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(I) CONSTRUCTION OF NEW LINES ON SOCIO-ECONOMIC CONSIDERATION
(II) EXCESSIVE DELAYS IN MAINTENANCE OF LOCOMOTIVE
(III) FUNCTIONING OF RAIL VIKAS NIGAM LIMITED

MINISTRY OF RAILWAYS

PUBLIC ACCOUNTS COMMITTEE
2012-2013

SIXTY-SEVENTH REPORT

FIFTEENTH LOK SABHA

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

SIXTY-SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2012-2013)

(FIFTEENTH LOK SABHA)

(I) Construction of New lines on Socio-Economic Consideration
(II) Excessive Delays in Maintenance of locomotive
(III) Functioning of Rail Vikas Nigam Limited

MINISTRY OF RAILWAYS

Prsented to Hon'ble Speaker on 16 *January,* 2013
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Laid in Rajya Sabha on ....

LOK SABHA SECRETARIAT
NEW DELHI

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(2012-13)

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3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Dr. M. Thambidurai
6. Shri T.K.S. Elangovan
7. Shri Anant Kumar Hegde
8. Shri Bhartruhari Mahtab
9. Shri Sanjay Nirupam
10. Shri Shripad Yesso Naik

*11. Shri Abhijit Mukherjee

12. Shri Ashok Tanwar

†13. Shri Takam Sanjoy

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* Elected *w.e.f.* 6th December, 2012 *vice* Shri Sarvey Sathyanarayana appointed as Minister on 28th October, 2012.

† Elected *w.e.f.* 6th December, 2012 *vice* Dr. Shashi Tharoor appointed as Minister on 28th October, 2012.

Secretariat

1.	Shri Devender Singh	—	*Joint Secretary*
2.	Shri H.R. Kamboj	—	*Additional Director*
3.	Shri A.K. Yadav	—	*Under Secretary*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2011-12)

Dr. Murli Manohar Joshi—*Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Sandeep Dikshit
5. Shri Anant Kumar Hegde
6. Shri Bhartruhari Mahtab
7. Shri Shripad Yesso Naik
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19. Shri Prakash Javadekar
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*21. Shri J.D. Seelam

22. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh—*Joint Secretary*
2. Shri H.R. Kamboj—*Additional Director*
3. Shri A.K. Yadav—*Under Secretary*

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* Elected *w.e.f.* 29th August, 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister *w.e.f.* 12th July, 2011.

COMPOSITION OF SUB-COMMITTEE-IV (RAILWAYS) OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12)

Shri Anant Kumar Hegde — *Convenor*

Lok Sabha

2. Shri Jagdambika Pal

Rajya Sabha

3. Dr. Prasanta Chatterjee
4. Shri J.D. Seelam
5. Prof. Saif-ud-Din Soz

COMPOSITION OF SUB-COMMITTEE-II (RAILWAYS) OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13)

Shri Anant Kumar Hegde — *Convenor*

Lok Sabha

2. Dr. Baliram
3. Shri Ashok Tanwar

*4. *Vacant*

Rajya Sabha

5. Shri Prasanta Chatterjee

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* Vacancy occurred *vice* Dr. Shashi Tharoor appointed as Minister of State w.e.f. 28th October, 2012.

INTRODUCTION

I, the Chairman, Public Accounts Committee, having been authorised by the Committee, do present this Sixty-seventh Report (Fifteenth Lok Sabha) on '(i) Construction of New Lines on Socio-Economic Consideration; (ii) Excessive Delays in Maintenance of Locomotive; and (iii) Functioning of Rail Vikas Nigam Limited' based on Para Nos. 3.1, 4.1 and 7.2 of C&AG Report No. 34 of 2010-11 Union Government – Railways relating to the Ministry of Railways (Railway Board).

2. The Report of Comptroller and Auditor General of India for the year ended March, 2010 was laid on the Table of the House on 5th August, 2011.

3. The Public Accounts Committee (2011-12) took up the subjects for detailed examination and report. A Sub-Committee was constituted for the purpose. The Sub-Committee took evidence of the representatives of the Ministry of Railways (Railway Board) on the subjects at their sitting held on 21 February, 2012. As the subjects examination remained inconclusive, the Sub-Committee of Public Accounts Committee (2012-13) took further evidence of the Ministry on 24 September, 2012. The Committee considered and adopted this Report at their sitting held on 28th December, 2012. The Minutes of the Sittings form Appendices to the Report.

4. 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.

5. The Committee thank the Sub-Committee for taking oral evidence of the Ministry and obtaining information on the subjects as well as finalizing and placing the Draft Report before the main Committee.

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

7. 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.

NEW DELHI;
28 *December*, 2012
7 *Pausa*, 1934 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

CHAPTER I

CONSTRUCTION OF NEW LINES ON SOCIO-ECONOMIC CONSIDERATION

I. INTRODUCTORY

Railways take up projects for construction of new lines at regular intervals on socio-economic grounds to provide rail connectivity to backward and remote areas of the country. These socially desirable projects though financially unviable and involving a huge outlay of expenditure has been in a state of incompleteness since many decades. While Railways undertook projects of expansion keeping in mind the financial viability and their operational requirements, socio-economic development needs of the backward regions also played a major role from time to time in the initiation of a large number of new lines for providing rail connectivity, though these were non-viable. In the Vision, 2020 document presented to Parliament, the Ministry of Railways (Railway Board) had stated that there was a huge shelf of 109 ongoing "New Line Projects' covering a route length of ₹11,985 kms. out of which only 12 were financially viable, 8 were National Projects with assured funding, the remaining (97) being non-viable but sanctioned on socio-economic grounds.

II. AUDIT REVIEW

1.2 Audit reviewed those new lines that were sanctioned on considerations of socio-economic development more than ten years ago (excluding national projects) but were lying incomplete to evaluate their progress and constraints in implementation. Audit examination of 50 on-going works of new lines sanctioned on socio-economic development of backward regions revealed that five sanctioned more than 20 years ago, nine sanctioned between 15 and 20 years; and 36 sanctioned between 10 and 15 years ago were still lying incomplete as on 31 March, 2010. Railways have already incurred ₹ 8,549 crore on the 50 new lines projects and the balance funds required to complete these projects were to the extent of ₹16,800 crore.

1.3 The comments of the Audit are contained in the C&AG's Report No. 34 of 2010-11 (Paragraph 3.1) for the year ended March, 2010.

III. PLANNING FOR EXECUTION

(i) Non-fixation of target dates for completion of the projects

1.4 Audit scrutiny of 50 new lines sanctioned on consideration of socio-economic development taken up more than ten years ago, revealed that no target date for completion was available in 36 projects out of 50. There was huge delay in commencement of preliminary works such as preparation of detailed estimates, commencement of land acquisition process etc. Since all the projects reviewed were justified for providing rail connectivity to the under developed/backward areas, non-completing them for decades has not only derailed the objective of sanctioning them but also resulted in blockage of huge funds that would have been utilized elsewhere.

1.5 The Sub-Committee desired to know whether sanctioning of projects on consideration of socio-economic development of under developed/backward area and not completing them for decades together serve any purpose. The Ministry in their reply stated that Railway network plays vital role for socio-economic development of any area and to bring backward areas in development fold, projects are sanctioned on socio-economic criteria besides financial criteria. During 2010-11, Railway completed 709 km of new lines which is almost four times of annual average since independence and almost double of all time yearly achievement. During 2011-12, target of 1075 km new lines have been fixed and Vision document of Railway envisages completion of 3000 km every year commencing 2012 to 2020.

1.6 Explaining the status of socio-economic projects and their execution, the representative of the Ministry during evidence deposed as under:

> "the total number of new line projects with Indian Railways is 129. Out of this, there are only 13 projects where the rate of return is more than 14 per cent which is considered to be an economical and viable rate of return. Other 116 projects have rate of return lower than 14 per cent and they are not financially fully viable. The total length of the projects is 14,000 kilometres, out of which only about 1,600 kilometres are financially viable and 12,400 kilometres are projects which have been taken up on socio-economic consideration and the throw forward of the projects taken on socio-economic consideration is about ₹ 66,000 crore as on 1.4.2011".

1.7 The witness further stated:

> "The projects have not progressed as we would have liked them to because — the projects are too many whereas the funds allotted are very limited; delay in land acquisition; the law and order situation in the state and the forestry clearance which takes maximum time because there are multi stage clearance".

1.8 The Sub-Committee enquired the reasons for non-fixation of the target dates for completion of the projects and whether this imply that the Railways has no intention of completing them within specific time-bound manner. The Ministry in their reply stated as under :

> "Railways have huge throw forward of ongoing projects with limited availability of resources, as a result resources are thinly spread. Targets are therefore, fixed annually depending upon availability of resources and progress made on different projects. To augment resources, Railway has requested State Govts., and other beneficiaries to come forward and share cost of projects. At present, 31 projects covering a length of almost 5000 km have been taken up on cost sharing basis."

