

**FIFTY-FOURTH REPORT**  
**PUBLIC ACCOUNTS COMMITTEE**  
**(2016-17)**

(SIXTEENTH LOK SABHA)

**RAILWAYS FINANCES**

[Action taken by the Government on the Observations/  
Recommendations of the Committee contained in  
their Fifteenth Report (16th Lok Sabha)]

MINISTRY OF RAILWAYS  
(Railway Board)



*Presented to Lok Sabha on:*

*Laid in Rajya Sabha on:*

.....  
22 NOV 2016  
.....

LOK SABHA SECRETARIAT  
NEW DELHI

November, 2016/ Kartika. 1938 (Saka)

## CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17)	(iii)
INTRODUCTION .....	(iv)
CHAPTER I      Report .....	1
CHAPTER II*    Observations/Recommendations which have been accepted by the Government .....	
CHAPTER III*   Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government .....	
CHAPTER IV*    Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration .....	
CHAPTER V*    Observations/Recommendations in respect of which the Government have furnished interim replies .....	

## APPENDICES\*

- I      Minutes of the 11<sup>th</sup> Sitting of Public Accounts Committee (2016-17) held on 23<sup>rd</sup> August, 2016.
- II     Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Fifteenth Report (Sixteenth Lok Sabha)

---

*\*Not appended to the cyclostyled copy of the Report*

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2016-17)**

**Prof. K.V. Thomas** - **Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Nelphiu Rio
10. Shri Janardan Singh Sigiwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

**RAJYA SABHA**

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Shri Shantaram Naik
20. Shri Sukhendu Sekhar Roy
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav\*

**SECRETARIAT**

- |    |                     |   |                      |
|----|---------------------|---|----------------------|
| 1. | Shri A.K. Singh     | - | Additional Secretary |
| 2. | Shri S.C. Chaudhary | - | Joint Secretary      |
| 3. | Shri Tirthankar Das | - | Additional Director  |
| 4. | Shri A.K. Yadav     | - | Deputy Secretary     |

---

\* Elected w.e.f. 09.08.2016 vice Shri Vijay Gael, MP appointed as Minister of State w.e.f. 05.07.2016.



## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2016-17) having been authorised by the Committee, do present this Fifty-Fourth Report (Sixteenth Lok Sabha) on action taken by the Government on the Observations/Recommendations of the Committee contained in their Fifteenth Report (Sixteenth Lok Sabha) on '**Railways Finances**' based on the C&AG Report No. 12 of 2013 (Performance Audit) Union Government for the year ended March, 2012 related to the Ministry of Railways.

2. The Fifteenth Report was presented to Lok Sabha on 27 April, 2015 and laid in Rajya Sabha on 28 April, 2015. Replies of the Government to the Observations/Recommendations contained in the Report were received on 11 July, 2016. The Public Accounts Committee considered and adopted the Fifty-Fourth Report at their sitting held on 23 August, 2016. Minutes of the sittings 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 C&AG of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Fifteenth Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;  
16 November, 2016  
25 Kartika, 1938 (Saka)

PROF. K.V. THOMAS  
Chairperson,  
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 Fifteenth Report (Sixteenth Lok Sabha) on "Railways Finances" based on the C&AG Report No. 12 of 2013 (Performance Audit) Union Government for the year ended March, 2012 relating to the Ministry of Railways.

2. The Fifteenth Report (Sixteenth Lok Sabha) was presented to Lok Sabha on 27 April, 2015 and laid in Rajya Sabha on 28 April, 2015. It contained 10 Observations/ Recommendations. Action Taken Notes in respect of all the Observations/ Recommendations have been received from the Ministry of Railways (Railway Board) almost after an year's delay from the date of presentation of the original Report and categorized as under:

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

Paragraph Nos. 1, 2, 3, 4, 5, 6, 9 and 10

Total: 08  
Chapter- II

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

Paragraph Nos. 7 and 8

Total: 02  
Chapter- III

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

- Nil -

Total: NIL  
Chapter- IV

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

- Nil -

Total: NIL  
Chapter- IV



3. The Action Taken Notes furnished by the Ministry of Railways (Railway Board) on the observations/recommendations of the Committee contained in their Fifteenth Report (16<sup>th</sup> Lok Sabha) 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 made in the Original Report which either need further commend or reiteration.

