepers at Bengaluru for Railway's internal use.
2. The plant was established to supply concrete sleepers to railways only. No other commercial activity was permitted and undertaken by M/s. Sri Maruthi Constructions limited. Thus, railway land was not licensed for commercial utilisation of Railway Land.
3. The contract for manufacturing and supply of 2.5 lakh PSC sleepers was awarded at a value of Rs.10.97 Crores. As per the provisions of contract, M/s. Sri Maruthi Constructions limited was required to pay Land license fee (LLF) of Rs.25,000/- per annum per acre. The agency had paid land license fee upto year Nov'2001 as per the provisions of contract.
4. Beyond Nov'2001, Land license fee was required to be recovered as per the prevalent railway policy i.e. at the rate of 6% of land value. This plot falls majorly under survey no. 21. The adjacent land in survey no. 20, 21, 22 & 23 belongs to Defence and Railways only for which no transaction was done from 01.04.1985 to 31.03.2006. Therefore, market value of railway land was assessed on the basis of available rates of survey no. 67 for the period beyond Nov'2001 which only were available at that time and accordingly land license fee was raised. The agency disputed LLF and requested for arbitration. The Sole Arbitrator issued an award of Rs 12.95 lakhs as LLF for the period from December 1, 2001 to April 30, 2006 which was accepted both by railway and agency. The arbitration award was legally vetted by zonal railway legal officer. The agency paid Rs. 12.95 lakhs (average Rs 76295/- per acre per annum) as LLF for the period from 01.12.2001 to 30.04.2006.
5. Audit has made no observation against the LLF raised for the period upto year 2006.
6. For the period from 2006-07 to 2011-12, railway revised the LLF by considering land rates of year 1985 of same survey no. i.e. 67 which were available earlier for fixing LLF by escalating @ 10 % per annum upto year 2004 and thereafter @ 7 % per annum. Since, it was extension of existing land license agreement, the fresh land rates of that area was not explored by

railway. Only land rates of survey no 67 were escalated as the provisions of railway policy. The LLF bill based on land rates of survey no. 67 amounting to Rs. 25.21 lakhs was raised and recovered from the agency. Later on 0.42 acre of railway land was surrendered by the agency in Jan'2015

7. On October 9, 2020, Railway revised LLF of Rs.5.38 Cr. for the period from 2011 to 2021 by considering land value at commercial rates instead of agricultural rates of survey no. 67. Land rates were revised for the year 2011-12 (@ Rs.1.00 Cr. per acre which was further enhanced by 60% for commercial utilization) and for year 2016-17(@ Rs.1.71 Cr., per acre which was further enhanced by 60% for commercial utilization). Based on these rates, an amount of Rs.5.38 Crs. was fixed towards LLF and was advised to the agency for payment and failure to do so, eviction process to be initiated. Aggrieved by the hike in LLF, the agency approached to the Hon'ble High Court of Karnataka against eviction on July' 2021. The Hon'ble High Court ordered a stay on Eviction in Writ Petition No.598/2021. The case is pending in Hon'ble High Court. Railway is pursuing the case in High Court through Law Officer and advocate.

8. In November' 2021, the Audit Department issued a special letter stating that the wrong survey number had been used to determine the land rate. Thereafter, the division raised revised bills on December 5, 2022 for the land license fee for an amount of Rs. 69.26 Cr (including GST) from April 1, 2006, to March 31, 2023, duly adopting land rates based on Thanniranahalli village land rates (survey no. 23) obtained from SRO as per Audit observation.

9. On December 28, 2022, M/s. Maruthi Builders invoked the Arbitration clause and requested the General Manager for the appointment of an arbitrator. On July 6, 2023, sole arbitrator was appointed by General Manager (GM) /South Western Railway (SWR). On October 6, 2023, the Sole Arbitrator vide Order Notification No.6, dated October 6, 2023, gave interim relief to the agency on land license fee and further directed the Railway not to recover towards the land license fee as per impugned notice, till the adjudication of the same is done by the Arbitral Tribunal and the matter is under sub-judice. The interim order of arbitrator was legally scrutinized by railway legal officer who has opined that "section 37 challenge is not likely to bring any favourable orders for railways, interim order may be complied with and in the event of final award being against railways, the same can any way be challenged u/s 34 of A&C Act, if deemed necessary after examining the final award.

10. Four sittings of arbitration have been held by arbitrator. The next hearing in arbitration case is scheduled for December 16, 2023.

11. The contractor was advised to vacate the Railway land in May' 2023 to spare the land for Bengaluru Sub Urban Rail Project. The contractor has

agreed to vacate the Railway land by December 31, 2023.