1.9 The Sub-Committee was informed during evidence that the Railways have gained success because six States have come forward in 31 projects out of 129 projects as mentioned earlier.

1.10 When enquired about allocation of huge outlay of ₹ 8549 crore (till 31.3.2010) on construction of new lines without fulfilling the objective of development of backward area by providing rail connectivity, the Ministry in their reply, stated that Railways is presently executing 129 new line projects covering a length of 14094 km at a cost of ₹100407 crore. Throw forward of ongoing new line projects as on 01.04.2011 is ₹ 72151 crore. Unless, outlay for new line projects is enhanced, it may not be possible to complete projects in reasonable time.

1.11 As large funds are being spent on various projects, the Sub-Committee was keen to know whether any concrete plan for gainful utilization of the huge expenditure already incurred on construction activities in these projects have been prepared and the target date by which they would be completed. The Ministry replied as follows :

> "To ensure gainful utilization of huge expenditure on projects, most of the projects are further divided in various phases and as soon as one phase is completed, it is opened for movement of traffic so as revenue generation can commence at the earliest. New line projects are funded by Planning Commission/M/o Finance in the form of 'Gross Budgetary Support'. Railway is constantly following up for substantial enhancement of gross budgetary support. Unless adequate funds for projects execution are not available, it may not be possible to fix up target date of completion of all projects."

1.12 Audit observed that there was not only delay of two to fifteen years in preparation of detailed estimates by the Zonal Railways but also delay of up to ten years for formal sanction thereof at the Railway Board's level. Immediate action to initiate the process for land acquisition was not taken as result of which in twelve projects either no land was acquired or the land acquired was less than 25 per cent of the actual requirement.

1.13 When the Sub-Committee enquired about the reasons for unusual delay in preparation and sanction of the detailed estimates, the Ministry in its reply stated that once the project is sanctioned, Final Location Survey is carried out wherein alignment is marked in field and quantities of various items assessed and geological investigation etc. carried out. Detailed estimates is then prepared in a reasonable time as per input from Final Location Survey. In some of the projects estimate get held up due to resistance on alignment and demand for change of alignment. Alignment has also got held up for want of environmental clearance in number of projects.

(ii) Non-shelving of projects with nil progress or little progress

1.14 Public Accounts Committee (14th Lok Sabha) in their 61st Report had recommended reviewing all the ongoing projects that had been undertaken on socio-economic considerations. The Committee had suggested that Railway should continue only those projects which were substantially complete and shelve the rest.

1.15 Audit observed that no work had been carried out in five projects and the progress of work in another four was less than ten per cent even after their sanction more than a decade ago. Railway had not agreed to shelve them for the time being to avoid thin spreading of funds on the ground that shelving of projects taken up on the demand and aspirations of the local people would have wider ramifications and invite public criticism. The Public Accounts Committee in their Fourth Report (15th Lok Sabha) had, however, observed that non-completion of the projects within a fixed time-frame would invite greater criticism as the purpose of providing connectivity to undeveloped area got defeated. It was, therefore, stressed upon the Railways to review all the projects and make a fair assessment of continuing or shelving the same.

1.16 On being asked to give the reasons for non-shelving of the projects where either the work had not commenced or the progress of work was inordinately slow and not likely to be completed in another 10 to 25 years, the Ministry stated that Shelving of projects would mean that projects are no longer required for socio-economic development of project areas. Railways consider that these projects are essential for socio-economic development of areas and is progressing execution of projects as per availability of resources. Efforts are also being made to generate fund from other than budgetary sources.

1.17 Responding to the suggestion of the Sub-Committee to involve private parties in the projects of Railways, the representative of the Ministry during evidence stated:

> "Yes, we will do that and a policy is being framed which has been sent to cabinet. One problem in Railway is that we built here but operation is also by the Railways. Therefore, classical approach of BOT cannot work here. Now the schemes are being framed based on which private parties will be invited. Unless the investment is attractive, private parties will not come. Two three new schemes we are sending for approval of cabinet. It is expected that private parties will take interest."

1.18 The Sub-Committee asked whether the Ministry of Railways intend to continue with all the projects, and whether action plan for early completion of all the projects has been prepared. In their reply, the Ministry stated as under:

> "Yes, Railways intend to continue all the projects. Planning Commission and Ministry of Finance are being continuously followed up for enhancement of gross budgetary support for execution of projects. In addition, resource are also being generated by sharing a cost of projects with State Govt. and other beneficiaries. Cost of 31 projects are being shared by State Govts., 4 projects have been taken up on SPV and cost of 3 projects is being shared by Industry."

IV. FINANCIAL MANAGEMENT

(i) Non-availability of Project Schedules

1.19 In November 2007, Ministry of Railways (Railway Board) had submitted to the Public Accounts Committee that the system of allotment of funds to the various projects including new lines had been rationalized in March 2005 by prioritizing them into four categories. Audit noticed that while the projects in category - I were proposed to be completed within next 2-3 years, no time schedule for completion of projects placed in category III and IV projects was given. Therefore, PAC had recommended that the dates of completion in respect of projects placed in category III and IV shared also be specified.

1.20 When asked to state the reasons of not indicating the time schedule for completion of all the projects, the Ministry stated that due to paucity of funds, it is not possible to fix time schedule for all projects. Targets are fixed every year depending upon availability of resources and progress achieved on individual project.

1.21 When the Sub-Committee enquired whether the Railway Ministry prepare list giving priority to some projects for grant of more funds, the representative of the Ministry during evidence stated as under :

> "that they do prioritization every year and allot more money to only those projects which are likely to be completed in that year. Funds are allocated to other projects depending on their progress".

1.22 Asked to state whether these projects were initiated without being serious about providing connectivity to under developed/backward areas, the Ministry stated that new line projects are taken up as enunciated by National Transport Policy 1980. Projects are also taken up on socio-economic considerations. Out of 129 new line projects, only 14 projects qualify stipulated 14% Rate of Return and other projects have been taken up considering socio-economic benefits beside financial viability.

(ii) Allotment of Funds and Utilization

1.23 Audit scrutiny revealed that allotment of funds to these projects was not assessed on realistic basis. As a result, while some projects suffered for want of sufficient funds, others had not utilized the allotted funds and there was huge surrender at the end of year. It was also noticed that Railway Board continued to allot funds even to those projects which had been transferred to Rail Vikas Nigam Limited resulting in the funds remaining unutilized.

1.24 The Sub-Committee was keen to know about criterion adopted by the Railway Board to provide funds at the beginning and through supplementary grants and how funds which were allotted to a project and not likely to be utilized and surrendered during the year. The Ministry in their reply stated that funds are provided at the beginning of year considering target fixed for the year and availability of resources. Funds through Supplementary Grants are normally re-appropriation of funds from projects where due to non-availability of clearances, land etc. allotted fund cannot be utilized. No surrender of fund is being done by Railways.

(iii) Non-prioritisation of Projects for Early Completion

1.25 Railway had undertaken a large number of new lines and gauge conversion projects without specifying the completion dates and ensuring availability of funds. The PAC in their 61st Report (14th Lok Sabha) had observed that Ministry of Railways should distinctly enunciate the core objectives of the projects, frame clear project schedule at the initial stage to determine the completion dates, categorise all the pending projects and complete the same within a definite time line. Railway Board while noting the observations of the Committee had stated that they had requested the State Governments to share 50 per cent cost of such projects but the response was not encouraging. Audit scrutiny of the records relating to 41 new line projects (excluding 9 projects of East Central Railway) revealed that project specific investment schedules had not been framed and the pattern of funds allotment was not indicative of any clear target for completion of these projects.

1.26 The Sub-Committee desired to know whether there is any system of furnishing project specific investment schedules at the time of preparation and sanctioning of detailed estimates of the works. The Ministry in their reply stated that no such execution schedule is prepared at the time of sanctioning of detailed estimates.

1.27 About the action being taken by the Ministry to streamline the system of allotment of funds so that the scare resources available are made best use of, the Ministry stated that there is no proposal to formulate fund allotment which is done considering targets fixed for the year, availability of resources and progress made on individual project.

1.28 The Sub-Committee was also informed that the Ministry of Railway had not made any independent assessment about the time required for completion of all those projects which were incomplete for more than ten years.

V. EXECUTION

(i) Delay in Execution of Projects

1.29 Railway Board in 1980 had issued instructions that no work should be awarded without ensuring that the clear site, approved plans and drawings were available for handing over to the contractor. These instructions were reiterated by Railway Board in 2006. Execution of works included in the detailed estimate of a project should correspond to a logical project schedule as any imbalance in this regard affects the progress of the project besides non-achievement of contemplated objectives. In case the work is to be carried out through the agency of contracts, the tendering process should commence immediately and tender should be finalized within a period of three months from the date of opening. Audit scrutiny revealed that tenders in 12 projects were called between one month and 10 years after the sanction of detailed estimates. Further, in 21 new line projects, 198 contracts were awarded without availability of clear site. The site were made over to the contractor after delay of 2 months to 60 months. Similarly in 76 contracts of 20 projects, approved drawings were made available to contractors after delay between 3 months to 8 years. 32 contracts were terminated as the work could not be commenced or the progress was unsatisfactory. These delays resulted in increase in the project cost on account of time overrun. Also non-completion of partly completed sections of project resulted in commissioning of only 7 out of 50 partially completed sections.

