

FOURTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2009-10)

(FIFTEENTH LOK SABHA)

PROJECT MANAGEMENT PRACTICES IN GAUGE CONVERSION AND NEW LINE PROJECTS

[Action Taken by the Government on the Observations/Recommendations of the
Committee contained in their Sixty-first Report (14th Lok Sabha)]

MINISTRY OF RAILWAYS
(RAILWAY BOARD)



Presented to Lok Sabha on 17.12.2009
Laid in Rajya Sabha on 17.12.2009

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009—10)

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3. Shri D.R. Mohanty	—	<i>Under Secretary</i>

INTRODUCTION

I, the Chairman, Public Accounts Committee (2009-10), having been authorised by the Committee, do present on their behalf this Fourth Report (Fifteenth Lok Sabha) on Action Taken by Government on the Observations/Recommendations of the Committee contained in their Sixty-first Report (Fourteenth Lok Sabha) on "Project Management Practices in Gauge Conversion and New Line Projects".

2. This Sixty-first Report was presented to Lok Sabha on 1st December, 2007. Replies of the Government to the Observations/Recommendations contained in the Report were received on 2nd September, 2009 and updated replies on 17th September, 2009. The Public Accounts Committee considered and adopted the Fourth Report at their sitting held on 2nd December, 2009. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

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

5. An analysis of the Action taken by the Government on the Observations/Recommendations contained in the Sixty-first Report (Fourteenth Lok Sabha) is given at Appendix II.

NEW DELHI;
8 December, 2009
17 Agrahayana, 1931 (Saka)

JASWANT SINGH,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Sixty-first Report (Fourteenth Lok Sabha) on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (No. 5 of 2006), Union Government (Performance Audit) relating to "**Project Management Practices in Gauge Conversion and New Line Projects**".

2. The Sixty-first Report (Fourteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 1st December, 2007. It contained 7 Observations/Recommendations. Action Taken Notes have been received from the Ministry of Railways in respect of all the Observations/Recommendations and are broadly categorized as follows:—

- (i) Observations/Recommendations which have been accepted by the Government.

Sl. Nos. 2 & 6

Total : 2

Chapter-II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government.

Sl. No. 5

Total : 1

Chapter-III

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration.

Sl. Nos. 1, 3 and 4

Total : 3

Chapter-IV

- (iv) Observations/Recommendations in respect of which the Government have furnished interim replies.

Sl. No. 7

Total : 1

Chapter-V

3. The Sixty-first Report of the Committee was based on Audit review of management practices followed by Indian Railways in planning and execution of gauge conversion and new line projects. The Audit review was conducted to assess whether the projects have been executed with a view to achieving the objectives in the most economic, efficient and effective manner. The detailed examination of the subject by the Committee had revealed various shortcomings/lapses in the management of the railway projects by the Ministry of Railways and the Committee had accordingly given their Observations/Recommendations in their Sixty-first Report.

Gist of Committee's Observations/Recommendations

4. Some of the important Observations/Recommendations made by the Committee in their Sixty-first Report are as under:—

- The Ministry of Railways should distinctly enunciate the core objectives of the ongoing gauge conversion and new line projects, frame clear project schedules at the initial stages to determine the completion dates, categorise all the pending projects and complete the same within a definite time line;
- The Ministry should review all on-going gauge conversion and new line projects taken up on socio-economic consideration with a view to ensuring that only such projects which are substantially complete and have a reasonable throw forward should be continued and the rest of them shelved;
- The Ministry should apprise the Committee of the efficacy of the Project Management Information System (PMIS), developed by them, as a monitoring tool. The Ministry should also ensure strict observance of the codal provisions for maintenance of information systems and proper documentation at the Zonal level so as to enable proper monitoring of the projects.

5. The Action Taken Notes furnished by the Ministry of Railways have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the action taken by the Government on some of their Observations/Recommendations which need reiteration or merit comments.

A. Review of Ongoing New Line and Gauge Conversion Projects (Recommendation Sl. No. 1, Para 65)

6. Consequent upon the detailed examination of the subject, the Committee in their Sixty-first Report had observed that the management practices in gauge conversions and new line projects undertaken by the Ministry of Railways had several deficiencies like taking up of financially unviable projects with minimum rate of return, thin spread of resources among large number of on-going projects leading to time and cost overruns, sanctioning of projects without adequate justification and taking decisions during the implementation of the projects unmindful of the original objectives underlying the projects and uncertainties in project funding and inadequate project planning which had an adverse impact on the efficacy of the project implementation.

7. The Ministry in their Action Taken Note on the aforementioned recommendation have stated as under:—

"The concern expressed by the Committee has been noted. However it is mentioned that Railways have taken up large numbers of projects on socio-economic considerations to subserve its objective of providing better rail transport facilities to backward and under-developed areas. It is agreed that due to fund constraint and taking up of large number of projects, the funds are getting thinly spread over various projects. While the gauge conversion activities have been given a major push and outlays have increased considerably in the GC Plan Head over last few years, the new line funding remains an area of concern. The State Governments have been requested to share at least 50% of the cost of ongoing projects but response has not been encouraging."

The Ministry have further stated that Audit have desired that following lines may be appended to the Action Taken Notes:—

"Once Projects/Works are taken up, the Organisation should make available resources required for completion within a reasonable time frame. To initiate/consider projects without assuring availability of adequate resource is meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

8. The Committee are of the view that taking up of large number of projects on socio-economic considerations does not anyway mean that there should be inadequate planning and improper funding pattern impacting adversely their implementation. In fact, it is the obligation of the Railways to subserve its objective of providing better rail transport facilities to the backward and under-developed areas on socio-economic considerations. The Ministry have admitted that due to fund constraints and taking up of large number of projects, funds are getting thinly spread over various projects as was pointed out by the Committee in the original Report. The Audit has also reinforced the Committee's views by stating that it is meaningless to consider/initiate projects without assuring availability of adequate resources. Making available adequate resources for taking up projects becomes more imperative on the part of the Railways as they themselves have admitted that the funding for new line projects remains an area of concern and the response of the State Governments, who have been requested to share at least 50 per cent of the cost of the ongoing projects, has not been encouraging. The Committee, therefore, once again impress upon the Ministry of Railways to ensure that adequate funds are made available for the targeted projects so that the same are completed/implemented within the scheduled time line and the intended objectives are achieved.