12. On the recommendation of Audit, SWR appointed a committee to review (a) determine the discrepancies and (b) to suggest system improvement for assessing the LLF. The recommendations of the SAG Officers Committee are:

**A. Findings of Committee:**

Audit Team while calculating the LLF, has considered only Survey Nos. 23. Audit Team also mentioned that there were no transactions from 01.04.1985 to 31.03.2006 for Survey Nos.22 & 23. One of the main reasons for adoption of rates of survey No.67 in place of survey No.23 was due to non-availability of transactions of other Survey numbers. In Survey Nos.20, 21, 22 & 23, most of the lands belong to Defence and Railways. Further, major land of sleeper factory falls in survey No.21, but not in Survey No.23 (sketch enclosed).The land was given to M/s Sri Maruti Builders for Railway work and not for any other commercial activities. The land was used only for Railway purpose and not for any other commercial means.

For the period from 2005 to 2023, 05 contracts for manufacturing and supply of 81.48 lakhs concrete sleepers at the total value of 119.27 crores were awarded against which demand of Rs 69 crores towards LLF have been raised.

**B. Action to be taken**

The SAG Committee has proposed to take action against Chief Office Superintendent, who is primarily responsible for working out LLF and Assistant Engineer who has failed to ensure proper land license fee

14 The concrete sleeper is an important safety item of railway track. The regular supply of concrete sleepers is essential for safe running of trains. The contract awarded for manufacturing and supply of concrete sleeper was entirely for railways own consumption. The rate for supply of concrete sleepers includes the expenditure incurred by agency on LLF. The details of contract for manufacturing and supply of concrete sleeper awarded to the agency are as under:

<b>SN</b>	<b>Date of award of contract</b>	<b>No. of Sleepers to be supplied</b>	<b>Value of contract (Rs.)</b>
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1.	26.05.2003	1,14,000	8,05,29,600
2.	30.07.2010	3,00,000	35,82,00,000
3.	06.05.2014	90,761	14,42,19,229
4.	09.02.2017	1,18,526	19,30,78,854
5.	13.11.2019	1,91,526	41,67,60,576
	<b>Total</b>	<b>8,14,813</b>	<b>119,27,88,259</b>

14.1 After the establishment of plant for manufacturing and supply of concrete sleeper, rapid urbanisation took place in that area resulting steep hikes in land rates which was not foreseen. It is seen from the facts that rates for supply of concrete sleepers to railways have increased from Rs 706/no. sleeper in year 2006 to Rs 2176/-no. (i.e. 3.08 times) in year 2022-23 whereas LLF due to steep hike in value of railway land has increased from Rs 80,415/- per acre per annum to Rs 1.64 Crores per acre per annum in year 2022-23 (i.e. 204 times).

14.2 Considering 10-15% profit margin as a normal principle in any contract, the profit of the agency in this case should be in the range of Rs 12-18 Cr (approx.) out of total contract value of Rs 119. 27 crores awarded to the agency from year 2003-2019. The rates of supply and manufacturing of concrete sleepers has been fixed by railway only irrespective of location and area of railway land upto year 2022-23. As stated earlier, the land used for manufacturing and supply of concrete sleepers for the railways own use is not commercial utilisation of land , it is not appropriate to recover LLF to the tune of Rs 69.26 Cr out of anticipated profit margin of only Rs 12-18 Cr.

14.3 Since, it was extension of land lease agreement, railway had considered only previous available land rates of survey no. 67 duly escalating it as per the policy and did not explore the transactions that have taken place in nearby/adjacent survey nos. during that period.

14.4 In view of above facts, recovery of LLF of Rs 69 .26 crores (incl. GST) from the agency for the period from 2006-2023 appears to be unreasonable and unjustified. It is, therefore, submitted before the PAC to kindly consider the factual position in the present audit case

3. When asked to explain reasons for the discrepancy between the LLF assessment based on Survey No.23 and the earlier assessment based on Survey No. 67, which resulted in a loss of revenue of Rs. 45.18 crore from April 2006 to March 2021, the Ministry of Railways in written reply stated as under:

“Land rates in Karnataka are notified village wise. There are 2 villages on either side of the track in and around the sleeper factory location i.e., Jalahalli and Thanniranahalli. Most of the lands of these two villages near the sleeper factory belong to Govt Departments like Railways and Defence. Hence, no transactions rates were available upto year 2006. Since, it was extension of land lease agreement, railway had considered only previous available land rates of survey no. 67 duly escalating it as per the policy and did not explore the transactions that have taken place in nearby/adjacent survey nos. during that period. The Audit, in the year 2021 had taken the residential market rates of the land in Thanniranahalli village (in which survey no. 23 exists) for the period from 01.04.2006 to 31.07.2021 and converted into commercial rates and calculated the of LLF of Rs.45.18 Crore. As noted by Audit, land rates of this area were not available from the year 1985 to 2006 as no transaction took place under survey no. 22 & 23 during this period. Audit adopted the fresh market value rates as on 01.04.2006 by obtaining from revenue authorities and assessed the LLF. The year 2006-07 was considered as base year for working out the LLF with an annual increase of 7% over the previous year. Fresh rates were adopted for every block of 5 years and LLF was assessed them.