(ii) Contract Management

1.30 Audit reviewed the position of 1,399 contracts awarded in respect of 38 projects. Only 109 contracts were completed within the stipulated period of completion. In 891 contracts delay was between one and 84 months. As a result of long delays/slow progress, 60 contracts were foreclosed without any liability on either side.

1.31 As per General condition of contract, if a contractor fails to complete the work in time or to the satisfaction of the Railway, his contract may be terminated and the Railway reserved the right to execute the balance work at the risk and cost of the defaulting contractor. Audit scrutiny of the contracts revealed that 60 contracts were foreclosed by the Railways due to their not availability of site or drawings. Out of those 51 contracts were re-awarded. On the other side 114 contracts were terminated at the risk and cost of defaulting contractors. However, risk and cost charges of ₹116.45 crore were not recovered due to failure in timely notices or pursue the matter.

(iii) Sharing of Cost by State Government

1.32 In respect of the following new line projects, the respective State Governments had initially agreed to provide non-forest Government land free of cost, bear the cost of forestation of area equivalent of forest area to be given to Railway and also to bear the cost of earthwork to some extent.

S.No.	Name of the Project	Commitment made	Expenditure incurred by Railway
1.	Khurda Road – Bolangir Rail link Project	In 1993 – the CM of Orissa had agreed to provide non-forest Government land, forestation of land equal to forest land given to Railway and provide ₹15 crore for earthwork.	Railway incurred an expenditure of ₹12.50 crore on earth work, payment of cost of Government land and expenditure on forestation of land.
2.	Howrah-Amta including Bargachia—Champadanga	As per MOU signed between Government of West Bengal and Railway, the land for the project was to be provided free.	Railway took almost 30 years to commence work the branch line Bargachia – Champadanga (32 kms) and due to increase in cost of land, the State Government expressed its inability of provide land free of cost. Railway had to incur an expenditure of ₹67 crore.
3.	Gadwal –Raichu new line	In 1998, the then CM of Andhara Pradesh had committed to provide the land falling in the State of AP free to Railway.	Railway did not pursue the case with the State Government and deposited the cost of land (₹ 5.43 crore).

However, Railway Administration’s failure to actively pursue the matter with the State Governments as well as delay in commencement of works in some sections, the State Governments had not fulfilled their commitments and ultimately Railways were forced to bear all the cost.

1.33 When enquired about the reasons for not pursuing the matter with the State Governments to fulfill the commitments made by them at the time of making proposals for construction of new lines, the Ministry in their written reply stated that State Government are being continuously pursued for issues requiring their assistance in project execution. These are basically early land acquisition, forestry and other clearances and providing adequate security at work sites to have conducive environment for project execution. State Government are also being requested to come forward and share cost of projects so as to complete them in reasonable time.

1.34 On being asked to state as to why the Railways could not take up the issue of provision of land free of cost immediately at the time of commitment made by the respective State Government, the Ministry stated that:

"Railway had requested State Government to come forward and share cost of projects. Different State Government have come forward with proposal of different sharing pattern. Recently, State Government have come forward to bear entire cost of land besides sharing 50% cost of construction. Railways have sanctioned 5 new line projects in 2011-12 on this commitment. It may not be possible to insist State Government for ongoing projects to agree to provide land free of cost".

1.35 When Sub-Committee asked about other cases, where the State Governments had backed out of the commitments made by them and why the Railways could not pursue the matter effectively, the Ministry stated as under:

"Kichha-Khatima (57 Km) new line was sanctioned in 2003-04 with commitment of free land by State Government Despite repeated follow up, the State Government could not provide land and Chief Minister, Uttarakhand has requested Minister of Railways to bear entire cost of land which is now estimated as ₹200 Cr. Request of State Government has not been agreed and project is presently on hold".

1.36 The Sub-Committee was further informed that the Railway is not continuing with the project where State Government has backed out from their commitment and project is still in planning stage.

Observations/Recommendations

1.37 The Committee note that many new line projects are taken up by Indian Railways on the demand of the people's representatives on socio-economic considerations to provide rail connectivity to backward and remote areas of the country. Although financially unviable, still in view of their tangible benefits to the society, these projects are considered for construction. In the Vision-2020 document presented to Parliament, the Ministry of Railways (Railway Board) stated that there was huge shelf of 109 on-going 'New Line Projects' covering a route length of 11985 kms. out of which only 12 were financially viable, 8 were national projects with assured funding and the remaining 97 projects being non-viable but sanctioned on socio-economic grounds. Audit examination of 50 on-going works of new lines sanctioned on socio-economic considerations revealed that five projects sanctioned more than 20 years ago, nine sanctioned between 15 and 20 years and 36 sanctioned between 10 and 15 years ago were lying incomplete as on 31 March, 2010 despite Railways having incurred expenditure of ₹ 8549cr. Some of the major deficiencies pointed out by Audit are delay in preparation of detailed estimates and land acquisition,

lack of coordination with State Governments/Ministry Environment Forest for environment clearance, law and order problems, militancy, insurgency etc. and contractual failures. Acknowledging that these projects have not progressed well, the representatives of the Ministry conceded that resource crunch, delay in land acquisition, delay in environment clearances were some of the major constraints for non-completion of these projects.

1.38 The Committee note with concern that preliminary works required for successful execution of projects sanctioned on consideration of socio-economic development of the backward regions were inordinately delayed. In 36 projects, no target date for completion was set and in 14 projects there was time overrun. There was delay of two to fifteen years in preparation of detailed estimates and formal sanction thereof. Further, there was considerable delay in acquisition of land. In 34 projects, the process for land acquisition remained incomplete despite elapse of more than ten years due to which construction could not commence. The reasons for non- acquisition of land were protests by land owners, non-clearances by the State Governments for handing over forest lands etc. The Ministry have attributed the delay in preparation and sanction of the detailed estimates due to change in the Final Location Survey wherein alignment is marked in field and for want of environmental clearance in a number of projects. The Committee also observe that these projects continue to remain in a state of uncertainty for want of sufficient funds. The Committee, therefore, recommend that adequate funds should be allocated for these projects so that they do not remain incomplete for years together. Since many projects suffer due to non-availability of land, the Committee desire that before approval of a new line project, the availability of land should be ensured. The State Governments, on their part, should accord top priority in acquiring land for such projects in view of the long term socio-economic returns. The Committee also desire the Railways to prioritise the projects on 'Socio Economic Cost-benefit calculation' with proper consultation with concerned State Governments.

1.39 The Committee find that work was not taken up in five projects which were sanctioned in 1997-98 to 2000-01. Further, in four projects the physical progress was less than ten percent. Still, Railways intend to continue all the projects with a request to the Planning Commission and Ministry of Finance for enhancement of gross budgetary support for execution of projects. In their 61st Report, the Public Accounts Committee (14th Lok Sabha) had recommended that Ministry of Railways, Finance and Planning should not only lay down criteria for taking up various Railway projects but also review all the on-going projects that were taken up on socio-economic considerations. The Ministry in their Action Taken Note stated that the new projects were taken up based on the demands and aspirations of local people and therefore shelving such projects would have wider ramifications and invite public criticism. The Committee in its Fourth Report (15th Lok Sabha) had observed that while the Railways were not prepared to shelve projects which were yet to take off, on the other hand the State Governments were not prepared to share the cost. Therefore, the Committee had recommended that the projects taken up on socio-economic considerations should be reviewed so that a fair assessment of continuing or shelving such projects was made. The Committee feel that unless the concerned State Governments agree to share the cost and provide land free of cost, Railway may revisit the proposed construction of such projects and also evolve a sound national policy in this behalf.

1.40 The Committee note that the Railways are considering investment of private parties (PPP mode) for construction of projects. The Committee were further informed that a policy is being framed for placing before the Cabinet and that two/ three projects would be taken up on pilot basis. The Committee would like to be apprised about the policy initiatives taken by the Ministry to involve private parties in the projects of Railways.