**B. Partial Completion of Projects Taken Up on Socio-economic Consideration
(Recommendation Sl. No. 2, Para 66)**

9. In their earlier Report, the Committee had observed that though project management in respect of four projects relating to gauge conversion and new lines were initiated with some definite objectives in view, decisions were taken at subsequent stages in deviation of the envisaged objectives resulting in non-achievement of core objectives of the projects. Taking note of the fact that most of the 149 ongoing gauge conversion and new line projects which were commenced as long back as 5 to 20 years were less than 50 per cent completed, the Committee wondered how the Ministry

would be able to achieve the intended objectives. Commenting that only the completed and commissioned projects could facilitate achievement of the envisaged objectives *in toto*, the Committee had recommended that the core objectives of the projects should be distinctly enunciated and subsequent planning and decision making process should be aligned towards achievement of the stated objectives. The Committee had further recommended that clear project schedules should be framed at the initial stages and completion dates determined accordingly. Moreover, Budget allotments should be adequate and in accordance with the time frame set for the completion of the projects.

10. The Ministry in their Action Taken Note have *inter-alia* stated as under:—

"The projects taken up on socio-economic considerations have rate of return much below the cut off value and are primarily for development of the region served. The partial completion also connects the various areas serving the people of the region. As regards the two projects mentioned in the recommendation, it is stated that Rupsa-Baripada of Rupsa-Bangriposi has already been completed and trains are running upto Baripada, which is the District Headquarter of backward Mayurbhanj District of Orissa. The work on balance project has also been taken up and it is likely to be completed in next two years time. There is also a proposal to provide a new line from Buramara to Chakulia on Kharagpur-Tatanagar route. This line will then be serving Kirtania and Dhamra port which are upcoming on the East Coast. As regards Miraj-Latur gauge conversion, it is mentioned that gauge conversion of Latur to Kurduwari and Kurduwari to Pandharpur alongwith new line from Latur to Latur Road has already been completed. This completion has provided direct BG connectivity to the backward region of Latur, Sangli, Solapur etc. of Maharashtra State. The work on the last phase between Pandharpur and Miraj is also in full swing and is targeted for completion by 31.03.2010. The concern expressed by the Committee in delay in completion of the projects and to fix clear project schedules with adequate budget allotment has been noted. However, there is heavy throw forward of projects with limited availability of resources and in such a scenario, it is not feasible to indicate time schedules for all the projects keeping in view the fact that there are demands from all over the country for implementing the projects in their Region/State at a faster pace."

11. **The Committee note that Rupsa-Baripada Gauge conversion of the Rupsa-Bangriposi Project has already been completed and the work on the balance project has also been taken up and is likely to be completed in another two years time i.e. April, 2011. Similarly, under the Miraj-Latur Gauge conversion project, Latur-Kurduwari and Kurduwari-Pandharpur alongwith the Latur-Latur Road new line have already been completed. The work on the last phase between Pandharpur and Miraj has been stated to be targeted for completion by 31st March, 2010. The Committee hope that the Pandharpur-Miraj gauge conversion work and the balance work of the Rupsa-Baripada gauge conversion project would be completed by March, 2010 and April, 2011 respectively as anticipated by the Railways. However, the Committee are not inclined to accept the statement of the Ministry that it is not**

feasible to indicate the time schedules for all the projects as there is heavy throw forward of projects with limited availability of resources and there are demands from all over the country for implementing the projects in various Regions/States at a faster pace. The Committee are of the firm opinion that projects commenced as long back as one/two decades should not be allowed to languish. Prudence, therefore, requires that initial planning for undertaking various projects by the Railways should be proper and commensurate with the resources available so that the prioritization and completion dates of the projects are determined accordingly and the objectives achieved fully.

**C. Delay in Completion of Ongoing Gauge Conversion and New Line Projects
(Recommendation Sl. No. 3, Para 67)**

12. The Committee in their Sixty-first Report had observed that in respect of 105 out of 149 ongoing projects, the progress was less than 50 per cent. In 12 projects, the progress was between 75 to 90 per cent and in the case of 24 projects the work was more than 90 per cent complete. The Committee had further observed that although the cost of the projects which were more than a decade old had increased three fold from Rs. 5,700/- crore to 17,300/- crore, the Ministry of Railways had allocated only a meagre amount of Rs. 690/- crore for gauge conversion projects and Rs. 652/- crore on new line projects. Based on the information furnished by the Ministry of Railways that they had rationalized the system of allotment of funds by prioritising the various ongoing projects into four categories, the Committee hoped that the Ministry would come out with a specific action plan for completion of the projects belonging to Categories I & II within the stipulated time period of one to two years. The Committee had also recommended that the Ministry should specify the time schedule for the completion of the projects belonging to Categories III & IV as well.