The discrepancy arose mainly because of

- a. South Western Railway (SWR) had worked out the LLF as per Railway Board policy no.2005/LML/18/8 dated 10-02-2005 (Para 5.2) which states that the land value to be enhanced at the rate of 10% every year starting from 01-04-1986 up to 01-04-2004 and thereafter at the rate of 7% over the previous years. Based on this the LLF was worked out due to continuity in the contract.
- b. Only for fresh cases of licensing, the LLF shall be fixed after obtaining current value of land (Para 5.3) whereas Audit has considered the agreement as a fresh case and worked out the LLF accordingly.”

4. On being asked what specific codal provisions and guidelines were followed in determining the LLF for the leased railway land in question, the Ministry of Railways in written reply stated as under:

“For first contract in the year 1992, Railway Board policy vide Letter No.83/W2/LN/18/87, dated 13.09.1985 was the basis for fixing the LLF.From

2006 onward, Railway Board policy Letter No.2005/LML/18/8 dated 10-02-2005 was followed to work out the LLF.”

5. As regards detailed breakdown of how the LLF was calculated and adjusted, as per the Railway Code for the Engineering Department and the Master Circular issued by the Ministry of Railways, the Ministry of Railways in written reply stated as under:

“The detailed breakdowns of LLF calculation based on the above Railway Board circular are enclosed as Annex. (Copy enclosed)”

6. To a question as to why SWR Administration did address the issue of using a farther location for LLF assessment, despite the Audit's observation that a closer location (Survey No. 23) had a higher market value, the Ministry of Railways in written reply stated as under:

“SWR had adopted the provisions of policy circular Letter No.2005/LML/18/8 dated 10-02-2005 (para 5.2) for calculating LLF considering the continuity of the previous contract and not treating as fresh case , there was no need for obtaining fresh land rates. Audit has considered this land license as a fresh one by adopting fresh market land rates from 2006 onwards for calculation of LLF. (It may be pertinent to point out that most of the sleeper factory land is not in survey no. 23 as stated by Audit. However, both the survey nos. are in the same Thanniranahalli village.)”

7. When asked the reasons behind the delay in addressing this issue and the loss of revenue, especially considering that the issue was raised in November 2021, the Ministry of Railways in written reply stated as under:

“On October 9, 2020, Railway revised LLF of Rs.5.38 Cr. for the period from 2011 to 2021 by considering land value at commercial rates instead of agricultural rates of survey no. 67. Land rates were revised for the year 2011-12 (@ Rs.1.00 Cr. per acre which was further enhanced by 60% for commercial utilization) and for year 2016-17 (@ Rs.1.71 Cr., per acre which was further enhanced by 60% for commercial utilization). Based on these rates, an amount of Rs.5.38 Crs. was fixed towards LLF and was advised to the agency for payment and failure to do so, eviction process to be initiated. Aggrieved by the hike in LLF, the agency approached to the Hon'ble High Court of Karnataka against eviction on July' 2021. The Hon'ble High Court ordered a stay on Eviction in Writ Petition No.598/2021. The case is pending in Hon'ble High Court. Railway is pursuing the case in High Court through Law Officer and advocate. In November' 2021, the Audit Department issued a special letter stating that the wrong survey number had been used to determine the land rate. Thereafter, the

railway raised revised bills on December 5, 2022 for the land license fee for an amount of Rs. 69.26 Cr (including GST) from April 1, 2006, to March 31, 2023, duly adopting land rates based on Thanniranahalli village land rates (survey no. 23) obtained from SRO as per Audit observation. On December 28, 2022, M/s. Maruthi Builders invoked the Arbitration clause and requested the General Manager for the appointment of an arbitrator. On July 6, 2023, sole arbitrator was appointed by General Manager (GM) /South Western Railway (SWR). On October 6, 2023, the Sole Arbitrator vide Order Notification No.6, dated October 6, 2023, gave interim relief to the agency on land license fee and further directed the Railway not to recover towards the land license fee as per impugned notice, till the adjudication of the same is done by the Arbitral Tribunal and the matter is under sub-judice.”

8. When enquired about the actions taken or proposed to be taken to rectify the incorrect assessment of LLF and recover the lost revenue of Rs. 45.18 crore, the Ministry of Railways in written reply stated as under:

“Railway raised revised bills on December 5, 2022 for the land license fee for an amount of Rs. 69.26 Cr (including GST) from April 1, 2006, to March 31, 2023, duly adopting land rates based on Thanniranahalli village land rates (survey no. 23) obtained from SRO as per Audit observation. The contract for supply and manufacturing of concrete sleeper is in progress. Railway had initiated deducting the LLF from the running bills of the contractor. However, agency invoked arbitration clause and recovery has been stopped due to arbitration interim award. The final value of LLF will be known only after the arbitral proceedings conclude. Necessary action will be taken accordingly thereafter.”