1.41 For successful implementation of the programme, the investment proposal is accompanied by a detailed plan showing scheduling of the project and financial outlay. The Committee note that in all the new line projects which were reviewed by Audit, scheduling was not done and funds were sparsely allotted without prioritization which resulted in projects lingering on for years together. Asked to show justification, the Ministry submitted that they do prioritization every year and allot more funds to only those projects which are likely to be completed in that year. The Committee also observe that Railways have not made a proper assessment of funds requirement as a result thereof while some projects suffered for want of sufficient funds in some cases allotted funds remained unutilized. Another problems area identified by the Committee during examination of the subject was that Railways had undertaken large number of new line and gauge conversion projects without specifying the completion dates and ensuring availability of funds. The Ministry informed the Committee that there is no proposal to formulate fund allotment which is done considering targets fixed for the year, availability of resources and progress made on individual project. The Committee in its successive reports have been emphasizing upon the Ministry to distinctly enunciate the core objectives of the projects, prepare clear project schedules at the initial stages, allocate sufficient funds, categorize all the pending projects and complete the same within given timelines. Sadly, the Railways have miserably belied that expectations. The Committee therefore reiterate that Railways should prepare investment schedules of all on-going projects, provide sufficient funds consistent with the completion dates and prioritize for early completion of the projects while attaching due consideration and weightage to the projects linking remote and far flung areas of the country.

1.42 The Committee deplore the delay in commencement of works and finalization of tenders. Tenders in 12 projects were called between one month and 10 years after sanction of detailed estimates. Further, in 21 new lines projects, 198 contracts were awarded without availability of clear site which was handed over to the contractor after a delay of two months to five years. Similarly, 76 contracts of 20 projects, the approved drawings were made available to the contractor after the delay of three months to eight years. Further, 32 contracts were terminated as the work could not commence or the progress was unsatisfactory. The delay resulted in cost as well as time overrun. For execution of any project, it is imperative that the required formalities connected therewith *viz.* site availability, approval of plans/ drawings, allocation of funds and finalization of agency should be completed within definite timelines. Any slippages in this regard would invariably lead to time and cost overrun. The Committee desire that a proper monitoring mechanism should be put in place to see that the timelines for completion of the project, within the prescribed period, are strictly followed to avoid cost and time overrun.

1.43 The Committee note that in many projects, the respective State Governments agreed to provide non-forest government land free of cost, bear the cost of forestation of area equivalent of forest area to be given to Railway and bear the cost of earth work to some extent. However, subsequently, neither the State Governments fulfilled their commitments nor Railways pursued these issues with them. These projects are Khurda road-Bolangir rail link; Hawrah-Amta including Bargachia-Champadanga and Gadwal-Raichur new line. The Ministry informed the Committee that the State Governments are continuously pursued for issues requiring their assistance in project execution and projects-costs sharing so as to complete them within a reasonable time. Since the Railways, as part of their social responsibility, had agreed to provide rail connectivity, the Committee feel that the Railways should make earnest endeavours to ensure fructification of these projects. The Committee also recommend that projects taken up at the instance of the State Governments should be actively pursued by Railways with the respective State Governments for provision of requisite resources.

CHAPTER II

EXCESSIVE DELAYS IN MAINTENANCE OF LOCOMOTIVE

I. INTRODUCTORY

2.1Locomotives were a valuable revenue-earning asset of the Railways, being responsible for haulage of train services. To ensure maximum availability and optimum utilization of the loco fleet, scheduled preventive maintenance was carried out at specified intervals. The maintenance of Diesel locos of North Western Railway was carried out by Diesel shed located at Abu Road (ABR) and Bhagat Ki Kothi (BGKT). Audit noticed that these sheds did not carry out the maintenance schedules in prescribed time which resulted in excessive detention to locos. The comments of the audit are contained in Paragraph 4.1 of the C&AG, Report No. 34 of 2010-11 for the year ended March, 2010.

II. AUDIT REVIEW

2.2 According to audit, review of records of scheduled maintenance carried out by these sheds during the period 2008-09 to 2009-10 revealed that Abu Road diesel shed carried out 2260 maintenance schedules, out of which 2240 maintenance schedules (99 per cent) were not carried out within the prescribed time. Similarly Bhagat Ki Kothi diesel shed carried out 3022 maintenance schedules, out of which 2676 maintenance schedules (89 per cent) were not carried out within the prescribed time.

III. DELAY IN MAINTENANCE

2.3 On being asked to state as to why this trend was allowed to continue over the period of time with no corrective action taken from the controlling officer, the Ministry in a written note submitted as under :—

> "The Audit's contention that the maintenance schedules were not carried out in the Diesel Sheds in the prescribed time is based on the observation of the time taken for each loco from shed in to shed out. In this connection, it is stated that the prescribed timings as indicated in the Audit Report *viz*. trip schedule in 5 hrs., monthly schedule in 8 hrs., quarterly schedule in 16 hrs. half-yearly schedule in four days and yearly schedule in 16 days and as taken from the Operating Manual are basically an indication of the time taken for maintenance for the above schedules and do not include the various other factors such as waiting period of the loco after shed in and before start of maintenance activity.
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> *　　　*　　　*
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> The time taken by the locomotive from shed in to shed out is different than the time taken by the locomotive in maintenance during various schedules. In view of the above, it is considered that it is not correct to conclude that the maintenance time taken was more based on the time taken by the locomotive from shed in to shed out."

2.4 In the above context, the representative of the Ministry during evidence stated as under:—

> "….. this issue has come up in the audit report and very rightly so as to why time taken for schedule increases and other things, the basic thing is that diesel locomotives when they enter a shed, they do not come in a regular periodicity, sometimes four or five will enter the shed literally at the same time, then there may be a gap for a couple of hours…. We are concentrating on is that effectively we have more locomotives on line and that is what we have achieved successfully and this particular study helped us to do that over the last four or five years."

2.5 When Sub-Committee enquired about the reasons for not carrying out the maintenance schedules required as per norms and the circumstances leading to abnormal extra time taken in repairs to locos, the Ministry stated that any maintenance activity of rolling stock or for that purpose any other asset will depend upon the extent of repairs involved in addition to various other factors of adequate trained staff availability, availability of stores and other tools, availability of facilities in the shed etc. Timings indicated for carrying out various schedules are to be used for planning of other requirements and creation of facilities. Concluding that more time was taken in the maintenance on the basis of shed in to shed out timings will not be a correct appreciation of the case.

2.6 During evidence the Sub-Committee was informed that locos must broadly come back well in time but we allow the overlap of this 10 to 15% deliberately so that operations move smoothly and without any problem.

2.7 When the Sub-Committee pointed out that Audit has observed that 89% maintenance schedules were not carried out within the prescribed time, the Chairman, Railway Board during evidence stated as under:—

> "If it is 89 per cent then the outage will never be as per the target."

2.8 About the steps taken to overcome this problem, the Ministry replied as under : —

> "It is a regular and constant activity at the level of management to keep on making improvements in the maintenance of locomotives which also reduce the total maintenance time of the locomotives. In this regard, the following major steps have been taken at the level of Ministry of Railways which has improved the availability of locomotives by way of extending the various schedules periodicity such as POH from 72 to 96 months, IOH from 36 to 48 months, yearly from 18 to 24 months, half-yearly from 09 to 12 months etc.:—

- Microprocessor Based Control System (MBCS).
- Microprocessor Based Governor (MCBG).
- AC version Crank shaft Exhauster Motor, Fuel booster pump motor & Dirt Exhaust blower Motor.

- Upgraded Air Compressor.
- Improved TPU gear case seal.
- Vigilance Control Device.
- Sealed conduits for control cables."

IV. BUNCHING AND OVERUTILIZATION OF LOCOS

2.9 The Ministry of Railways admitted that there was scope for improvement in detention of locos by avoiding bunching of locos, over utilisation of locos etc. However, Ministry contended that extra time was taken when locomotives required additional repairs and major sub-assemblies were required to be arranged from Diesel Locomotives Works (DLW) and Diesel Maintenance Works (DMW).

2.10 About the steps taken to avoid bunching of locos for overhauling, the Ministry informed that bunching of locomotives for overhauling as well as for other schedules is a phenomenon which cannot be totally avoided because of the varying traffic requirements on day to day basis, the need and priority of traffic movements for transportation of essential goods, military movements, VIP movements etc. Receipt of two or more new locomotives in the same month will also lead to bunching of locos for overhauling and other schedules. However, the following measures help in simultaneous easing out of the bunching of the locos for their schedules:—

- Pre-poning of some of the schedules.
- Postponing of schedules in some locos.
- Transfer of locomotives from one to other Shed."

2.11 When asked to state the reasons for over-utilization of locos the Ministry stated that over-utilization of locos beyond schedules depends upon the urgency or requirements of locomotives for operations. Since freight movement is erratic in nature depending upon factors such as seasonal traffic, diversions etc., utilization of locomotives is done by the Operating Department accordingly. In the overall interest of the Railways, completely banning over-utilization of diesel locomotives for the purpose of carrying out schedule repairs will not be a practical approach.

V. DETENTION OF LOCOS AND AVAILABILITY OF SPARE PARTS

2.12 To avoid detention of high value locos, the Ministry stated that continuous efforts are being made to minimize the ineffectiveness of the locomotives. These involve the following :—

- Upgrading the infrastructure in the Diesel Sheds.
- Provision of adequate trained staff for maintenance of locos.
- Ensuring availability of all needed spares.
- Constantly improving the maintenance practices.
- Upgrading the spare parts for their reliability etc.
- Computerization in the Sheds.