13. The Ministry of Railways in their Action Taken Notes have stated as follows:—

"There were total 12 projects which were categorized in Category I & II and were to be completed in a period of 2-3 years. Out of these projects, 8 projects (5 of Category-I and 3 of Category-II) have already been completed. The projects completed are:—

A. Category-I

- (i) Secunderabad-Mudkhed and Jankhampet-Bodhan
- (ii) Bishrampur-Ambikapur
- (iii) Eklakhi-Balurghat (main line)
- (iv) Guntur-Guntakal and Guntakal-Kalluru
- (v) Gandhinagar-Adrej Moti-Kalol

B. Category-II

- (i) Nimach-Ratlam
- (ii) Samastipur-Khagaria
- (iii) Ajmer-Udaipur-Chitaurgarh

Other many projects are being monitored closely and the target dates for the remaining project of Category-I & II are as follows:—

A. Category-I

- (a) Guna-Etawah—This work is targeted for completion by 31.12.10 (There has been delayed in getting clearance of Wild Life Sanctuary Land);
- (b) Shimoga-Talguppa—The target date is 31.03.10 for Shimoga Anandpuram (57 Km.) and 30.06.10 Anandpuram-Talguppa (40 Kms.); and
- (c) Tiruchirapalli-Nagore-Karaikal- 31.03.10 (Trichy-Thanjavur-Nagore completed).

B. Category-II

Rajgir-Hisua-Tilaiya—The target date is 31.10.09 for main line.

As regards the Committee's observations that Railway have categorized only 120 projects and did not mention anything about the categorization of the remaining pending projects, it is pointed out that these 120 projects are new line and gauge conversion projects for which there are constraint of resources. The remaining works are primarily throughput enhancement works which includes Doubling and Railway Electrification works. There are no constraints of funds for these categories of works which are generally getting completed in a period of 4 years from the saction of the work. Hence, it was not considered necessary to categorize these works. The Committee have further recommended that all the pending gauge conversion and new line projects should be categorized and completed within a definite time period. In this regard, it is pointed out that as on 01.04.2009, Railway has a throw forward requiring over Rs. 90,000 cr. for completion without matching availability of recources. This is also based on estimated sanction cost and will get revised upward on updatation. In view of the resource constraints, it is not feasible to complete the projects within a definite time schedule."

14. The Committee note that out of the 12 projects categorized in Categories I & II, eight projects *i.e.* five in Category I and three in Category II have already been completed. The remaining projects are reportedly being monitored closely and the revised target dates for completion of these projects vary between 31st October, 2009 and 31st December, 2010. The Committee hope that at least now the Railways would accord due importance to the remaining projects belonging to Categories I & II and complete them within the revised target dates, as mentioned above. Observing categorization of only 120 projects, the Committee in their earlier Report had impressed upon the Ministry to categorise all the pending gauge conversion and new line projects and complete them within a definite time schedule. They, therefore, do not accept the Ministry's contention that it was not considered necesary to categorise the projects beyond 120, as these projects are primarily throughput enhancement works for which there is no fund constraint and which are generally getting completed within a period of four years. Even though there are no fund constraints for the remaining projects *i.e.* over and above the categorized 120 projects, the Committee still believe that categorization of all the gauge conversion and new line projects

would obviate chances of time and cost overrun of the projects leading to their completion within a reasonable time line and achievement of the objectives thereby.

15. The Committee are not satisfied with the contention of the Ministry that it is not feasible to complete the projects within a definite time schedule in view of the resource constraints. In this context, the Committee find that as on 1st April, 2009, the Railways have a throw forward of projects requiring over Rs. 90,000/- crore which might be revised upwards. The Committee fail to understand the rationale behind initiating projects of such scale without making proper provision therefor. However, now since the projects have already been initiated, the onus lies with the Railways to make provision for adequate resources and get all the categorized projects completed in time and in consonance with the objectives.

**D. Selection of Financially Unviable Gauge Conversion and New Line Projects
(Recommendation Sl. No. 4, Para 68)**

16. In their sixty-first Report, the Committee had observed that out of the 133 gauge conversion and new line projects that were taken up on various commercial and socio-economic considerations, 34 per cent (46 projects) had negative Rate of Return (RoR) and 46 per cent (61 projects) were un-remunerative and had Rate of Return less than the prescribed rate of 14 per cent. Thus 107 out of 133 projects were taken up by Railways despite being financially unviable and in contravention of the established norms of minimum Rate of Return which had an adverse impact on the financial health of Railways. The Committee had further noted that out of the 95 projects that were taken up on socio-economic considerations during the Ninth and Tenth Plans, only 8 projects had been completed. Appreciating the commendable intention of the Railways to provide connectivity to the backward and remote areas, the Committee, however, were of the considered view that the project once started should be completed within a specified time period lest the very purpose of selection of projects for connecting backward, under developed and remote areas got defeated. Observing the constitution of a Working Group consisting of the representatives of the Ministries of Railways, Finance and Planning Commission to evolve criteria for taking up various Railway projects on socio-economic considerations, the Committee had recommended that the Working Group should not only lay down the criteria for taking up future Railway projects on socio-economic consideration, but also review all the ongoing new line and conversion projects that were taken up on socio-economic consideration by the Railways and were pending completion. The Committee had desired that as far as possible, only such projects, which were substantially completed and had a reasonable throw forward should be continued and the rest of them be shelved.

17. The Ministry of Railways in their Action Taken Note have stated as under:—

"The Working Group consisting of representatives of Ministry of Railways, Ministry of Finance and Planning Commission which was set up to evolve criteria for taking up of Railway projects on socio-economic consideration, submitted its report in 2007. The Working Group suggested that in respect of the proposals not having the requisite cut off financial rate of return of 12%, the State Governments shall be required to contribute to project cost and also bear

operational and maintenance charges to the extent of making FIRR as 12%. The Committee also suggested that proposals shall be required to be examined and commented upon by State Planning Boards/Commission. During the survey stage, proposal shall be referred to State Governments for consideration by State Planning Board for furnishing information about zone of influence of the proposed line, its socio-economic impact on the area and the potential of development of industries in the catchment area. They shall give their recommendations on the project proposal with cost-sharing arrangements, before the project is processed for appraisal of Planning Commission. The recommendations of the Committee were put up to Hon'ble Minister of Railways for consideration. He did not agree to Committee's recommendations as the response of the State Governments for the cost-sharing of Railway projects has been extremely poor and most of the State Governments have not come forward to share the cost. As regards the Committee's recommendations of review of all ongoing new line and gauge conversion projects taken up on socio-economic consideration and continue only those projects which are substantially complete and shelve the rest of the projects, it is pointed out that new line and gauge conversion projects are taken up based on the demands and aspiration of local people. Shelving such projects will have wider ramifications as it will not be accepted by the local people and will invite criticism."