**Need to explore measures for revenue generation**  
(Recommendation Para No. 3)

4. The Committee in their original Report had expressed concern that the losses incurred by the core activity of passenger and other coaching services increased from Rs. 7309.26 crore in 2006-07 to a huge Rs. 20,948.35 crore in 2010-11. The rail fare is comparatively lower to Government controlled bus fares in the country. The IR has since increased its fare on freight as well as passengers including the suburban one and the Committee were assured that loss incurred previously is likely to be overcome in the current year. The Committee expected that the steps taken by IR to increase on their earnings through their core activities i.e. freight and passenger traffic, would improve their financial position. On the other side, the Committee note that since IR has about 13 lakh employees and it has incurred expenditure of Rs 58,680 crore as on 31.03.2012 towards their salary and pensions etc. there is a need to review their contribution towards enhancing IR's financial health too. The Committee had, therefore, desired the Railways not only to continue rationalizing both freight and passenger tariffs, which should commensurate with the facilities provided but also to ensure optimum utilization of its manpower. They had also desired the Indian Railways to continue exploring new avenues to recover the cost from its services to generate surplus to meet its future requirements. The Committee also concurred with the view that the rollback of increase in fares, once decided upon and implemented, upsets the estimation and thus should be avoided. They liked to be apprised of the tangible impact these measures had on the railway earnings in the next fiscals, i.e., 2012-13 and 2013-14, at the action taken stage.



5. The Ministry of Railways in their reply have furnished as under:

"It has been a continuous endeavour of the Railways to increase earnings from passenger and freight segments by targeting higher throughput and resorting to revision/rationalisation of fare and freight rates. Passenger fares were revised during 2012-13, 2013-14 and 2014-15 while the freight rates were revised during 2013-14, 2014-15 and 2015-16. The above increases had a positive impact on Railways' earnings which helped its financial position to improve. Passenger earning grew by 16.6% and 15.5% during 2013-14 and 2014-15 respectively compared to just 9.5% and 10.9% during 2011-12 and 2012-13 respectively. Freight earning grew by 10.1% and 12.6% during 2013-14 and 2014-15 respectively. Further, with a view to raising resources to meet the increasing working expenses and to generate higher internal resources for plan expenditure, freight rates were rationalized during 2015-16 also. Despite the above measures, Railways are estimated to bear a net loss of about Rs. 25,912 cr during 2014-15 (Revised Estimates) on coaching services and on essential commodities carried below cost of operation.

In Budget 2015-16, various initiatives have been announced for the improvement of management processes, systems and HRD. It has been proposed to link key activities to global benchmarking, to audit train operations, and to undertake a human resource audit. Further, it has been proposed to set up a mechanism which will be entrusted with making regulations, setting performance standards and determining tariffs.

Due emphasis is being given to manpower planning and staff rationalisation on Indian Railways. Zonal Railways are consistently asked to surrender vacancies in non-safety non-essential categories, identify pockets of surpluses and redundancies for activities which have become redundant or obsolete due to technological upgradation and changes in working system, and right size activities as per benchmarking norms. Zonal Railways have also been given a target to achieve 1% reduction in staff sanctions annually, assuming a 3% annual natural attrition, to reach an equilibrium level of right-sized staff strength. To improve staff productivity, it is proposed to analyse manpower deployment by reviewing activity-based yardsticks of all departments to arrive at adequate number of staff requirement. Further, to rationalise manpower it is proposed to conduct a study of the manpower pattern as existing on Indian Railways and given the technological development/changes in operational and maintenance practices, what should be the optimal level of manpower for each activity centre and what should be the overall manpower requirement on Indian Railways in the coming years."

6. The Ministry of Railways have further informed that regarding Human Resource Audit, they have entrusted the study for preparation of rational manpower policy with reference to gazetted cadre on Indian Railways by engaging an outside consultant for the purpose. National Academy of Indian Railways/Vadodara will



coordinate the entire exercise of preparation of rational manpower policy. Tender has since been finalized and awarded. The study is restricted to Gazetted officers Cadres only.