2.13 The Sub-Committee desired to know whether the spares required for upkeep of locomotives are arranged in time. The Ministry stated that adequate planning is done to ensure availability of all spare parts for the upkeep of locomotives. However, still some of the materials remain unavailable for short durations due to non-participation of vendors in tendering; non-supply of the spares by the parties within delivery time and fast changing technology.

2.14 When specifically asked regarding the problem of availability of quality material/parts for maintenance of locomotives, the witness during evidence deposed as under:—

"We definitely have our drawback, there is no doubt. This is one of the weak areas which we keep on addressing because we have to import a lot of materials. I agree with you. But we are running a very big system and a fleet of 4000 locomotives and even with all these constraints, we are able to give an outage which meets the requirements of the traffic. Actually, the end result is finally what we are able to give the requisite outage and we take into account the failures on the line and then we compute it."

2.15 He further added:—

"We will strive for improvement. Here also, it is a constant process of improvement like you rightly pointed out that we have experience at the back and new challenges in front. So, we will look into how to improve our procurement system, our spares system and method of reaching the spare parts to the loco sheds on time so that the locomotives do not wait for more time."

2.16 It was also contended by the Ministry of Railways that the outage of locomotives was a better indicator of the shed's performance as regards the maintenance of locomotives has increased. Carrying out of less maintenance schedules than prescribed not only increases the outage but also adversely affects the condition of the locomotives. Railways should follow the codal provisions under all circumstances. Audit, however, noticed that no attention was paid to the provisions of the Manual and the prescribed time was constantly flouted.

2.17 On being asked to state as to why codal provisions regarding prescribed schedules for maintenance of locomotives were not followed and steps taken by the Ministry to adhere to the maintenance schedules, the Ministry in their reply stated that efforts are made to carry out the schedules at the prescribed periodicity. However as it becomes necessary at times to extend the periodicity of certain schedules in the overall interest of Railway working.

2.18 The Ministry further informed that a regular monitoring both at the Railway level and Ministry's level is done to ensure that maintenance schedules are carried out as per the prescribed norms to the extent feasible and also taking in to account the overall interests of Railway working creating a balance between the desire for good Railway operations as well as ensuring a healthy fleet of locomotives.

Observations/Recommendations

2.19 The Committee note that preventive maintenance of locomotives is carried out at diesel sheds at specified intervals to ensure maximum availability and optimum utilization of locomotives. The maintenance of diesel locos of North Western Railway is carried out by diesel shed at Abu Road (ABR) and Bhagat Ki Kothi (BGKT). Audit scrutiny revealed that failure of the Railways to carry out the maintenance schedules of diesel locomotives within the prescribed time led to excess detention and consequential loss of earning capacity to the tune of ₹ 92.89 crore. Acknowledging the drawbacks, the representatives of the Ministry informed the Committee that various corrective measures have been taken to improve the shed outages which *inter-alia* include improved infrastructure in the diesel sheds, repairing of running bays and heavy repair bays, improved training in handling of locomotives both in the shed as well as on line to staff and introduction of microprocessor based control system. Statedly, these self correction measures will help them in optimum utilization of loco fleet. While taking note of the remedial measures taken by the Railways, the Committee would like to be apprised about the impact of these measures within three months of the presentation of this report.

2.20 The Committee note that during 2008-09 to 2009-10, Abu Road diesel shed carried out 2260 maintenance schedules, out of which 2240 (99 per cent) were not carried out within the prescribed time. Similarly, Bhagat Ki Kothi diesel shed carried out 3022 maintenance schedules, out of which 2676 (89 per cent) were not carried out within the prescribed time. The Ministry informed the Committee that the prescribed timings as indicated in the Audit report are basically an indication of the time taken for maintenance and do not include various other factors such as waiting period of the loco after shed in and before start of maintenance activity. Further, the Ministry submitted that it could not be correct to hold that the maintenance time taken was more based on the time taken by the locomotive from shed in to shed out. The Committee were however assured that the management strives for improvement in procurement system, availability of spares and induction of new technology to improve the availability of locomotives, which are regularly monitored. The Committee expect that the Ministry of Railways will be able to sustain the momentum to improve the shed outages and the system of planned maintenance will be synchronized to ensure that the locomotives come back for their scheduled maintenance within the prescribed time to avoid loss of revenue to the Railways.

2.21 The Committee note that bunching of locomotives for overhauling is unavoidable because of varying traffic requirements on day to day basis, priority of traffic movements for transportation of essential goods and military movements etc. When more than one locomotive enter the shed, it also lead to bunching of locos for overhauling and other schedules. Further, the Committee note that over utilization of locos were allowed ignoring the maintenance of locos in working condition. The Committee were informed that since freight movement is erratic and depends upon seasonal inputs, utilization of locos is done by the Department and therefore banning over utilization of diesel locomotives for carrying out schedule repairs will not be a practical approach. The Committee desire that continuous sustained efforts need to

be made to minimize the ineffectiveness of the locomotives and feasibility of computerization of sheds, upgrading the reliability of spare parts, upgrading the infrastructure in the diesel sheds and improving the maintenance practice in consonance with fast changing technology, may be examined by the Ministry and the Committee apprised.

2.22 The Committee are concerned to that codal provisions regarding prescribed schedules for maintenance of locomotives were not followed. Taking cognizance of the fact that the most comprehensive indicator of shed performance is the shed outage, the Ministry submitted that efforts are made to carry out schedules at the prescribed periodicity but it becomes necessary at times to extend the certain schedules in the overall interest of working of Railways. Further, the Committee were assured that regular monitoring is done to ensure that maintenance schedules are carried out as per the prescribed norms to the extent feasible. Reiterating the need or strict observance of codal provisions framed for better maintenance of locomotives and for smooth conduct of Railway operation, the Committee recommend that the Railways consider to suitably amend and update the codal provisions in tune with the need of modernization in the Railways.

CHAPTER III

FUNCTIONING OF RAIL VIKAS NIGAM LIMITED

I. INTRODUCTORY

3.1Rail Vikas Nigam Limited (RVNL), a Special Purpose Vehicle (SPV) was constituted in January, 2003 under the Companies Act, 1956. Memorandum of Understanding (MoU) was entered into between the Ministry of Railways and RVNL on 16 October, 2003, which laid down the roles and responsibilities of both RVNL and Ministry of Railways. RVNL was primarily constituted to develop and implement various projects to quicken the augmentation of infrastructure on the Golden Quadrilateral and its diagonals and other such projects covered under National Rail Vikas Yojana (NRVY) and to leverage non-budgetary resources and market borrowings.

3.2 Audit Review of the functioning of RVNL revealed that even after seven years of its inception, RVNL continued to be largely dependent on the resources of Railways. The performance of RVNL on project execution and management was inefficient as they were plagued by delays and cost overrun as discussed in the succeeding paragraphs. The comments of the Audit are contained in the paragraph 7.2 of the C&AG's Report No. 34 of 2010-11 for the year ended March, 2010.

II. PLANNING PROCESS OF RVNL

3.3 Only projects considered bankable and therefore amenable to market funding were to be transferred to RVNL. Initially, Ministry of Railways had entrusted 53 projects pertaining to strengthening of the golden quadrilateral and its diagonals and port connectivity works to RVNL. A review of the planning process for transfer of projects disclosed that of the initial 53 projects transferred to RVNL, 16 had already progressed substantially. In respect of these 16 projects, the concerned Zonal Railways were to continue to execute and complete them. These projects were funded through Railway’s Budgetary Support through RVNL.

3.4 The Sub-Committee was keen to know the process of transferring works to RVNL. The Ministry in their written reply *inter-alia* stated as under : —

> “As all the projects under NRVY could not be identified at one go at the time of formation of RVNL, the projects have been transferred in parts to RVNL as and when the need for strengthening of particular sections arose. Keeping this point in view, the Cabinet Note had included the line that ‘The SPV may in future undertake other bankable projects covered under NRVY’. In addition to implementation of projects on the Golden Quadrilateral, the mandate of RVNL includes implementation of port/hinterland rail connectivity and such other bankable projects under NRVY and specifically assigned to it

by MoR. Subsequently, additional projects were transferred to RVNL on the same consideration. This process will necessarily continue as RVNL is a going concern and was not created for any specific period. The Cabinet Note does not define any life span for RVNL.

Thus, the transfer of projects to RVNL for execution of rail infrastructure projects on fast track basis is done based on the above objectives of the Company."

3.5 When enquired whether any time frame was fixed for completion of the projects transferred to RVNL, the Ministry stated that for any railway project, it takes about 4-5 years from conception to commissioning involving preparation of DPR, final location survey, preparation of design and drawing and their approval from Railways, acquisition of land, awarding of tender, completion and commissioning of work. Upto 31st December, 2011, RVNL has fully completed 25 projects and 12 projects partially, comprising of 3986 kms of project length.