18. The Committee are concerned to note that the Minister of Railways did not agree to the recommendations of the Working Group consisting of the representatives of the Ministries of Railways and Finance and the Planning Commission which was constituted to evolve criteria for taking up Railway projects on socio-economic consideration and had submitted their Report in 2007. The Minister's disagreement with the recommendations of the Working Group was reportedly due to the extremely poor response of the State Governments for sharing the cost of Railway projects. On one hand the Railways are not prepared to shelve such projects which are yet to take off on the plea of inviting criticism for betrayal of the aspiration of the local people, while on the other the State Governments are not ready to share the cost of such Railway projects. The Committee are of the view that taking up a large number of projects based on the socio-economic considerations and not completing them within a definite time frame will have more adverse ramifications and certainly invite greater criticism. In short, the very purpose of selecting socio-economic projects for connecting the backward, underdeveloped and remote areas in various States gets defeated when the Railways are unable to make available adequate resources and the concerned State Government themselves are reluctant to share the cost resulting in these much lauded socio-economic projects languishing for years together. The Committee would, therefore, again like to impress upon the Ministry to review all the new line and gauge conversion projects that were taken up on socio-economic consideration but pending completion so that a fair assessment of continuing or shelving these projects is made and other commercially viable projects, which are important from operational point of view, get the much needed funds for their timely completion.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation No. 66

The Committee observe that Project management in respect of four projects relating to Gauge Conversion and new Lines that have been examined by Audit has revealed that though the projects were initiated with some definite objectives in view, the decisions at subsequent stages were taken in deviation of the envisaged objectives resulting in non-achievement of core objectives of the projects. In respect of the Rupsa-Bangriposi gauge conversion project on South Eastern Railway, the Committee note that the project was conceived as an alternate to the third line between Kharagpur and Tatanagar and was broken into two phases, *i.e.* Phase I-Gauge Conversion of Rupsa-Bangriposi and Phase II-connecting Bangriposi with either Gurumahisani or Dalbhumgarh by laying a new line. While a part of the phase I (Rupsa-Baripada) was on the verge of completion, the remaining part of Phase I (Rupsa-Bangriposi) and the connecting new line from Bangriposi were not sanctioned, thus defeating the original objective. The Ministry in their reply have stated that Gauge Conversion of only a part *i.e.* Rupsa-Baripada has been completed and Railways have yet to decide on extension of connecting line. In a subsequent reply the Ministry have stated that the balance section is expected to be completed during 2008-09. The Committee do not accept the Ministry's contention that the intended benefit to serve the backward areas of Orissa has been partially fulfilled by conversion of Rupsa-Baripada section when the entire project was supposed to have been completed within the stipulated period, thereby defeating the original objective. Similarly, in the case of Miraj-Latur Gauge Conversion and Latur to Latur Road new line projects on Central Railway, the priority of the work was changed from gauge conversion of Latur to Kurduwadi in the first phase to Kurduwadi-Pandharpur as there was demand to provide BG connectivity to famous pilgrim Centre of Vithal temple at Pandharpur. This indicates that the prioritization was changed at the later stage thereby defeating the Original objective. However, the Ministry of Railways (Railway Board) in their reply have stated that they are by and large satisfied with the achievement of desired objectives and in some cases works of main portions have already been completed and benefits have been derived. In some other cases, part section have been completed and the same has provided connectivity to backward and other areas thereby providing reliable transport system to the public of the area. The Committee are of the opinion that the objectives for each of New line and Gauge Conversion projects are different and can be achieved only when the whole projects are completed and commissioned. The Committee cannot understand as to how the Ministry have been able to achieve the intended objectives while most of the 149 ongoing gauge conversion new line projects included in the Works Programme 2005-06 of the Railways commenced as long back as 5 to 20 years are less than 50 per cent completed. Partial completion of the projects cannot help to achieve the desired

objectives fully. Most of the times, incomplete projects are abandoned and end-up in a fiasco resulting in sheer wastage of public money. The Committee are of the firm opinion that only the complete and commissioned project can help in achieving the envisaged objectives of the projects *in toto*. The Committee recommend that the core objectives of the project should be distinctly enunciated and subsequent planning and decision making should be aligned towards achievement of the stated objectives. Further, clear project schedules should be framed for the projects at the initial stages and completion dates determined. Budget allotments should be adequate and in accordance with the time frames set for completion of the projects.

[Recommendation Sl. No. 2, Para No. 66 of 61st Report of PAC (14th Lok Sabha)]

Action Taken by Government

The projects taken up on socio-economic considerations have rate of return much below the cut off value and are primarily for development of the region served. The partial completion also connects the various areas serving the people of the region. As regards the two projects mentioned in the recommendation, it is stated that Rupsa-Baripada of Rupsa-Bangriposi has already been completed and trains are running upto Baripada, which is a district Headquarter of backward Mayurbhanj District of Orissa. The work on balance project has also been taken up and it is likely to be completed in next two years time. There is also a proposal to provide a new line from Buramara to Chakulia on Kharagpur-Tatanagar route. This line will then be serving Kirtania and Dhamra port which are upcoming on the East Coast.

As regards Miraj-Latur gauge conversion, it is mentioned that gauge conversion of Latur to Kurduwari and Kurduwari to Pandharpur alongwith new line from Latur to Latur Road has already been completed. This completion has provided direct BG connectivity to the backward region of Latur, Sangli, Solapur etc. of Maharashtra State. The work on the last phase between Pandharpur and Miraj is also in full swing and is targeted for completion by 31.3.10.