9. On being asked whether the Ministry or SWR Administration reviewed its procedures and processes for LLF assessment to ensure compliance with the Railway Code and to prevent similar discrepancies in the future, the Ministry of Railways in written reply stated as under:

“The procedures and processes for LLF assessment are regularly reviewed to ensure compliance with extent policies and to prevent similar discrepancies in future. Ministry of Railways has issued a master circular on Policy for “Management of Railway land” wherein the term Market Value of Railway Land has been redefined. Moreover, leasing/licensing of railway land has been now permitted upto 35 years and charges have been kept as fixed %age of market value of land with annual escalation. Revision of charges after every 5 years by considering fresh market value of land has been dispensed with in new land leasing /licensing policy.”



10. When asked whether any responsibility been fixed for the loss of revenue due to the incorrect assessment of LLF, the Ministry of Railways in written reply stated as under:

“The concrete sleeper is an important safety item of railway track. The regular supply of concrete sleepers is essential for safe running of trains. The contract awarded for manufacturing and supply of concrete sleeper was entirely for railways own consumption. The rate for supply of concrete sleepers includes the expenditure incurred by agency on LLF. Since, it was extension of land lease agreement, railway had considered only previous available land rates of survey no. 67 duly escalating it as per the policy and did not explore the transactions that have taken place in nearby/adjacent survey nos. during that period. However, a 3-member committee of Senior Administrative Grade (SAG) officers had been constituted to review (a) determine the discrepancies and (b) to suggest system improvement for assessing the LLF. SWR will initiate appropriate action on the recommendations after the award.”

11. When asked to clarify why SWR did not initiate appropriate action on the recommendations of SAG the Chairman and CEO of the Railway Board while deposing before the Committee on 21.11.2023 stated as under:

“Sir, recommendations have come from the committee But we can act on those recommendations only after when the arbitration is completed.”

12. When the Committee pointed out that judicial proceeding and the departmental proceedings are two different things and they can go simultaneously. We need not wait for the outcome of the judicial proceedings the Chairman and CEO of the Railway Board stated as under:

“Sir, we know it.”

13. When the Committee desired to know whether the Agency filed any writ petition in the High Court of Karnataka, the Ministry of Railways in written reply stated as under:

“The agency has filed writ petition in the Hon'ble High Court of Karnataka vide petition no. 598/2021.SWR is pursuing the case through Railway Law officer and advocate for early disposal”

14. The Committee noted that the Ministry mentioned that a contract for the manufacture and supply of sleepers was awarded to M/s Maruthi Builders in 1992, and land was licensed out for this purpose. In this regard, when asked the specific details of

the scope of this contract and how the land licensing fee was determined at that time, the Ministry of Railways in written reply stated as under:

"The contract was awarded for supply of 2,50,000 sleepers at an agreement value of Rs. 10.97 Crores. The work for supply of sleepers was completed and agreement was closed. The land licensing fee was fixed as Rs 25000 per acre per annum. The land licensing fee was fixed based on prevailing Railway Board policy circular No. 83/W2/LN/18/87 dated 13-09-1985 and prevailing land rates available in the Division."

15. The Committee noted that Clause 26 of the 1992 agreement specified an annual license fee of Rs. 25,000 per acre per year for the licensed land. In this regard, when asked whether this fee was revised at any point during the contract period, and the basis for the revision, if any, the Ministry of Railways in written reply stated as under:

"As per the provisions of agreement, the LLF of Rs. 25,000/- per acre per year was continued till completion of the agreement. LLF was not revised."

16. The Committee noted that the Ministry referred to a second tender awarded to M/s Maruthi Builders in 2000, and a new contract was made. In this regard, when asked about the key terms and conditions regarding land licensing and land license fee for this new contract, the Ministry of Railways in written reply stated as under:

"The second agreement was entered on 28-11-2000 for supply of 2, 42,000 sleepers at a value of Rs. 12.19 Cr. As per agreement clause 19, LLF to be fixed as per the prevailing rules. However, LLF was continued to be collected at the rate of Rs. 25,000/- per acre per year which was later on revised by railway. However, same was disputed by M/s Maruthi Builders and arbitration clause was invoked by the M/s Maruthi Builders."

17. The Committee noted that the Arbitrator's award determined the Land License Fee (LLF) for the period from December 2001 to March 2006. In this regard, when asked to explain the basis and rationale for the Arbitrator's LLF calculations during this period, the Ministry of Railways in written reply stated as under:

"The arbitrator had adopted the land transaction rates of survey no. 67 (Jalahalli Village) for determining Land License Fee (LLF) for the period from December 2001 to March 2006 as land rates of other survey no. were not available up to year 2006."