7. The Committee have been informed that there is a continuous endeavour on the part of Railways to increase earnings from passenger and freight segments by targeting higher throughput and resorting to revision/rationalization of fares and freight rates. The Committee are of the opinion that instead of increasing rates of fare & freight charges for improving its financial position and burdening common man with fare-hike and consequential rise in prices of essential commodities, the Railways should explore other measures of revenue generation such as commercial publicity and commercial usage of idle/vacant land so that the revenue earnings can be utilized for upkeep and development of Railway infrastructure. The Committee feel that such an effort on the part of the IR will not only augment the earnings but will also help minimize its losses to a great extent. With respect to Human Resources Audit, the Committee are dismayed to note that Ministry of Railways have entrusted the study for preparation of rational manpower policy with reference to only the gazette cadre on Indian Railways by engaging an outside consultant for the purpose. They feel that considering the size and nature of the workforce among the non-gazetted cadre in the Railways, rationalization of manpower would be more appropriate for the non-gazetted cadre. The Committee would like to be apprised of the outcome of the proposed study undertaken for the gazetted cadre on Indian Railways. They also urge upon the Ministry to devise a definite timeline for conducting a similar study for the non-gazetted cadre in Indian Railways under intimation to this Committee.

#### **Commercial Publicity and earnings through assets of Railways**

(Recommendation No. 5)

8. The Committee in their original Report had expressed their view there is considerable scope to increase revenue earned by IR through efficient utilization of its huge land bank and other assets. They had noted from the audit review that sundry earnings of IR can be augmented if bills from realization of rent of buildings, license fee are raised and realized in a timely manner with proper revision wherever



due. A drop in such earnings was noticed in 2011-12 when it grew around 8 percent only as against 15 per cent in 2010-11. The Committee, therefore, recommends Railways to conduct an assessment of all the cases of licensing/renting of its assets for timely revision/raising of bills and realization of dues including arrears if any. They also liked the Railway to effectively pursue the cases of unrealized earnings pending under traffic suspense mainly on account of traffic and demand recoverable. The Committee were of the view that the Railways can generate good revenue by selling space for advertising in its coaches, stations, tickets, information booklets etc. They had urged the Ministry of Railways to urgently assess their potential in this direction and prepare a suitable plan for early implementation.

9. The Ministry of Railways have furnished their reply as under:

"It is Railway's constant endeavour to reduce the arrears of execution of land lease agreements/licensing agreement etc. on railway land. Railway's concerted efforts in this regard have resulted in total earnings of Rs. 1313 crores during 2014-15 from conventional usage of railway land which is about 20.5% more than the earnings of 2013-14.

Accretion and clearance of unrealized earnings under Traffic Suspense and Demands Recoverable is a continuous process. Railways have standing instruction to review all the cases of licensing/renting of its assets for timely revision/raising of bill and concurrent realization of dues including arrears. Instructions have been reiterated to the Railways in this regard (Annexure-I).

To facilitate effective monitoring of contractual receipt and ensure timely payment and prompt renewal of contract a computer based Commercial Contract Management System (CCMS) has been sanctioned in the Works Programme 2014-15 at the cost of Rs. 4.17 crores. Centre for Railway Information System (CRIS) will be developing the software.

In view of the perceived high potential earnings from Commercial Publicity, a Force under the Chairmanship of Member Traffic has been constituted for realistic assessment of potential and to suggest strategies for enhancement of revenue through commercial publicity by leveraging the assets owned by Indian Railways."

10. The Ministry of Railways have further informed that a Task Force on revenue enhancement through publicity in Indian Railways was constituted with the approval of Hon'ble Minister for Railways. The Task Force comprised of GM/Central Railway, Adviser (Infra), Adviser (Finance), CMD/IRCTC, MD/RITES, Member Traffic and Executive Director (Passenger Marketing) as Member Secretary. In pursuance of



in principle approval accorded by Railway Board to the recommendations made by the Task Force, RITES has been directed to initiate the process of hiring a Professional Media Market Evaluation Agency (PMMEA) which would assess the earning potential/value of select media assets of Indian Railways.