3.6 On the premise that the project management practices of RVNL would be better and funds from external sources could be leveraged, Ministry of Railways consistently transferred additional works to RVNL. It was also noticed that RVNL suggested transfer of 13 projects back to the Indian Railways as these were considered financially unviable on the basis of bankability studies.

3.7 When asked as to when RVNL suggested transfer of 13 projects back to Railways and whether the Indian Railways had not worked out the financial viability of these projects before transferring to RVNL, the Ministry in their reply stated that the projects which were transferred to RVNL at the initial stage included both sanctioned as well as unsanctioned projects. Since in some cases bankability had not been assessed at the time of the formation of RVNL, the projects forming part of NRVY were transferred to RVNL so that before execution the bankability for funding from extra budgetary resources could be established by RVNL. Thus 13 projects were returned by RVNL to Railways after the financial viability of these projects could not be established.

3.8 The Sub-Committee enquired as to why the Ministry keeps on changing the basket of the project with RVNL rendering the planning process very *ad hoc* and adversely affecting the pace of implementation. The Ministry stated as follows:—

"The projects are transferred to RVNL for execution depending upon their suitability for implementation by RVNL and the same is reflected in the planning process. There is no adhocism in the approach and process in the transfer of projects to RVNL. In fact, it is only the regular flow of projects to RVNL that can ensure a faster pace of implementation as a minimum number of projects should be available at all stages of implementation *i.e.* Planning and Development, Tendering, Award of Contracts and Execution etc. The assignment of projects to RVNL has contributed to the increase in pace of implementation of projects."

3.9 Audit observed that though RVNL was established with a clear mandate from the Cabinet to undertake projects of NRVY, as many as 19 projects transferred did not form part of the NRVY and were thus beyond the mandate of RVNL. These projects comprised 15 port connectivity and four golden quadrilateral projects. Further, out of

15 port connectivity projects, three works pertained to Kolkata Metro Railway Projects which were in no way related to port connectivity.

3.10 In reply to a query as to what prompted Ministry of Railways to go beyond the mandate of RVNL and transfer 19 such projects to RVNL which even did not form part of the NRVY, the Ministry *inter alia* submitted as under:—

> "In the case of RVNL, the PSU was initially created for executing projects of NRVY covering the Golden Quadrilateral and Diagonals, Port Connectivity Projects and for major bridges. However, the Memorandum of Articles of Association as approved by Hon'ble Minister of Railways goes beyond this jurisdiction to cover execution of projects related to creation and augmentation of capacity of all manner of rail infrastructure as detailed above. Thus, the assignment of projects to RVNL is as per the mandate of the Company as specified in the Cabinet Note proposing the establishment of RVNL and the objectives of the Company as per the Memorandum of Association."

III. PROJECT MANAGEMENT

(i) Project execution of Golden Quadrilateral and port connectivity

3.11 Regarding execution of projects Audit observed that out of 59 Golden Quadrilateral and Port /Hinterland Connectivity projects, 40 projects were transferred to RVNL in May /June 2003 and of these, only 19 projects (47.5 per cent) were completed as on date. The remaining 21 projects were still in progress. Despite poor progress of projects, Ministry of Railways transferred 19 more projects to RVNL between January 2006 and March 2010 leaving 40 projects yet to be completed.

3.12 As of March 2010, 24 projects were in the preliminary stage pending finalisation of location survey, preparation of cost estimates, acquisition of land etc. The physical progress in respect of seven out of balance 16 projects was less than 50 per cent. Bulk of the projects suffered from inordinate internal delays in the tendering process, finalisation of drawings for the bridges etc., which were avoidable. Audit has observed that poor performance of the contractors had also adversely affected the execution of the projects and the project management practices of RVNL were inefficient, though RVNL was expected to bring in superior project management practices.

3.13 Considering the basic objective of RVNL, the Sub-Committee desired to know, why the Railways did not take up the issue (with RVNL) of slow progress in executing projects. The Ministry informed that for any railway project, it takes about 4-5 years from conception to commissioning involving preparation of DPR, final location survey, preparation of design and drawing and their approval from railways, acquisition of land, awarding of tender, completion and commissioning of work. It may also be mentioned that the progress of works transferred to RVNL has also been affected due to land acquisition problems; forest clearance; change in scope of work; local law and order problems etc.

3.14 Elaborating the issue, the representative of the Ministry during evidence submitted as under:

> "They are delivering projects faster than the Railway Construction Unit because they have been empowered more. Their BoD has all the powers. Their MD has most of the powers, which even the Board Members do not have because we are all bound by certain rules of the Government of India and they are a little more free being a Corporation. So, their delivery is also faster. I am sure that in times to come they will further give better performance."

3.15 In reply to a query of the Sub-Committee, the Ministry stated that various monitoring mechanism exist to monitor the progress of works and prevent/minimize the delays of projects being executed by RVNL.

3.16 On being asked to explain about the progress of projects duly indicating the original cost, revised cost, actual expenditure incurred and progress (physical and financial) in per cent terms, and reasons for delays against each project, the Ministry in their reply submitted as under :—

> "Out of the 40 projects and 2 material modifications to be completed as of March, 2010, RVNL has fully completed 6 projects upto 31st December, 2011. From the same it may be seen that 8 projects have been delayed on account of land acquisition, forest clearance and law & order problems. 5 projects are being funded through 2nd ADB loan which is yet to be signed. The ADB loan has been recently approved and tenders have been invited for these 5 projects. The delay in the execution of these projects is due to delay in the sanctioning in the approval of the ADB loan."

(ii) Execution of projects through SPVs

3.17 The MoU allowed RVNL to create project specific Special Purpose Vehicles (SPVs) or any other financial structure considered suitable for a particular project. The SPV envisaged equity participation of RVNL and strategic partners. The funds required for the projects were to be raised through market borrowings. Out of eight projects planned to be implemented by creating SPVs, five SPVs relating to port connectivity works had since been formed and could mobilise ₹ 701.30 crore through the strategic partners of these SPVs, which constituted just 25 per cent of the funds required (₹ 2846 crore) to complete these projects. Audit noticed inadequate planning and poor monitoring which led to delays and cost overrun thereby defeating the basic objective of assigning projects to RVNL for fast track implementation.

3.18 The Sub-Committee desired to know the reasons for poor response from the investors for participating in project specific SPVs. The Ministry in their reply stated as under :—

> "Investment in SPVs is to be funded through equity participation by the stakeholders and debt to be raised by SPV from the financial institutions. In the 5 SPVs which have been formed by RVNL, the response from the stakeholders has been satisfactory. In all the 5 SPVs, the investment required is to the tune of ₹.4,324 crore, out of which ₹1,330 crore is to be funded from equity and ₹ .2,994 crore to be funded through debt to be raised from the market. The stakeholders have already contributed an equity of ₹ 942 crore (approx.) out of the equity requirement of ₹ 1,330 crore."

3.19 Regarding failure of RVNL in mobilizing resources, the representatives of the Ministry during evidence stated as under : —

"That mandate of RVNL was also to mobilize resources from market and fund the projects. However, a limited work has been done on this. Actually, when the Board of Directors of RVNL was formed in 2005-06, at that time the financial position of the Railways was very good and it was considered that when a lot of money can be sourced by Railways then why to take loan from the market at 7-8 percent. Therefore, Railways started funding RVNL. But now, our position is not good and it is considered that RVNL should raise funds from the outside. Inspite of that RVNL has formed 5 SPVs where appropriately ₹ 4000 crore will be required. Based on the progress the funds are being collected from the partners."

3.20 As regards the extant status about the Projects on the SPVs, the Ministry stated that as on date of report, the Company has five joint venture SPVs.

IV. FUNDING OF PROJECTS

3.21 The Ministry of Railways envisaged a budgetary support of only 25 per cent or ₹ 3000 crore (including ₹ 1500 crore loan from ADB) in the initial funding plan itself and the balance was planned to be raised by borrowings from the market and through public private partnership. For this purpose, eight projects were planned to be implemented by creating SPVs through equity participation with strategic investors. Audit scrutiny disclosed that the funding of projects was initially met from the funds released by the Ministry of Railways in the form of paid up capital (equity). Subsequently, funds were released from the Capital Fund and also as a project advance from the years 2006-07 and 2008-09 onwards respectively.

3.22 Analysis of funds released to RVNL *vis-à-vis* financial plan envisaged initially revealed that the MOR released ₹5440.02 crore as budgetary support (which included paid up capital ₹ 2085.02 crore and Project Advance ₹3355 crore) till March 2010 as against the budgetary support of ₹ 3000 crore planned *ab-initio* in 2003. Budgetary Support by Ministry of Railways thus formed 68 per cent of the total project cost of RVNL against the 25 per cent planned initially.