The concern expressed by the Committee in delay in completion of the projects and to fix clear project schedules with adequate budget allotment has been noted. However, there is heavy throw forward of projects with limited availability of resources and in such a scenario, it is not feasible to indicate time schedules for all the projects keeping in view the fact that there are demands from all over the country for implementing the projects in their region/state at a faster pace.

Audit vide their U.O. No. 150-RA II/8-4/2005 dated 09.9.2009 have desired that following lines may be appended to the ATN:

"Once Projects/ Works are taken up the Organization should make available resources required for completion within a reasonable time frame. To initiate/ consider projects without assuring availability of adequate resources is

meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17.09.2009]

Comments of the Committee

Please *see* Paragraph No. 8 of Chapter I

Observation/Recommendation No. 70

The Committee note that as per the Ministry's own admission the total cost required for the completion of pending projects as on 01.04.2006 is Rs. 54000 crore and the money available to the Ministry through Budgetary resource is stated to be Rs. 13000 crore. Another Rs. 17000 crore is being planned to raise from the market, Public-Private Partnership, Ministry of Defence and State Governments. For the mobilization of remaining funds, a scheme namely "Remote Area Rail Sampark Yojana" has been formulated envisaging an investment to the tune of Rs. 20000 core in the next 5 years to complete the 60 sanctioned new line and gauge conversion projects. The Committee was informed that the Minister of Railways had written to all the State Chief Ministers requesting them to share at least 50% of cost of the ongoing projects in their States for their early completion. However, response of the States has been stated to be not encouraging. Only for States *viz.* Jharkhand, Tamil Nadu, Haryana and Karnataka have agreed to the proposal in respect of 8 new line and 3 gauge conversion projects. The Committee desire that the Ministry of Railways (Railway Board) should pursue the matter with all the other concerned State Governments vigorously and convince them to provide funds to the projects in their own interest. The Committee hope and trust that the Ministry would leave no stone unturned in pursuing the matter with the State Governments and desire that the Committee may be informed of the steps taken and the outcome of these efforts.

[Recommendation Sl. No. 6, Para No. 70 of 61st Report of PAC (14th Lok Sabha)]

Action Taken by Government

Concern of the suggestions of the Committee that the Ministry should pursue the matter with concerned State Government more vigorously and leave no stone unturned have been noted. All concerned State Governments have been approached for cost sharing of at least 50% cost of the socio-economic projects. Letters have been written to all concerned State Chief Ministers by Minister of Railways, but the response has not been encouraging. This issue of cost sharing by State Government is also raised regularly at all forums.

Audit *vide* their U.O. No. 201-RA II/8-4/2005 dated 25.9.2008 have vetted the Action Taken Note.

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17.09.2009].

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT

Observation/Recommendation No. 69

Another disquieting feature relating to Project Management in Railways relates to uncertainties in funding of the four selected projects. As a result of this micro-management of the projects was seriously hampered and the project authorities could neither accurately estimate the costs involved nor were they in a position to draw up detailed project schedules. Due to drastic fluctuations in the funding pattern, these projects dragged on unnecessarily. These projects were kept starved of funds, but retained in the works programme by making token provisions resulting in delay in completion and also significant increase in costs. Though these gauge conversion projects were taken up more than 10 years back only 42 per cent to 84 per cent of the work has been completed. While the survey reports in gauge conversion projects generally prescribed a total time frame of four to five years for completion, it was seen that the level of funding in most of these projects have been much below Rs. 5 crore per year in the first five years and even subsequently there have been drastic fluctuations in the funding pattern. Thus there was no possibility of these projects getting completed within the prescribed time frame. While accepting that the main reason for dragging of work has been the uncertainty regarding the availability of fund, the Ministry of Railways have stated that they have initiated several steps such as enhancement of tender acceptance powers, delegation of the power of sanction of estimates etc. to field units and changes in General Condition of Contract (GCC) such as modification in price variation clause, provision of performance guarantee in lieu of risk and cost etc. for expediting the completion of works. The Ministry have stated that all gauge conversion projects are now being planned for completion in next 2 to 3 years. The Committee express the hope that the measures taken by the Railways would bear fruit leads to desirable results. The Committee would like to be apprised of the progress of all the aforesaid projects within 3 months from the presentation of the Report. The Committee further recommends that Railways should plan the projects in a more comprehensive manner. The scope of the project, technical specifications, quantities and cost estimates should be accurately delineated on the basis of parameters brought out in technical surveys so as to ensure smoother project implementation within the estimated cost and time.

[Recommendation Sl. No. 5, Para No. 69 of 61st Report of PAC (14th Lok Sabha)]

Action Taken by Government

Ministry of Railways has always taken the stand that in view of huge throw forward and lack of adequate resources, it is not possible to fix the target date for completion of New Line and Gauge Conversion Projects. It was stated by the Ministry that all Gauge

Conversion Projects in Category-I & II only to be completed in next two to three years. The period of completion of two to three years was not given in respect of other remaining Gauge Conversion Projects. The Committee's suggestions regarding the Planning of the projects in a more comprehensive manner have been noted. It is, however, mentioned that due to technological advances the technical specification and consequent quantities and cost estimation undergo changes mainly due to long gestation of the projects.