11. The Committee note that constant endeavour on the part of Railways to reduce the arrears of execution of land lease agreements/licensing agreement et. on railway land have resulted in total earnings of Rs. 1313 crores during 2014-15 from conventional usage of railway land which is about 20.5 percent more than the previous year. To facilitate effective monitoring of contractual receipt and ensure timely payment and prompt renewal of contract, a computer based Commercial Contract Management System (CCMS) has been sanctioned in the Works Programme 2014-15 at the cost of Rs. 4.17 crore and Centre for Railway Information System (CRIS) has been entrusted with the task of developing the software. Further, a Task Force on revenue enhancement through publicity in Indian Railways was constituted and in pursuance of in-principle approval accorded by the Railway Board to the recommendations made by the Task Force, RITES has been directed to initiate the process of hiring a Professional Media Market Evaluation Agency (PMMEA) which would assess the earning potential/value of select media assets of Indian Railways. Appreciating the efforts/initiatives made/undertaken by the Indian Railways in this regard, the Committee desire the Railways to ensure that the development of CCMs and hiring of PMMEA is completed in a time bound manner. The Committee would like to be apprised of the development in this regard.

**Need to reduce subsequent additions and alternations in sanctioned works, over utilization of funds and timely and realistic assessment**  
(Recommendation No. 9)

12. The Committee had noted that IR deviated from its own laid down guidelines for making investment decision as cases of excess/savings in doubling, new line and gauge conversion projects as well as inclusion of works as Material Modification Works to an existing work have been pointed out by the Audit. The Ministry, however had defended its decisions before the Committee by emphasizing that no new work/investment was undertaken without the approval of the Parliament



and that modifications to existing work are undertaken as Material Modification to sanctioned work, which is in line with the Indian Railways Engineering Code rules. The Committee had, however, find that despite taking approval of the competent authority by following laid down procedure, excess expenditure and savings/surrender of funds were noticed to a large extent which itself is indicative of the fact that funds allocated were not optimally utilized for the desired purpose thus defeating the objective of judicious allocation of available resources. The Committee had, therefore, urged the IR to reduce the need for subsequent additions and alterations in sanctioned works to the minimum and improve its monitoring mechanism over utilization of funds and timely and realistic assessment of their requirement particularly at the Zonal Railway level.

13. The Ministry of Railways in their reply furnished as under:

"Point is noted. Indian Railway is predominantly following the guidelines while undertaking material modification/additions and alterations in sanctioned works. Generally those works are considered for addition/alterations which can enhance the benefits of original sanctioned works. Periodic meeting at regional, zonal and Board level take place to analyze and monitor the utilization of funds.

Addition/alternatives is generally necessitated by new developments, change in traffic pattern, new projects in contiguous area, to reap full benefit of the project in question etc. However, it is endeavour of Indian Railway to reduce the need for subsequent addition/alteration to the extent possible. As regards utilization of funds, Railways have effective monitoring mechanism in place. On overall basis, there is no surrender/saving of funds allocated to project and excess, if any, is incurred after approval at different budgetary stages such as August review, Railway Budget etc."

14. The Committee find that although the Ministry have noted the point made by them in their recommendation, yet the reply tendered by them were indicative of the fact that additions and modifications to the original sanctioned work are taking place without approval of the competent authority in contravention of the laid down guidelines. The Committee feel that while according approval for any project/scheme, a proper survey is undertaken by taking into account all existing and future parameters and cost is determined after a careful scrutiny. They, therefore, express their displeasure over not determining either the cost or the scope of work realistically which necessitate subsequent alternation/addition thereby causing time and cost



overrun in various projects. Such lapses, they feel also point towards the existence of ineffective monitoring mechanism. The Committee, therefore, recommend that MOR should make all out efforts to reduce the instances of subsequent addition and alternation in the sanctioned projects so the cost overrun and time overrun is minimized and the work is completed in scheduled time.

-----

**APPENDIX-II**  
(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE  
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE  
CONTAINED IN THEIR FIFTEENTH REPORT (SIXTEENTH LOK SABHA)**

(i)	Total number of Observations/Recommendations	--	10
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government:  Para Nos. 1, 2, 3, 4, 5, 6, 9 & 10	--	Total : 08 Percentage: 80%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:  Para No. 7 & 8	--	Total : 02 Percentage: 20%
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:  - NIL -	--	Total: NIL Percentage: 0%
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies:  - NIL -	--	Total : NIL Percentage: 0%