3.23 Since MoU entered into between Indian Railways and RVNL does not contain any provision for release of funds to RVNL as "Project Advance", the Sub-Committee enquired as to why the Ministry released an amount of ₹3355 crore to RVNL as "Project Advance" without any interest liability on RVNL's part. The Ministry replied as follows: —

"At the time of framing of MoU with RVNL it was envisaged that the funds for execution of projects would be raised by RVNL by leveraging the equity base provided by Ministry of Railways. However, later a conscious decision was taken by Railway Board to fund the various projects from its own resources. The extent of market borrowing was restricted to loans from IRFC for specific projects.

RVNL has been assigned execution of railway projects for and on behalf of Ministry of Railways. Thus, the funds for execution of the projects have been provided to RVNL by the Ministry of Railways sanctioned through the Railway Budget. The money is paid as Project Advance to RVNL to incur expenditure involved in execution of the project which is to be transferred to the Railways on the completion of the projects. The funds are released as Advance as the ownership of the asset created by RVNL on completion lies with the Railways, and RVNL does not have an independent revenue stream from operation of the asset for repayment of any funds taken as 'loan'."

3.24 In August 2004, Ministry of Railways permitted borrowings only through IRFC and decided to bear full responsibility for the repayment of the principal and cost of borrowing on the funds borrowed from IRFC. RVNL had borrowed funds aggregating to ₹ 1871 crore from IRFC as on March 2010. The decision of the Ministry of Railways allowing RVNL to borrow from IRFC narrowed the scope of raising market borrowings. Review of records in Railway Board revealed that Indian Railways released funds to RVNL to meet its repayment liability towards funds borrowed from IRFC. The total liability against a loan amount of ₹ 968 crore extended by IRFC (to RVNL) in 2005-06 and 2006-07 was assessed at ₹ 1245 crore which included the interest accrued.

3.25 One of the primary objectives in setting up RVNL was to generate additional resources through market external borrowings for project financing to overcome the Indian Railway's bottleneck of budgetary constraints in meeting the demand of the huge throw-forward of projects. The Sub-Committee enquired why Railways permitted RVNL to borrow funds from IRFC. The Ministry replied as follows : —

"When RVNL was set up, some debt funding requirements had been identified. The option before the Ministry of Railway was to either permit RVNL to enter the financial markets directly and borrow or make use of its existing dedicated market borrowing arm *viz*. IRFC. Decision to assign responsibility of debt financing of RVNL to IRFC was taken with the following objectives in view:—

- IRFC was a well known name in the market with strong reputation and raising the debt funding requirements from the market could be done by them more conveniently and more professionally;
- Given the highest possible credit ratings of IRFC, the cost of borrowing would be competitive. Since the repayment obligation was to lie with MOR only, this would be the cheaper option;
- In the event of RVNL entering the market directly, it would need some support from MOR, either in the form of a guarantee or any other form. MOR was not in favour of that. Also, in such a scenario, there would be two of entities owned by MOR *viz*. IRFC and RVNL entering the financial markets based on the strength of backing of MOR. While the pricing obtained by RVNL would have been higher as compared to normal cost incurred by IRFC, this would also have had some adverse impact on the cost of borrowing of IRFC. In the final analysis, MOR would have incurred a higher cost for servicing its debt obligations towards both IRFC and RVNL.

The system of IRFC providing debt financing support to RVNL has worked satisfactorily in the overall interests of MOR and is being continue."

3.26 When Sub-Committee asked whether any mechanism has been put in place to ensure the maintenance of records and Accounts (by RVNL) to identify the goods and services financed out of the ADB loan, the Ministry replied that ADB has part financed specific projects as per the loan terms and conditions. The expenditure made by RVNL is reimbursed by ADB through Controller of Aid Audit and Accounts (Ministry of Finance) as per the percentage specified in the loan agreement. As such, there are no specific goods and services of a project that can be identified as financed out of the ADB loan.

V. HANDING OVER OF COMPLETED PROJECTS

3.27 In April 2006, Ministry of Railways decided that after physical completion of a project by RVNL, the assets should be straightaway transferred to the concerned Zonal Railways at the value of the capital assets in their Block Account. Thereafter, the Zonal Railways concerned would own the assets and provide for their maintenance, depreciation etc. as in the case of assets created by Railways themselves. Audit, however, revealed that though 19 projects had been completed and commissioned, the formal transfer of projects to the concerned Zonal Railways has not taken place. Pending finalisation of the methodology for accounting of the completed projects in the Accounts of RVNL, the value of capital assets of projects commissioned and physically transferred to Zonal Railways was yet to be included in the Block Account of Railways. Despite the existence of RVNL since 2003, Ministry of Railways was yet to finalise the modalities for effecting transfer of completed projects from RVNL.

3.28 The Ministry of Railways was unable to finalize the modalities for effecting transfer of completed projects from RVNL. The Sub-Committee desired to know the reasons thereof. The Ministry stated that the projects which are completed/partially commissioned are physically handed over to the Zonal Railways for operation and maintenance from the date of commissioning itself. However, the modalities of the financial adjustments to be carried out are under finalization as the implications of certain accounting issues are required to be examined in detail.

3.29 As the modalities has not been finalized, the Sub-Committee enquired as to how these completed works are being reflected in the Balance Sheet of RVNL. The Ministry in their reply stated that the advice of Statutory Auditor and CAG the value of fully completed projects funded from other than IRFC loan, have been reduced by RVNL from the work in progress and the amount is reflected in the Notes to Accounts. With regard to IRFC projects, these projects are appearing as works in progress of RVNL and will be accounted for as per the modalities to be finalized by Ministry of Railways.

3.30 In respect of completed projects where ownership has not been transferred to Railway, the Committee was informed that a project is considered physically handed over to the Railways for operation and maintenance on the date of commissioning of the project/part project.

Observations/Recommendations

3.31 The Committee note that Rail Vikas Nigam Limited (RVNL), a Special Purpose Vehicle, was constituted in January, 2003 under the Companies Act, 1956 primarily to develop and implement four types of projects— (i) port connectivity; (ii) strengthening of Golden Quadrilateral and its diagonals; (iii) rail connectivity to hinterland; and (iv) mega bridge projects and other such bankable projects covered under National Rail Vikas Yojana (NRVY). The Memorandum of Undertaking between the Ministry of Railways and RVNL was entered into on 16 October, 2003 which laid down the roles and responsibilities of both RVNL and the Ministry. Audit examination of Rail Vikas Nigam Limited revealed that even after more than nine years of its inception, RVNL continued to be largely dependent on the resources of Railways; the mobilization of resources was inadequate; its performance on project execution and management was inefficient as they were plagued by delays and there were cost overrun.

3.32 The Committee's examination revealed that the Ministry deviated from the assigned role and responsibilities by transferring projects not covered under National Rail Vikas Yojana (NRVY). Further, the Ministry continued to transfer additional projects to RVNL without adequate assessment of their financial viability. 13 projects initially entrusted to RVNL were transferred back to the Indian Railways as these were considered financially unviable on the basis of bankability studies. The Ministry of Railways acknowledged that in some cases bankability had not been assessed at the time of formation of RVNL and thus the above 13 projects were returned by RVNL to the Ministry after the financial viability of these projects could not be established. The Committee also observe that though RVNL was established to undertake projects of NRVY, as many as 19 projects transferred did not form part of the NRVY and were beyond the mandate of RVNL. The Ministry justified transferring of such projects to RVNL since NRVY was a programme and not a project specific scheme. The Committee regret to point out that frequent change in transfer of projects to RVNL rendered the planning process weak and displayed *adhocism* in decision making which adversely affected the pace of implementation. The Committee desire that the Railways strengthen their planning process, prevent *adhocism* in decision making so that programmes and projects once approved are executed within the given time frame by the designated agencies and the Committee apprised.

3.33 The Committee are dismayed to note that bulk of the projects transferred to RVNL suffered from inordinate delays. Out of 59 Golden Quadrilateral and Port/ Hinterland connectivity projects, 40 projects were transferred to RVNL in May/ June, 2003 and of these only 19 projects (47.5 per cent) were timely completed and the remaining projects were stated to be under progress. Despite fully aware of the slow progress of projects, the Ministry transferred 19 more projects to RVNL between January, 2006 and March, 2010 leaving 40 projects to be completed. The Ministry attributed the delay due to land acquisition problems, forest clearance, change in scope of work and other connected issues. It was also submitted that regular meetings were held at Railway Board with RVNL officials to monitor the progress of projects. The Committee are, however, unhappy to note that many projects suffered delays for

lack of coordination between the Ministry and RVNL officials. While emphasizing the need for better coordination with RVNL for fast track implementation, the Committee also recommend that an effective system be evolved for monitoring the progress of projects and the Committee apprised.