Audit vide their U.O. No. 150-RA II/8-4/2005 dated 09.09.2009 have desired that following lines may be appended to the ATN:

"Once Projects/works are taken up, the Organization should make available resources required for completion within a reasonable time frame. To initiate/consider projects without assuring availability of adequate resources is meaningless . Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61, dated 17.09.2009]

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation No. 65

The Committee note that Indian Railways undertake a large number of construction projects for creation of new assets and up gradation of existing assets for augmentation of existing services as well as extension of services to new areas so as to act as a catalyst for growth for in the far flung undeveloped and under-developed areas of the country. In pursuance of these broad objectives, "Project Unigauge" was launched by Indian Railways in 1992 with the objective of the relative conversion of Metre Gauge and Narrow Gauge into Broad Gauge for capacity enhancement and smooth flow of traffic by creating alternate routes to the congested Broad Gauge trunk lines. The National Transport Policy Committee also announced a policy in 1980 for taking up New Line Projects for various operational, commercial, social and strategic reasons. The performance review of the Project Management practices in Railways with regard to Gauge Conversion and New Line Projects had revealed several deficiencies such as—taking up of financially unviable Projects despite well established norms for selection of projects with minimum rate of return; thin spread of resources among large number of ongoing projects leading to time and cost overruns; sanctioning of projects without adequate justification and decisions were taken during implementation unmindful of the original objectives resulting in non-achievement of core objectives under laying the projects; uncertainties in projects funding and inadequate project planning had an adverse impact on the efficiency of Project implementation etc. These along with other important issues have been discussed in detailed in the succeeding paragraphs.

[Recommendation Sl. No. 1, Para No. 65 of 61st Report of PAC, (14th Lok Sabha)]

Action Taken by Government

The concern expressed by the Committee has been noted. However, it is mentioned that Railways have taken up large numbers of projects on socio-economic considerations to subserve its objective of providing better rail transport facilities to backward and under-developed areas. It is agreed that due to fund constraint and taking up of large no. of projects, the funds are getting thinly spread over various projects. While the gauge conversion activities have been given a major push and outlays have increased considerably in the GC Plan Head over last few years, but the new line funding remains an area of concern. The State Governments have been requested to share at least 50% of the cost of ongoing projects but response has not been encouraging.

Audit vide their U.O. No. 150-RA II/8-4/2005 dated 09.09.2009 have desired that following lines may be appended to the ATN:

"Once projects/works are taken up, the Organization should make available resources required for completion within a reasonable time frame. To initiate/consider projects without assuring availability of adequate resources is meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17.09.2009]

Comments of the Committee

Please see Paragraph No. 11 of Chapter-I

Observation/Recommendation No. 67

The Committee are concerned to note that a large number of gauge conversion and new line projects undertaken by Railways have been languishing for decades. An analysis of data regarding 149 ongoing gauge conversion and new line projects, included in Works Programme 2005-06 revealed that the cost of these projects, which was originally estimated at Rs. 39,287.13 crore has been revised time and again due to delay in completion and is now estimated at Rs. 54,716.5 crore. In respect of 105 out of 149 ongoing projects, the progress was less than 50 per cent. In 12 projects the progress was between 75% and 90%. Only in 24 projects the work was more than 90 per cent complete. Due to delay in completion, the cost of the projects which were more than 10 years old had increased three times from Rs. 5,700 crore to Rs. 17,300 crore. However, the Ministry of Railways had allocated only a meagre amount of Rs. 690 crore and Rs. 652 crore on gauge conversion and new line projects respectively. The Committee feel that, at this rate of funding, it will take another 15 years from now to complete the pending gauge conversion projects and another 38 years to complete the new line projects. The Ministry of Railways have candidly admitted that the completion of projects in time and within the estimated cost is feasible. only when timely funding is assured and in the present scenario this is not possible. Based on public demands, a large number of new line and gauge conversion projects have been taken up and as on 01.04.2006, Railways have through forward of projects requiring over Rs. 54,000 crore. The allocation of funds for projects have been increased considerably during 2006-07 but is not adequate to complete all the projects in a reasonable time frame. However, the Ministry of Railways (Railway Board) have informed the Committee that they had rationalized the system of allotment of funds in March, 2005 by prioritizing the various ongoing projects into four categories. All the twelve projects belonging to category-I and II have been planned to be completed in 1-2 years. Going by the current pace at which these projects are progressing, the Committee are quite skeptical about their completion within a span of 1 to 2 years. The Committee, however, expect that the Ministry would come out with a specific action plan for completion of the projects belonging to category-I and II within the stipulated time period of 1 to 2 years. In respect of the other categories, *i.e.*, categories III and IV, the Ministry have maintained silence over the target dates for their completion. The Committee recommend that the Ministry should specify the time schedule for completion of the projects belonging to

these categories as well. What is disappointing to the Committee is the fact that the Ministry have categorized only 120 projects and did not mention anything about the categorization of the remaining pending projects. The Committee, further recommend that all the pending gauge conversion and new line projects should be categorized and completed within a definite time schedule.

[Recommendation S1. No. 3, Para No. 67 of 61st Report of PAC, (14th Lok Sabha)]

Action Taken by Government

There were total 12 projects which were categorized in Category-I & II and were to be completed in a period of 2-3 years. Out of these projects, 8 project (5 of Category-I and 3 of Category-II) have already been completed. The projects completed are:—

(A) Category-I

- (i) Secunderabad-Mudkhed and Jankhampet-Bodhan
- (ii) Bishrampur-Ambikapur
- (iii) Eklakhi-Balurghat (main line)
- (iv) Guntur-Guntakal and Guntakal-Kalluru
- (v) Gandhinagar-Adrej Moti-Kalol

(B) Category-II

- (i) Nimach-Ratlam
- (ii) Samastipur-Khagaria
- (iii) Ajmer-Udaipur-Chitaurgarh

Other projects are being monitored closely and the target dates for the remaining projects of Category-I & II are as follows:—

(A) Category-I

- (a) Guna-Etawah—This work is targetted for completion by 31.12.10 (There has been delay in getting clearance of Wild Life Sanctuary Land).
- (b) Shimoga-Talguppa — The target date is 31.3.10 for Shimoga-Anandpuram (57 K.M.) and 30.6.10 for Ananadpuram-Talguppa (40 Km.).
- (c) Triuchirapalli-Nagore-Karaikal — 31.3.10 (Trichy-Thanjavur-Nagore completed).