18. The Committee noted from the reply of the Ministry that all dues, as per the arbitrator's award, up to April 30, 2006, were paid by the supplier. In this regard, when

asked to confirm that these payments were made and provided the details of the payments made by M/s. Maruthi Builders in compliance with the arbitrator's award, the Ministry of Railways in written reply stated as under:

"The arbitrator had awarded the total LLF amount as Rs. 12.95 lakhs for the period from 01-12-2001 to 31-03-2006. This was accepted by railway and the contractor. The amount was conveyed to associate Finance on 04-09-2012 and the amount was recovered vide Finance letter no. AS/Bills/Engg/Sleeper/Corres/2013-14 dated 30-01-2013."

19. When desired to know why no land license agreement was made with the supplier from April 2006 onward and how the LLF was calculated during this period without a formal agreement in place, the Ministry of Railways in written reply stated as under:

"A clause regarding provisions for land license Fee was a part of the agreement executed for supply of sleeper. Therefore, a separate land licensing agreement was not made. LLF was determined based on prevailing land licensing policy time to time."

20. The Committee noted that the Ministry mentioned the surrender of 0.42 acres of land by M/s Maruthi Builders in January 2015. In this regard, when asked about the circumstances and reasons behind this surrender, and there were any adjustments made to the LLF after the land surrender, the Ministry of Railways in written reply stated as under:

"A siding line was constructed for which 0.42 acres of railway land which was a part of the sleeper factory was used. Hence, the agency surrendered the land. In subsequent years, the LLF was revised for the balance railway land of 3.50 acres."

21. The Audit observed that the LLF was assessed based on an incorrect location with lower land values (Survey No. 67) rather than the nearest location (Survey No. 23).

22. Explaining the rationale behind the initial LLF assessment, and reason for not considering the higher land value of Survey No. 23, the Ministry of Railways in written reply stated as under:

"Since there was an ongoing agreement for supply of concrete sleeper prior to the year 2005, LLF was worked out based on para 5.2 of prevailing Railway Board policy no. 2005/LML/18/8 dated 10-02-2005 considering it as a continuity of agreement"

23. The Committee noted that the Ministry mentioned the appointment of an Arbitrator in response to M/s Maruthi Builders' request for arbitration. When asked details of the arbitration proceedings and outcomes, and how the Ministry has responded to the legal actions taken by the supplier, the Ministry of Railways in written reply stated as under:

“Railway appointed sole arbitrator on 06-07-2023 to adjudicate the dispute between M/s. Maruthi Builders and Railway. So far 4 sittings have been completed by the Arbitrator. SWR is representing through an advocate appointed by the Ministry of Law & Justice. On October 6, 2023, the Sole Arbitrator vide Order Notification No.6, dated October 6, 2023, gave interim relief to the agency on land license fee and further directed the Railway not to recover towards the land license fee as per impugned notice, till the adjudication of the same is done by the Arbitral Tribunal and the matter is under sub-judice. The interim order of arbitrator was legally scrutinised by railway legal officer who has opined that “section 37 challenge is not likely to bring any favourable orders for railways, interim order may be complied with and in the event of final award being against railways, the same can any way be challenged u/s 34 of A&C Act, if deemed necessary after examining the final award”.

## PART-II

### OBSERVATIONS/ RECOMMENDATIONS OF THE COMMITTEE

#### Introductory

Bengaluru Division (SBC) of South Western Railway (SWR) leased (February 1993) Railway land measuring 3.92 acre near Yeshwantpur yard to M/s Maruthi Builders (Agency), Bengaluru for setting up a factory to carry out the work of manufacture and supply of 2.50 lakhs Pre-Stressed Concrete (PSC) Sleepers at a value of Rs.10.97 Crores by paying fixed Land license fee (LLF) of Rs.25,000/- per annum per acre for the period from 1992 to Nov' 2001. The agency had paid land license fee upto year Nov, 2001 as per the provisions of contract.

1. The Committee note that the second agreement was entered with M/s Maruthi Builders (Agency), Bengaluru on 28-11-2000 for supply of 2,42,000 sleepers at a value of Rs. 12.19 Cr. As per agreement clause 19, LLF was to be fixed as per the prevailing rules. However, LLF was continued to be collected at the rate of Rs. 25,000/- per acre per year which was later on revised by railway. According to the Ministry, beyond Nov' 2001, Land license fee was required to be recovered as per the prevalent railway policy i.e. at the rate of 6% of land value and this plot falls majorly under survey no. 21. The adjacent land of survey no. 20, 21, 22 & 23 belongs to Defence and Railways only for which no transaction was done from 01.04.1985 to 31.03.2006. Therefore, market value of railway land was assessed on the basis of available rates of survey no. 67 for the period beyond