3.34 The Committee observe that the MoU entered into between Indian Railways and RVNL does not contain any provision for release of funds to RVNL as 'Project Advance'. Till 31 March, 2010 an amount of Rs.3355 crore stands released to RVNL as 'Project Advance' without any interest liability on RVNL's part. The Committee were informed that the money is paid as `Project Advance' to RVNL to incur expenditure involved in execution of the project which is to be transferred to the Railways on completion of projects. The funds are released as advance as the ownership of the asset created by RVNL on completion lies with the Railways and RVNL does not have an independent revenue stream for operation of asset for repayment of any funds taken as 'loan'. The Committee also note that subsequent to the formation of RVNL, a number of changes in the financial structure and scope were made by the Ministry which were against the original objectives of formation of RVNL. In August, 2004 Ministry of Railways permitted borrowings only through Indian Railways Finance Corporation (IRFC) and decided to bear full responsibility for the repayment of the principal and cost of borrowings on the funds received from IRFC. The Ministry justified the borrowings from IRFC stating that the option was to either permit RVNL to enter the financial markets directly and borrow or make use of its existing dedicated market borrowing *viz.* IRFC. Apparently, the RVNL was largely ineffective in performing one of its core functions *i.e.* generating additional resources and resource mobilization from external sources. To enable RVNL to discharge one of its core functions, the Committee desire thaat the Ministry of Railways should impress upon RVNL to make innovative efforts to generate additional resources in accordance with mandate given to it.

3.35 The Committee are deeply concerned to note that though RVNL has been in existence since 2003, yet Ministry of Railways is yet to finalize the modalities for effecting transfer of completed projects from RVNL for including in the Block Account of Railways. The Ministry in April, 2006 decided that after physical completion of the project by RVNL, the assets should be straightaway transferred to the concerned Zonal Railways at the value of the capital assets in their Block Account. The examination of the subject revealed that 19 projects which had been completed and commissioned, the formal transfer of these projects to the concerned Zonal Railways has not taken place. About the delay in handing over of completed projects, the Ministry informed the Committee that the modalities of the financial adjustments to be carried out are under finalization as the implications of certain accounting issues are required to be examined in detail. The reply of the Ministry is unacceptable since modalities of financial adjustments, which are administrative issues, should have been finalized on priority basis. The Committee recommend that the modalities for effecting transfer of completed projects from RVNL should be finalized within definite timelines and the Committee apprised accordingly.

NEW DELHI;
28 *December*, 2012
7 *Pausa,* 1934 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE–IV OF THE PUBLIC ACCOUNTS COMMITTEE (2011-12) HELD ON 21ST FEBRUARY, 2012

The Sub-Committee sat on Tuesday, the 21st February, 2012 from 1500 hrs. to 1700 hrs. in Room No. 62, Parliament House, New Delhi.

PRESENT

Shri Anant Kumar Hegde — *Convenor*

MEMBERS

Rajya Sabha

2. Shri Prasanta Chatterjee

3. Shri J.D. Seelam

SECRETARIAT

1. Shri H.R. Kamboj— *Addditional Director*

Eesentatives of the Office of the Comptroller and Auditor General of India

1.	Ms. R. Rajalakshmi	—	Director General (Railways)
2.	Ms. Divya Malhora	—	Principal Director (RBA)

Representatives of the Ministry of Railways

1.	Shri A.P. Mishra	—	Member Engineering, Railway Board
2.	Ms. Vijaya Kanth Financial	—	Commissioner, Railways
3.	Shri K.K. Srivastava	—	Member Traffic, Railway Board

2. At the outset, the Convenor, Sub-Committee-IV of the Public Accounts Committee, welcomed the Members of the Committee, the Audit Officers and the representatives of the Ministry of Railways to the sitting of the Sub-Committee convened for briefing on the subjects 'Railways Finances' based on C&AG Report 33 of 2010-11 and 'Tatkal and Advance Reservation System in Indian Railways', 'Construction of New Lines on socio-economic considerations', 'Excessive Delays in Maintenance of Locomotives' and 'Functioning of Rail Vikas Nigam Limited'. He also drew the attention of the representatives to Direction 55(1) relating to confidentiality of the matter till the report is presented to the House.

3. The representative of the Ministry of Railways then briefed the Sub-Committee on various issues relating to the subject which *inter alia* include measures being taken to increase traffic receipts, issues related to construction of new lines on socio-economic considerations, functioning of Rail Vikas Nigam Limited and working of Tatkal and Advance Reservation System. They also responded to the various points raised by the members of the Committee.

4.1 The Convenor thanked the representatives of the Ministry for appearing before the Sub-Committee and furnishing the information on the subject.

The witnesses then withdrew.

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

The Sub-Committee then adjourned.

APPENDIX II

MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE–II OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 24TH SEPTEMBER, 2012

The Sub-Committee sat on Monday, the 24th September, 2012 from 1100 hrs. to 1245 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Anant Kumar Hegde — *Convenor*

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri H.R. Kamboj — *Additional Director*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. R. Rajalakshmi — Director General (Railways)

REPRESENTATIVES OF THE MINISTRY OF RAILWAYS (RAILWAY BOARD)

1. Shri Vinay Mittal — Chairman, Railway Board
2. Ms. Vijaya Kanth — Financial Commissioner, Railways
3. Shri A.P. Mishra — Member Engineering, Railway Board
4. Shri Keshav Chandra — Member Mechanical, Railway Board
5. Shri K.K. Srivastava — Member Traffic, Railway Board
6. Shri Kul Bhushan — Member Electrical, Railway Board

2. At the outset, the Convenor, Sub-Committee-II of the Public Accounts Committee, welcomed the Audit Officers and the representatives of the Ministry of Railways to the sitting of the Sub-Committee convened to take evidence of the representatives of the Ministry of Railways (Railway Board) on the subjects 'Tatkal and Advance Reservation System in Indian Railways', 'Excessive Delays in Maintenance of Locomotives', 'Civil Engineering Workshops in Indian Railways', 'Delay in building the new rail bridge over River Sone' and 'Signal and Telecommunication' based on C&AG Reports No. 34 of 2010-11 and No. 32 of 2012-13 respectively. He also drew the attention of the representatives to Direction 55(1) relating to confidentiality of the matter till the report on the subjects is presented to the House. Thereafter, he raised the points on the subjects of discussion.

3.*** *** ***

4. With regard to 'Excessive Delays in maintenance of Locomotives', the representatives of the Ministry explained the measures taken to improve the infrastructure in the diesel locomotives, training to staff, changes in the design and engineering to improve the system.

5.*** *** ***

6.*** *** ***

7.*** *** ***

8. The Convener thanked the representatives of the Ministry for appearing before the Sub-Committee and furnishing the available information on the subjects.

The witnesses then withdrew.

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

The Sub-Committee then adjourned.

*** Not related to this Report

APPENDIX III

MINUTES OF THE TWENTIETH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 28TH DECEMBER, 2012

The Committee sat on Friday, the 28th December, 2012 from 1500 hrs. to 1610 hrs. in Room No. '62', Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Bhartruhari Mahtab
5. Shri Shripad Yesso Naik
6. Shri Abhijit Mukherjee

Rajya Sabha

7. Shri Prasanta Chatterjee
8. Shri Satish Chandra Misra
9. Shri Sukhendu Sekhar Roy
10. Shri J.D. Seelam
11. Shri N.K. Singh
12. Prof. Saif-ud-Din Soz

SECRETARIAT

1. Shri Devender Singh — *Joint Secretary*
2. Shri Abhijit Kumar — *Director*
3. Ms. Miranda Ingudam — *Under Secretary*
4. Shri A.K. Yadav — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri P. Sesh Kumar — Director General (C)
2. Shri Nand Keyolar S. — Director General
3. Ms. R. Rajalakshmi — Director General

4. Ms. Divya Malhotra	—	Director General
5. Shri Jayant Sinha	—	Principal Director (RC)
6. Ms. Geetali Tare	—	Principal Director
7. Shri Maneesh Kumar	—	Principal Director

2. At the outset, the Chairman welcomed the Members and the representatives of the Office of the Comptroller and Auditor General of India to the sitting of the Committee. The Chairman, then, apprised that the meeting was convened to consider and adopt the six Draft Reports circulated to them by the Secretariat.

3. The Committee then took-up the following Draft Reports one by one for consideration:

(i) *** *** *** ***

(ii) *** *** *** ***

(iii) *** *** *** ***

(iv) Draft Report on "Construction of New Lines on Socio-Economic Consideration", "Excessive Delays in Maintenance of Locomotive" and "Functioning of Rail Vikas Nigam Limited" based on the C&AG Report No. 34 of 2010-11:—

(v) *** *** *** ***

(vi) *** *** *** ***

4. *** *** *** ***

5. During the further course of consideration, some Members suggested minor modifications in the draft Original Reports. After some discussions and deliberations, the Committee adopted all the Draft Reports and authorized the Chairman to finalise these Reports in light of the factual verifications received from the Audit, if any, and present the same to the Hon'ble Speaker on a date convenient to him.

6. The Chairman thanked the Members for their valuable suggestions on the Draft Reports and active participation in the consideration and adoption of the Reports.

The Committee, then, adjourned.

*** Not related to this Report.

GMGIPMRND—4679LS—04-03-2013.