(B) Category-II—Rajgir-Hisua-Tilaiya—The target date is 31.10.09 for main line.

As regard the Committee's observations that Railway have categorized only 120 projects and did not mention anything about the categorization of the remaining pending projects, it is pointed out that these 120 projects are new line and gauge conversion projects for which there are constraint of resources. The remaining work are primarily throughput enhancement works which include Doubling and Railway Electrification works. There are no constraints of funds for these categories of works

which are generally getting completed in a period of 4 years from the sanction of the work. Hence, it was not considered necessary to categorize these works.

Committee has further recommended that all the pending Gauge Conversion and New Line Projects should be categorized and completed within a definite time period. In this regard, it is pointed out that as on 1.4.09, Railway has a throw forward requiring over Rs. 90,000 crore for completion without matching availability of resources. This is also based on estimated sanction cost and will get revised upward on updation. In view of the resource constraints, it is not feasible to complete the projects within a definite time schedule.

Audit vide their U.O. No. 150-RA II/8-4/2005 dated 09.09.2009 have desired that following lines may be appended to the ATN:

"Once Projects/works are taken up, the Organization should make available resources required for completion within a reasonable time frame. To initiate/consider projects without assuring availability of adequate resources is meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17.09.2009]

Comments of the Committee

Please *see* Paragraph Nos. 14 and 15 of Chapter-I

Observation/Recommendation No. 68

The Committee note that the minimum Rate of Return (RoR) is fixed for various Railway projects to decide their financial viability. Till, July 1992, the project proposal whether for gauge conversion or new line, was considered financially justified unless net gain expected out of the proposed outlay, after meeting the work expenses or average annual cost of services, yielded a return of not less than ten per cent under Discounted Cash Flow Method. Later on, the return was revised upwards to 14 per cent from July 1992 onwards. The Committee are perturbed to note that out of 133 projects that were taken up on various commercial and socio-economic considerations 34 per cent (46 projects) had negative rate of return and 46 per cent (61 projects) were unremunerative and had Rate of Return (RoR) less than the prescribed rate. Thus 107 out of 133 projects were taken up by Railways despite being financially unviable and in contravention of established norms of minimum Rate of Return (RoR). This obviously has an adverse impact on the health of Railways. The Ministry of Railways have informed the Committee that Railways are not only a commercial organisation but has to subserve its objective of providing rail connectivity to backward and under developed areas for their socio-economic development. To fulfil this responsibility, Railways are therefore, often required to take up projects, where the returns are much below the level of prescribed Rate of Return (RoR) of 14%. The Committee note that out of 95 projects that were taken up on socio-economic considerations during 9th and 10th plans only 8 projects have been completed so far, which is anything, but regrettable. The Committee are of the opinion that though the efforts of the Railways for providing connectivity to under developed/undeveloped

and backward regions of the Country on socio-economic considerations are well intended and appreciated, however, thin spread of resources or lack of funds to these projects had led to abnormal delay ranging from 5 years to 20 years and consequent cost overruns thereby defeating the very purpose of their commencement. This has resulted not only in sheer wastage of public money but also deprives other commercially viable projects that are important from operational point of view, the much needed funds for their early completion. The Committee are of the considered view that the project once started should be completed within specified time period otherwise the very purpose of selection of the projects on the plea of connecting backward, under developed and remote areas gets defeated. The Committee are informed that a Working Group consisting of representatives of the Ministries of Railways and Finance and Planning Commission has been set up to evolve out criteria for taking up various railways projects on socio-economic consideration. The Committee recommend that the Working Group should not only lay down the criteria for taking up future Railways projects on socio-economic consideration, but also review all the ongoing new line and gauge conversion projects that were taken on socio-economic consideration by Railways and are pending completion. As far as possible, only such projects which are substantially complete and have a reasonable throw forward should be continued and the rest of them may be shelved. The Committee would like to be apprised of the progress made by the Working Group in this regard within 3 months from the date of the presentation of the report.

[Recommendation Sl. No.4, Para No. 68 of 61st Report of PAC (14th Lok Sabha)]

Action Taken by Government

The working group consisting of representatives of Ministry of Railways, Ministry of Finance and Planning Commission set up to evolve criteria for taking up of Railway projects on socio-economic consideration, submitted its report in 2007. The working group suggested that in respect of the proposals not having the requisite cut off financial rate of return of 12%, the State Govt. shall be required to contribute to project cost and also bear operational and maintenance charges to the extent of making FIRR as 12%. The Committee also suggested that proposals shall be required to be examined and commented upon by State Planning Boards/Commission. During the survey stage, proposal shall be referred to State Govt. for consideration by State Planning Board for furnishing information about zone of influence of the proposed line, its socio-economic impact on the area and the potential of development of industries in the catchment area. They shall give their recommendations on the project proposal with cost-sharing arrangements, before the project is processed for appraisal of Planning Commission.

The recommendations of the Committee were put up to Hon'ble Minister of Railways for consideration. He did not agree to Committee's recommendations as the response of the State Govt. for the cost-sharing of Railway projects has been extremely poor and most of the State Governments have not come forward to share the cost.

As regard the Committee's recommendations of review of all ongoing new line and gauge conversion projects taken up on socio-economic consideration and continue only those projects which are substantially complete and shelve the rest of

the projects, it is pointed out that new line and gauge conversion projects are taken up based on the demands and aspiration of local people. Shelving such projects will have wider ramifications as it will not be accepted by the local people and will invite criticism.