Nov' 2001 which was the only one available at that time and accordingly SWR Administration requested (January 2005) and also served (March 2005) notice to the Agency to remit the enhanced license fee with arrears. However, the Agency approached (2005) Civil Court against the demand for the payment of enhanced LLF. The Court stayed the order and directed the parties to settle the issue before the Arbitrator. Arbitrator concluded (April 2011) the arbitration by upholding the modalities fixed for the LLF by Railway Administration up to 30 April 2006. The Sole Arbitrator issued an award of Rs 12.95 lakh as LLF for the period from December 1, 2001 to April 30, 2006 which was accepted both by railway and agency. The Arbitrator also directed that Railway Administration is at liberty to fix the LLF beyond this period. The arbitration award was legally vetted by zonal railway legal officer. The Committee note that the Arbitrator's award determined the Land License Fee (LLF) for the period from December 2001 to March 2006 only. Explaining the basis and rationale for the Arbitrator's LLF calculations during this period, the Ministry of Railways stated that the arbitrator had adopted the land transaction rates of survey no. 67 (Jalahalli Village) for determining Land License Fee (LLF) for the period from December 2001 to March 2006 as land rates of other survey numbers were not available up to year 2006. Audit pointed out that during the proceedings of the arbitration, the Agency had submitted documents of the actual transaction which took place for a location (identified as Survey no. 67 in the records of Revenue Department) situated at 1.4 Km away from the land leased out. Based on the documents furnished, Arbitrator concluded the arbitration. Accounts Department of SWR after passing the award

raised doubts on the proximity and appropriateness of the location for determining the rates. However, Engineering Department certified that the location (Survey no. 67) was nearer to the land leased out and evaluated LLF from 01 April 2006 based on the land value of same location. Further examination of records of Engineering Department of SWR relating to LLF from April 2006 onwards and the location surrounding the land leased, revealed that there were many other land properties which were much closer to the land leased out and having a higher market value. In view of the fact that subsequent to Nov' 2001, as per agreement clause 19, LLF was to be fixed as per the prevailing rules applicable, the Committee would like to be apprised of the reasons for continuing to collect the fee at the rate of Rs. 25,000/- per acre per year and revising it only later on. Further, in light of the fact that accounts Department of SWR after passing the award by Arbitrator raised doubts on the proximity of the location, the Committee would like to be apprised of corrective measures taken by the SWR to allay the apprehension of their Accounts Department. Ideally, appropriate action should have been taken for enhancing the "rates" in tune with the market position in pursuance of the views expressed by the Accounts Department of South Western Railway. Besides, the Committee desire that the reasons should also be ascertained for issuing certification subsequently by Engineering Department about the proximity of the location (Survey no. 67) to the land leased out, as there were many other land properties which were much closer to the land leased out and having a higher market value. Further, since the arbitration award was legally vetted by zonal railway legal officer, the Committee

would also like to be apprised of the scope of vetting done by the zonal railway legal officer. The Committee desire that concrete action is taken in the matter and they be apprised of factual details in entirety and the outcome thereof.

2. The Committee also note that from 01.04.2006 onward, no land license agreement was made with the supplier and LLF was worked out as per Board's letter No.2005/LML/18/8 dated 10.02.2005. Later on, M/s Maruthi Builder surrendered 0.42 Acres of land in Jan' 2015 and kept 3.5 Acres railway land. For the period from 2006-07 to 2011-12, railway revised the LLF by considering land rates of year 1985 of same survey no. i.e. 67 which were available earlier for fixing LLF by escalating @ 10 % per annum upto year 2004 and thereafter @ 7 % per annum. Further, on October 9, 2020, Railway revised LLF of Rs.5.38 Cr. for the period from 2011 to 2021 by considering land value at commercial rates instead of agricultural rates of survey no. 67. Land rates were revised for the year 2011-12 (@ Rs.1.00 Cr. per acre which was further enhanced by 60% for commercial utilization) and for year 2016-17 (@ Rs.1.71 Cr., per acre which was further enhanced by 60% for commercial utilization). Explaining the reasons for not entering into a license agreement with the supplier from April 2006 onward, the Ministry of Railways stated that a clause regarding provisions for land license Fee was a part of the agreement executed for supply of sleepers. Therefore, a separate land licensing agreement was not made and LLF was determined based on prevailing land licensing policy time to time. Audit observed that the Railway Administration assessed Land License Fee (LLF) based on land value of an incorrect location which was far below the nearest location to the land leased out



resulting in loss of revenue to the tune of Rs. 45.18 crore for the period from April 2006 to March 2021 due to non-adoption of higher land value of the nearest location for assessing the LLF. Further, Audit assessed LLF based on the market value of the land (identified as Survey No. 23 in the records of Revenue Department, Government of Karnataka) which was nearest to the land leased out and observed that Engineering Department failed to act according to the extant codal provisions for obtaining the best possible license fee by identifying market value of nearest location. Accordingly, the matter was brought to the notice of SWR Administration in November 2021 through Special letter by Audit stating that the wrong survey number had been used to determine the land rate. According to Audit, the land rates should be considered for Survey No. 23 (Thanniranahalli) in place of Survey No. 67 (Jalanhalli land rates) to workout LLF. Despite the Audit's observation that a closer location (Survey No. 23) had a higher market value, the Ministry of Railways contended that as no transaction rates were available upto year 2006 and since it was extension of land lease agreement, railway had considered only previous available land rates of survey no. 67 duly escalating it as per the policy and did not explore the transactions that have taken place in nearby/adjacent survey nos. during that period. The Committee do not find the explanation of the Ministry convincing mainly on account of the fact that provisions 1008 and 1023 - Management of Land of Indian Railway Code for the Engineering Department stipulates that all Railway Land should be managed on commercial lines. Taking note of the fact that Audit, in the year 2021 had taken the residential market rates of the land in Thanniranahalli

village (in which survey no. 23 exists) for the period from 01.04.2006 to 31.07.2021 and converted into commercial rates and calculated the LLF of Rs.45.18 Crore, the Committee would like to be apprised of the reasons for the Railway not obtaining the fresh market rates as on 01.04.2006 from revenue authorities and assess the LLF considering the year 2006-07 as base year with an annual increase of 7% over the previous year so as to be in accordance with the extant codal provisions and obtain the best possible license fee by identifying market value of nearest location.

3. The Committee further note that Railway for the period from 2006-2021, 2021-2022 & 2022-202, raised the revised LLF of 59,45,99,619/- (excluding GST) considering land rates of Survey No. 23 (Thanniranahalli3 ) vide letter dated 05.12.2022 and started recovering dues from the concrete make sleeper bills. It is noted that the recovery is being made @ 10% of concrete sleeper supply bills and an amount of Rs. 73 lakhs has been recovered in 2 running bills after dispatch of concrete sleepers from concrete sleeper plant. Further, a balance amount was to be recovered in the future bills. However, on December 28, 2022, M/s. Maruthi Builders invoked the Arbitration clause and requested the General Manager for the appointment of an arbitrator. On July 6, 2023, sole arbitrator was appointed by General Manager (GM) /South Western Railway (SWR). On October 6, 2023, the Sole Arbitrator vide Order Notification No.6, dated October 6, 2023, gave interim relief to the agency on land license fee and further directed the Railway not to make recovery towards the land license fee as per impugned

notice, till the adjudication of the same is done by the Arbitral Tribunal and the matter is sub-judice. According to the Ministry, the interim order of arbitrator was legally scrutinized by railway legal officer who has opined that “section 37 challenge is not likely to bring any favourable orders for railways, interim order may be complied with and in the event of final award being against railways, the same can any way be challenged u/s 34 of A&C Act, if deemed necessary after examining the final award”. In light of the fact that the agency invoked arbitration clause on two occasions, first when the market value of railway land was assessed on the basis of available rates of survey no. 67 for the period beyond Nov’ 2001 and served (March 2005) notice to the Agency to remit the enhanced license fee with arrear and secondly on December 28, 2022 after Railway, raised the revised LLF of 59,45,99,619/- (excluding GST) considering land rates of Survey No. 23 (Thanniranahalli) for the period from 2006-2021, 2021-2022 & 2022-2023 vide letter dated 05.12.2022 and started recovering dues from the concrete sleeper bills as a follow up to the Audit observation. The Committee would like to know why the Railway nominated the sole arbitrator. The Committee fail to understand how SWR administration ensured securing the best possible license fee by not revising the LLF considering land rates of year 1985 of survey no. 67 at commercial rates for the period from 2006-07 to 2011-12 as it did on October 9, 2020 for the period from 2011 to 2021 by considering land value at commercial rates instead of agricultural rates of the same survey number. Further, as interim order of arbitrator was legally scrutinized by railway legal officer who has opined that “section 37 challenge is not likely to bring any

favourable orders for railways, interim order may be complied with and in the event of final award being against railways, the same can any way be challenged u/s 34 of A&C Act, if deemed necessary after examining the final award”, the Committee are constrained to observe that this resulted in estimated loss of revenue to the tune of ₹ 59,45,99,619/- (excluding GST) considering land rates of Survey No. 23 (Thanniranahalli) for the period from 2006-2021, 2021-2022 & 2022-2023 due to non-adoption of higher land value of the nearest location for assessing LLF. Learning from the past, the Committee hope that the Railway Administration would endeavor to develop the resources and put to profitable use, areas that are in their occupation and control by way of leasing or licensing.

4. The Committee have been apprised by the Ministry that four sittings of arbitration have been held till now. Further, the contractor who was advised to vacate the Railway land in May' 2023 to spare the land for Bengaluru Sub Urban Rail Project has agreed to vacate the Railway land. The Committee while expecting the details of the decision taken at the last hearing in arbitration case which was scheduled for December 16, 2023, would also like the Ministry to make all out efforts to explore the possibility of negotiated settlement as the contractor has shown positive intent for permanent solution and is ready to vacate the Railway land for Bengaluru Sub Urban Rail Project.