Audit vide their U.O.No.150-RA II/8-4/2005 dated 09.9.2009 have desired that following lines may be appended to the ATN:

"Once Projects/Works are taken up, the Organization should make available resources required for completion within a reasonable time frame. To initiate/ consider projects without assuring availability of adequate resources is meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17.09.2009]

Comments of the Committee

Please see Paragraph No. 18 of Chapter I.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation No. 71

Monitoring is a *sine qua non* for successful completion of any project and Railways are no exception to it. The Committee, therefore, are constrained to note that role of Railway Board in monitoring of implementation of various ongoing projects is not proactive. Once a project is sanctioned, it is primarily left to the various zonal railways for monitoring and no structures have been created at the Ministry/Board level for regular monitoring of their progress. The Railway Board's role is being limited to responding to specific issues raised by the zonal railways through Periodical Demi-Officials letters (PCDOs) or otherwise. Even at the zonal railway level the progress report cum financial review which is used as an important monitoring tool for reviewing the projects is not being prepared. In some Railway Zones, the "Work Registers" were not being maintained properly and details of work-wise estimates, budget allotments and up to date totals for expenditure on all works were not struck due to which Railways failed to exercise control over expenditure on these works. In a written reply, the Ministry of Railways have contended that at Board level the progress of each project is regularly reviewed through a monthly progress report. Apart from this review, meetings are conducted by Board officials. It has further been stated that they have now developed a Project Management Information System (PMIS), which is computerized web-based system that can monitor projects and related data on a real time basis. This is still under trial and is yet to be fully implemented. The Committee hope that Railway Board would be able to monitor the ongoing projects effectively through PMIS system so that they may be completed within the estimated cost and stipulated time. The Committee would also like to be apprised of the efficacy of the PMIS as a monitoring tool within three months of the presentation of the Report. The Committee also recommends that the Ministry should ensure strict observance of codal provisions for maintenance of information system and documentation at the zonal level so as to enable proper monitoring of the projects.

[Recommendation Sl. No. 7, Para No.71 of 61st Report of PAC (14th Lok Sabha)]

Action Taken by Government

The Hardware for implementation of PMIS system had been partly procured for conducting trials on one project but the same had been disrupted due to technical snag at the field levels *i.e.* at Udhampur. The implementation and arrangement of software for Map Based PMIS was entrusted to M/s IRCON & N. Railway. As regard efficacy of PMIS, it is mentioned that the system will be able to provide project related information on real time basis. It will serve as an important tool to plan and monitor the projects.

Audit vide their U.O. No.150-RA II/8-4/2005 dated 09.09.2009 have desired that following lines may be appended to the ATN:

"Once Projects/Works are taken up, the Organization should make available resources required for completion within a reasonable time frame. To initiate/consider projects without assuring availability of adequate resources is meaningless. Therefore, Ministry of Railways may ensure availability of funds and plan the works in such a way that these are completed as per schedule."

[Ministry of Railways' case No. 2007-BC-PAC/XIV/61 dated 17-09-2009]

NEW DELHI;
8 December, 2009
17 Agrahayana, 1931 (Saka)

JASWANT SINGH,
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) HELD ON 2ND DECEMBER, 2009

The Committee sat on Wednesday, the 2nd December, 2009 from 1500 hrs to 1600 hrs. in Room No. 62, First Floor, Parliament House, New Delhi.

PRESENT

Shri Jaswant Singh — *Chairman*

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Kunwar Rewati Raman Singh
4. Shri Aruna Kumar Vundavalli
5. Shri Khagen Das
6. Shri Naveen Jindal
7. Shri Satpal Maharaj
8. Dr. K. Sambasiva Rao

Rajya Sabha

9. Shri Sharad Anantrao Joshi
10. Shri Ashwani Kumar

SECRETARIAT

1. Shri Ashok Sarin — *Joint Secretary*
2. Shri Raj Shekhar Sharma — *Director*
3. Shri M.K. Madhusudhan — *Additional Director*
4. Shri D.R. Mohanty — *Under Secretary*

Representatives of the office of the Comptroller and Auditor General of India

1. Shri Vinod Rai — Comptroller & Auditor General of India
2. Ms. Rekha Gupta — Dy. CAG Report Central (RC)
3. Shri R.B. Sinha — Director General (Report Central)

Representatives of the Ministry of Defence

1.	Shri Pradeep Kumar	—	Defence Secretary
2.	Shri R.K. Singh	—	Secretary (Defence Production)
3.	Smt. Indu Liberhan	—	Secretary (Defence Finance)
4.	Vice Adml. D.K. Dewan	—	VCNS
5.	Shri S.K. Sharma	—	DG (Acquisition)
6.	Shri Ajoy Acharya	—	Additional Secretary (DP)
7.	Shri S. Chandrasekaran	—	FA (Acquisition)
8.	Smt. Preeti Sudan	—	JS & AM (MS)
9.	Shri Gyanesh Kumar	—	JS (SY)
2.	***	***	***
3.	***	***	***
4.	***	***	***

The witnesses then, withdrew.

A copy of the verbatim proceedings of the sitting has been kept on record.

5. The Committee, then, took up the following Draft Reports for consideration:—

6. After some discussions, the Committee adopted the above mentioned draft Reports. The Committee, then, authorized the Chairman to finalise the draft Reports in the light of the factual verifications received from the Office of the C&AG and present the same to the House on a date convenient to him.

The Committee then adjourned.

***Matters not related to this Report.

APPENDIXII
(*Vide Para 5 of Introduction*)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS
COMMITTEE CONTAINED IN THEIR SIXTY-FIRST REPORT
(FOURTEENTH LOK SABHA)**

(i) Total number of Observations/Recommendations	07
(ii) Observations/Recommendations which have been accepted by the Government: Sl. Nos. 2&6	Total: 2 Percentage: 29.6
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Sl. No. 5	Total: 1 Percentage: 14.3
(iv) Observations/Recommendations in respect of which the replies of the Government have not been accepted by the Committee and which require reiteration: Sl. Nos. 1,3,4	Total: 3 Percentage: 42.8
(v) Observations/Recommendations in respect of which the Government have furnished interim replies: Sl. No. 7	Total: 1 Percentage: 14.3