5. The Committee note that after the establishment of plant for manufacturing and supply of concrete sleepers, rapid urbanization took place in that area resulting in steep hike in land rates which was not foreseen. Further, rates for

supply of concrete sleepers to railways have increased from Rs 706/no. sleeper in year 2006 to Rs 2176/-no. (i.e. 3.08 times) in year 2022-23 whereas LLF due to steep hike in value of railway land has increased from Rs 80,415/- per acre per annum to Rs 1.64 Crores per acre per annum in year 2022-23 (i.e. 204 times). However, as regards efforts being made for recovery of LLF of Rs 69.26 crores (incl. GST) from the agency for the period from 2006-2023, the Ministry stated that considering 10-15% profit margin as a normal principle in any contract, the profit of the agency in this case should be in the range of Rs 12-18 Cr (approx.) out of total contract value of Rs 119.27 crores awarded to the agency from year 2003-2019. The rates of supply and manufacturing of concrete sleepers has been fixed by railway only irrespective of location and area of railway land up to year 2022-23. As the land used for manufacturing and supply of concrete sleepers for the railways own use is not commercial utilisation of land, it is not appropriate to recover LLF to the tune of Rs 69.26 Cr out of anticipated profit margin of only Rs 12-18 Cr. Further, since, it was extension of land lease agreement, railway had considered only previous available land rates of survey no. 67 duly escalating it as per the policy and did not explore the transactions that have taken place in nearby/adjacent survey nos. during that period. In view of above facts, recovery of LLF of Rs 69.26 crores (incl. GST) from the agency for the period from 2006-2023 appears to be unreasonable and unjustified. It is, therefore, submitted before the PAC to kindly consider the factual position in the present audit case. The Committee do not find the Ministry's defence or arguments stressing that recovery of LLF of Rs 69.26 crores (incl. GST) from the agency for the period from

2006-2023 to be reasonable and justified particularly as the arbitration proceedings are underway and final adjudication by the Arbitral Tribunal is still awaited. The Committee also note that the Ministry of Railways has issued a master circular on Policy for "Management of Railway land" where in the term Market Value of Railway Land has been redefined. Moreover, leasing/licensing of railway land has been now permitted up to 35 years and charges have been kept as fixed percentage of market value of land with annual escalation and revision of charges after every 5 years by considering fresh market value of land has been dispensed with in new land leasing /licensing policy. The Committee, while expressing their displeasure over the manner in which due diligence and financial prudence has not been exercised by the railways in the matter, desire that earnest efforts should be taken for strengthening the monitoring mechanism with a view to ensuring strict compliance with the Railway Code and preventing similar discrepancies in the future.

6. Regarding fixing responsibility on the erring officials for the lapse leading to loss of revenue, the Railway stated that being a very old case, in-depth scrutiny of records from 2006 has been undertaken to ascertain the lapses on the part of officials involved. A committee of three SAG officers consisting of Chief General Engineer, FA&CAO/G and ADRM/Infra/ Bengaluru Division was nominated by Additional General Manager on 21.06.2023 to (a) review and determine the discrepancies, and (b) to suggest system improvement for assessing the LLF within three months. The SAG Officers Committee has in their

findings concluded that Audit Team while calculating the LLF, has considered only Survey Nos. 23. Audit Team also mentioned that there were no transactions from 01.04.1985 to 31.03.2006 for Survey Nos.22 & 23. One of the main reasons for adoption of rates of survey No.67 in place of survey No.23 was due to non-availability of transactions of other Survey numbers. In Survey Nos.20, 21, 22 & 23, most of the land belongs to Defence and Railways. Further, major land of sleeper factory falls in survey No.21, but not in Survey No.23. The land was given to M/s Sri Maruti Builders for Railway work and not for any other commercial activities. The land was used only for Railway purpose and not for any other commercial use. For the period from 2005 to 2023, 05 contracts for manufacturing and supply of 81.48 lakh concrete sleepers at the total value of 119.27 crores were awarded against which demand of Rs 69 crore towards LLF has been raised. Further, the SAG committee has proposed to take action against Chief Office Superintendent, who is primarily responsible for working out LLF and Assistant Engineer who has failed to ensure determining proper land license fee. The Committee nevertheless, note in this regard that the contention that the land was used only for Railway purpose and not for any other commercial means may not be in consonance with the provisions, 1008 and 1023- Management of Land of Indian Railways Code which inter-alia stipulates that all Railway land should be managed on commercial lines. The Committee also note that SWR has not taken action against the erring officials as yet contending that appropriate action will be initiated after completion of the arbitration proceedings. The Committee are of the view that Departmental

proceedings and judicial proceedings are two different procedures which can go on simultaneously. They, therefore, recommend that the concrete action is taken against the officials with due promptitude. The Committee may be apprised of the action taken in this regard mentioning inter alia the extent of recovery made, if any.

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NEW DELHI:  
17<sup>th</sup> January, 2024  
27 Pausha 1945 (*Saka*)

ADHIR RANJAN CHOWDHURY  
Chairperson,  
Public Accounts Committee